Deka Group
Annual Report 2020

Finanzgruppe

Deka Group at a glance

BUSINESS DEVELOPMENT INDICATORS		31 Dec 2020	31 Dec 2019	Change (%)
Total assets	€m	85,509	97,282	–12.1
Total customer assets	€m	339,160	313,412	8.2
thereof retail customers	€m	167,159	158,749	5.3
thereof institutional customers	€m	172,001	154,662	11.2
Number of securities accounts	thousand	4,973	4,787	3.9
		2020	**2019**	
Net sales	€m	32,148	18,040	78.2
thereof retail customers	€m	12,600	11,117	13.3
thereof institutional customers	€m	19,548	6,923	182.4
PERFORMANCE INDICATORS				
Total income	€m	1,387.9	1,560.6	–11.1
Total expenses	€m	1,118.5	1,126.7	–0.7
Economic result	€m	269.4	434.0	–37.9
Total of profit or loss before tax	€m	385.5	410.7	–6.2
Balance sheet based return on equity (before tax)	%	5.5	9.0	–3.5 %-Points
Cost/income ratio	%	70.2	69.1	1.1 %-Points
RISK INDICATORS – NORMATIVE PERSPECTIVE		**31 Dec 2020**	**31 Dec 2019**	
Own funds (fully loaded)	€m	5,753	5,828	–1.3
Risk-weighted assets	€m	31,307	32,229	–2.9
Total capital ratio (fully loaded)	%	18.4	18.1	0.2 %-Points
Common Equity Tier 1 capital ratio (fully loaded)	%	14.2	14.2	0.0 %-Points
Leverage Ratio (fully loaded)	%	5.6	4.9	0.7 %-Points
MREL Ratio (balance sheet based)	%	25.2	22.0	3.2 %-Points
Subordinated MREL requirements (balance sheet based)	%	19.2	N/A	N/A
Liquidity Coverage Ratio (LCR)	%	185.6	170.6	15.0 %-Points
RISK INDICATORS – ECONOMIC PERSPECTIVE				
Risk appetite	€m	4,000	3,750	6.7
Total risk	€m	2,821	2,395	17.8
Utilisation of risk appetite	%	70.5	63.9	6.6 %-Points
RATING LONG-TERM (SHORT-TERM)				
Moody's		Aa2 (P-1)	Aa2 (P-1)	
Standard & Poor's		A+ (A-1)	A+ (A-1)	
SUSTAINABILITY RATING				
MSCI		AA	AA	
ISS-ESG		C+ (Prime)	C+ (Prime)	
Sustainalytics		17.8 Low-Risk	19.1 Low-Risk	
KEY EMPLOYEE FIGURES				
Number of employees		4,711	4,723	–0.3
Number of active employees		4,131	4,108	0.6

Definitions can be found in the Glossary.
Due to rounding, numbers and percentages presented in this report may not add up precisely to the totals provided.

Contents

Dear Shareholders and Investors,

2020 was a demanding and challenging year – for the business world and for society in general. With the coronavirus pandemic, capital markets, businesses and policymakers all around the world have been in crisis mode for many months.

The Deka Group's business model proved stable and resilient in this historically difficult environment – an important signal to our shareholders. At €269.4m, the economic result was down sharply on the previous year (€434.0m). Given the circumstances, however, profit performance was satisfactory. The Common Equity Tier 1 capital ratio at the close of 2020 stood at 14.2%. The regulatory requirement was clearly exceeded at all times.

In the first lockdown in mid-March, we had to move large parts of our workforce to working from home almost immediately. Our employees showed considerable dedication, ensuring, among other things, that our business continued to operate smoothly. Amid the market turbulence that followed the lockdown, we also remained close partners to the savings banks and our customers. This helped give investors the confidence to largely remain invested, allowing them to take advantage of the weak market to purchase more assets and benefit from the recovery on the capital markets as the year progressed. The Deka Group improved net sales by a total of €14.1bn to €32.1bn year-on-year. Total customer assets increased to €339.2bn.

The continued popularity of investment savings plans was encouraging: private investors signed up to around 776,000 new contracts in 2020 (net figure), taking the total number of contracts to more than 5.9 million. This trend shows that despite the difficult conditions, savings banks customers have continued to invest in funds – not least thanks to the sound advice provided by local savings banks. As the *Wertpapierhaus* for the savings banks, we will continue to systematically add innovative and contemporary concepts to our product range in the asset management and capital markets business. The long-term investment story of securities saving remains intact.

The coronavirus has shown us that we are living in a time of ever-faster change. Many social and economic trends that had already begun – digital processes, agile working and climate neutrality – accelerated even further in 2020. We want to anticipate these changes and make them part of our business model. With the Management Agenda 2025, we set the strategic direction and identified five action areas to make Deka an even more customer-focused, innovative and sustainable *Wertpapierhaus*. We are focusing, among other things, on innovative processes and platforms for sales, products and distribution channels as well as broader megatrends such as digitalisation and sustainability. These key disciplines will change our business decisively.

Sustainability – whether in the economic, environmental or social sense – is part of our traditional ethos in the *Sparkassen-Finanzgruppe* (Savings Banks Association). In 2020, we hit a milestone with our own carbon footprint by achieving climate neutrality. We plan to offer our expertise in this area to savings banks and institutional customers going forward to help them determine and offset their carbon footprint. With an accompanying product initiative, we have also launched a host of new sustainability products. Our range now encompasses all relevant asset classes.

Whether as a sustainable investor or provider of an increasing number of digital solutions for our customers: Deka sees itself as an innovation driver within the *Sparkassen-Finanzgruppe*. This approach will shape our business in many areas in the coming years – not least in the way we work together. Agility and "New Work" will be an important part of this cultural change. Based on our stable and crisis-proof business model and our enormous potential in the securities business, they will be key to Deka's continued growth and profitability.

Sincerely,

Dr. Georg Stocker

Dr. Matthias Danne

Birgit Dietl-Benzin

Daniel Kapffer

Martin K. Müller

Report of the Administrative Board for the 2020 financial year

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

Key issues of Administrative Board meetings
A total of four meetings took place in 2020, during which the Board of Management informed the Administrative Board about the Bank's current business trends and profit performance, its risk position and the Deka Group's strategic direction. One particular focus was on the impacts of the coronavirus pandemic and the related lockdown restrictions on the Deka Group and the actions and decisions taken by the Board of Management in response.

The Board of Management reported on and discussed business and risk strategies with the Administrative Board in accordance with the minimum requirements for risk management of German credit institutions (MaRisk). The Administrative Board approved the medium-term plan for the years 2021 to 2023 that was prepared on this basis and submitted by the Board of Management. The reports on the activities of Audit and Compliance, along with the remuneration report for the 2019 financial year, were also submitted to the Administrative Board.

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

The Administrative Board was provided with regular reports about the implications of developments in the international capital markets for the Bank's earnings, liquidity and risk position, as well as management measures taken by the Board of Management. The Administrative Board was also updated on the status of ongoing projects, particularly the vision for and further implementation of the new "Management Agenda 2025" strategic programme as well as the office plan for the Frankfurt/Main location. The Administrative Board also discussed matters concerning equity investments (including measures to strengthen the capital of a company in the equity investment portfolio and the acquisition of an investment company in Austria) and regulatory issues. Another key issue was the passing of resolutions on matters relating to the Board of Management.

The Administrative Board also looked at the recommendation of the ECB (supervisory authority) to refrain from distributing dividends to shareholders for the 2019 and 2020 financial years. This recommendation initially applied until 1 October 2020 but was later extended to 1 January 2021. In light of this, the

Administrative Board recommended to the Shareholders' Meeting in September 2020 that the Bank refrain from distributing its accumulated profit for the 2019 financial year and that the full amount be carried forward to new account. The Administrative Board also held a training event in 2020 on the topic of "IT and digitalisation".

Administrative Board Committees

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

The General and Nomination Committee met four times during the past year, focusing primarily on the business model and the strategic development of the Deka Group. Board of Management matters were a key aspect of its work again in 2020, including the allocation of work on the Board of Management and contractual and remuneration arrangements. The committee also issued recommendations for the election of new Administrative Board members.

The Remuneration Supervision Committee held four meetings in 2020. It discussed the remuneration report and the remuneration supervision report for 2019, gave consideration to whether the remuneration systems for the Board of Management and employees were set up appropriately and prepared resolutions on Board of Management members' remuneration and targets.

The Audit Committee met four times in 2020. It conducted a detailed review of the financial statements and consolidated financial statements. It monitored the requisite independence of the auditors, discussed and approved the additional services they performed, engaged the auditors to perform their audit based on the key audit priorities established and concluded a fee agreement. It also dealt with preparations for the tendering process for audits from financial year 2023 onwards.

The Audit Committee extensively reviewed the Deka Group's financial accounting. It obtained reports on the audit activities of supervisory authorities, external auditors, Internal Audit and Compliance, as well as on the resulting action to be taken. The committee discussed the report on the internal control system (ICS), the annual reports of the Data Protection Officer and Information Security Officer and the Sustainability Report, which constitutes the separate non-financial report pursuant to section 289b of the German Commercial Code (*Handelsgesetzbuch* – HGB). It also received regular reports at its meetings on the status of national and international regulatory projects of relevance to DekaBank.

The members of the Risk and Credit Committee met five times during the reporting year. At its meetings, the committee conducted a detailed examination of DekaBank's risk position, particularly with regard to the effects of the coronavirus pandemic. This examination included credit, market price, liquidity and operational risks, as well as other types of risk, such as business and shareholding risks, legal and reputational risks or risks arising from guarantee commitments in relation to pension products. Other key issues addressed by the Risk and Credit Committee included discussing the business and risk strategies, updating the recovery plan and carrying out preparatory work for the resolution plan to be prepared by the competent resolution authorities.

In its capacity as a loan approval body, the committee passed relevant resolutions and familiarised itself with the risk position in lending business. In the context of potential default risks resulting from the coronavirus pandemic, it received detailed reports and explanations on the development of loan portfolios, particularly in relation to aircraft financing, as well as on the estimated risks for relevant exposures and selected counterparties in the capital markets business and the risk provisioning measures taken. The Risk and Credit Committee also held discussions with the Board of Management covering the business policy for lending business.

The committees' chairs or deputy chairs regularly reported to the Administrative Board on the results of the discussions held by the respective committees.

Audit and approval of 2020 financial statements and consolidated financial statements

At DekaBank's Shareholders' Meeting, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) was appointed as auditor for the 2020 financial year. KPMG audited DekaBank's 2020 financial statements and management report, as well as the consolidated financial statements, notes and Group management report, and issued an unqualified audit opinion on them.

These financial statements and associated documents were forwarded to the members of the Administrative Board, along with KPMG's reports. The auditors attended both the corresponding meetings of the Audit Committee and the accounts meeting of the Administrative Board held today. The auditors reported on the findings of their audit and provided additional information where required. The Administrative Board took note of the auditors' findings and, following its own examination, raised no objections.

At a separate meeting on 10 February 2021, the Administrative Board discussed the provisional results for the 2020 financial year and options for the appropriation of accumulated profit, taking into account the ECB recommendation concerning dividends from 15 December 2020, which applies to the Deka Group. At today's accounts meeting, the Administrative Board approved the 2020 financial statements and submitted a proposal to the Shareholders' Meeting regarding the appropriation of accumulated profit.

The Administrative Board also discussed the Group's separate non-financial report for the 2020 financial year, which forms part of the Deka Group's Sustainability Report. AGIMUS GmbH, which was appointed to audit the Group's separate non-financial report, found that the Group's separate non-financial report met the legal requirements. Following its own examination, the Administrative Board also raised no objections.

Changes to the Board of Management and Administrative Board
Manuela Better stepped down from DekaBank on 31 May 2020 at the end of her contract as a Board of Management member. The Administrative Board would like to thank Ms Better for her work during her five-year term of office.

The Administrative Board appointed Birgit Dietl-Benzin as a member of the Board of Management in the previous financial year at its meeting on 4 December 2019. Her appointment took effect on 11 June 2020 following the approval of the supervisory authority. At its meeting on 2 December 2020, the Administrative Board additionally appointed Torsten Knapmeyer as a member of the Board of Management with effect from 1 April 2021. The Administrative Board also appointed Dr. Matthias Danne as the deputy CEO with effect from 2 July 2020.

Erika Ringel, Dr. Christoph Krämer, Dr. Ulrich Netzer and Roland Schäfer left the Administrative Board over the course of 2020. Edwin Quast, First Deputy Chairman of the DekaBank Staff Committee; Michael Fröhlich, Chairman of the Board of Management of Sparkasse Bielefeld; Prof. Dr. Ulrich Reuter, President of the Savings Banks Association Bavaria; and Dr. Uwe Brandl, Mayor of Abensberg, were appointed or elected as their successors.

The Administrative Board would like to thank all its departing members for their valuable service and for the constructive support they offered to the company and its Board of Management.

With a resolution of the Shareholders' Meeting on 29 April 2020, the composition of the Administrative Board was reorganised as part of amendments to the Bank's statutes. The number of Administrative Board members was increased from 26 to 28. The Shareholders' Meeting subsequently elected Katrin Rohmann, freelance auditor, and Melanie Kehr, member of the KfW Group Executive Board, as additional members of the Administrative Board.

Supervision of DekaBank is exercised by the Federal Minister of Finance.

DekaBank performed well in the 2020 financial year, despite the considerable impact of the coronavirus pandemic, and achieved stability with its business model even in a difficult market environment. This reflects the successful work of the Board of Management and DekaBank employees. The Administrative Board would like to express its thanks and appreciation for their immense personal commitment under extraordinary circumstances.

Frankfurt/Main, 24 March 2021

The Administrative Board

Helmut Schleweis
Chairman of the Administrative Board

Group management report

As the Wertpapierhaus for the savings banks, the Deka Group is a key part of the Sparkassen-Finanzgruppe (Savings Banks Association). The Deka Group improved net sales by a total of €14.1bn to €32.1bn year-on-year in the reporting period. Total customer assets grew by €25.7bn to €339.2bn. The Deka Group's performance, like that of other companies, was affected by the coronavirus pandemic and its impacts on the economy, business cycle and capital markets. At €269.4m, the economic result was down sharply on the previous year. Given the circumstances, however, profit performance was satisfactory. The Deka Group's financial position remains sound. DekaBank has one of the best credit ratings among its peer group of German commercial banks.

Group management report

At a glance

As the *Wertpapierhaus* for the savings banks, the Deka Group is a key part of the *Sparkassen-Finanzgruppe* (Savings Banks Association). The strategic programme launched in 2018 continued to evolve in 2020. Its aim is to further enhance Deka's position as a customer-focused, innovative and sustainable *Wertpapierhaus* for the savings banks by 2025.

The Deka Group improved net sales by a total of €14.1bn to €32.1bn year-on-year in the 2020 reporting period. The Group increased net sales in the retail customer segment by €1.5bn compared with 2019 to €12.6bn. Fund sales rose from €5.9bn to €8.0bn. Equity funds (€4.7bn) and real estate funds (€2.5bn) accounted for a particularly significant share of this figure. Sales of certificates to retail customers totalled €4.6bn (2019: €5.3bn). With net sales of €19.5bn, the institutional customer segment recorded a strong increase versus the previous year (€6.9bn). The very strong net sales figure of €17.4bn in the institutional fund business (2019: €5.6bn) was also boosted by a change in master KVG by a major client in the master fund segment. Certificate sales to institutional customers came to €2.2bn (2019: €1.3bn).

A very strong net sales performance meant that the Deka Group's total customer assets rose by €25.7bn to €339.2bn (year-end 2019: €313.4bn). The investment performance for the year as a whole was slightly positive. Distributions to fund investors (€3.5bn) and maturing certificates (€3.3bn) offset the upward trend somewhat.

The COVID-19 pandemic and its impacts on the economy, business cycle and capital markets also affected the Deka Group's performance. Deka took swift and extensive action in this difficult environment, promptly adapting its business operations and management processes to events. This allowed the business to remain fully operational at every stage. Employees largely worked remotely from home from March onwards. Deka used early and active risk management to respond to the crisis, both in terms of market and credit risk in the banking business and with a view to fund management of customers' trust assets.

It further stepped up its support for the savings banks and institutional customers and switched to digital formats. Giving good advice in times like these is particularly important, whether face to face or through new technologies. In 2020, the expert advice offered by the savings banks, whether online or in branches, helped both retail and institutional customers to respond calmly to the new situation and continue to invest.

At €269.4m, the economic result was down sharply on the previous year (€434.0m). Given the circumstances, however, profit performance was satisfactory. Income amounted to €1,387.9m (2019: €1,560.6m). The decline of 11.1% was principally due to increased risk provisions for the transport and real estate financing sectors, which were particularly affected by the coronavirus crisis. At €1,118.5m, overall expenses were held virtually stable year-on-year using active cost management (2019: €1,126.7m).

The cost/income ratio was 70.2% (previous year: 69.1%). The return on equity (before tax) was 5.5% (previous year: 9.0%).

The Deka Group's financial position remains sound. DekaBank also has one of the best credit ratings among its peer group of German commercial banks.

At year-end, the Common Equity Tier 1 capital ratio stood at 14.2% (year-end 2019: 14.2%). The risk-bearing capacity analysis showed a utilisation of risk appetite of 70.5% (year-end 2019: 63.9%).

Information about the Deka Group

Deka Group profile and strategy

Millions of people in Germany save using investment funds, ETFs and certificates. The Deka Group managed total customer assets of €339.2bn at the reporting date, making it one of the largest providers of these products in Germany. The Deka Group is the securities service provider (the *Wertpapierhaus*) for the savings banks. It brings together banking and fund business under one roof – a winning combination for its customers. Deka has been a reliable partner to investors and institutional partners for over 100 years.

Legal structure

DekaBank Deutsche Girozentrale (DekaBank) is a German federal institution incorporated under public law with registered offices in Frankfurt am Main and Berlin. DekaBank and its subsidiaries in Germany and other countries make up the Deka Group, which is wholly owned by the German savings banks. 50% of the shares are held via Deka Erwerbsgesellschaft mbH & Co. KG. The savings banks hold their interests via this company, which is owned by their regional savings bank and giro associations. The other 50% of the shares are held by the German Savings Bank and Giro Association (*Deutscher Sparkassen- und Giroverband* – DSGV ö.K.).

The historical development of the Deka Group's predecessor institutions, together with its ownership structure, make it a key part of the *Sparkassen-Finanzgruppe* (Savings Banks Association).

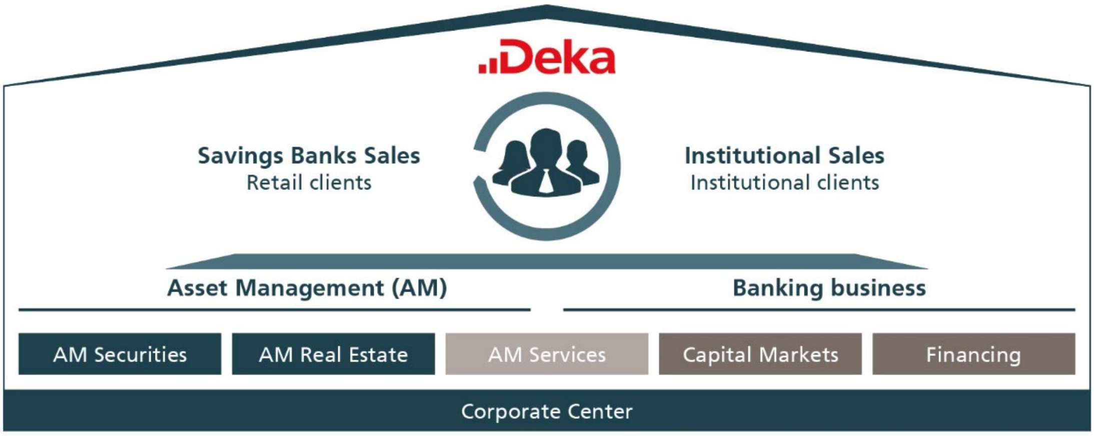
DekaBank is a member of the deposit guarantee scheme of the *Landesbanken* and *Girozentralen*.

Organisational structure

The Deka Group divides its business into five business divisions that bring together similar activities from across different companies. Asset management activities are handled by the Asset Management Securities and Asset Management Real Estate business divisions. The Group's banking business is covered by the Capital Markets and Financing business divisions. The fifth business division – Asset Management Services – provides banking services for asset management.

The sales units Savings Banks Sales and Institutional Customer Sales serve as the interface with sales partners and customers. The corporate centres support the business divisions and sales departments throughout the value chain.

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



Major companies and locations

The Deka Group's business is managed from the head office in Frankfurt am Main. Frankfurt is also home to the major investment management companies, such as Deka Investment GmbH, Deka Immobilien Investment GmbH, Deka Vermögensmanagement GmbH and the robo-advisor company bevestor GmbH. A further investment management company – WestInvest GmbH – is based in Düsseldorf. S Broker AG & Co KG has its registered office in Wiesbaden, while S-Pensions-Management GmbH (in which DekaBank has a 50% shareholding) is headquartered in Cologne.

The most important international office is in Luxembourg. The Deka Group successfully completed its strategic realignment in Luxembourg in 2020. This involved transferring the business activities of DekaBank Deutsche Girozentrale Luxembourg S.A. to DekaBank Deutsche Girozentrale Niederlassung Luxemburg. DekaBank Deutsche Girozentrale Luxembourg S.A. returned its banking licence in spring 2020. The company has been renamed Deka Verwaltungsgesellschaft Luxembourg S.A. Its primary purpose is to hold equity investments. International Fund Management S.A., Luxembourg, was dissolved on 14 May 2020 following the transfer of its business activities to Deka International S.A. and the Luxembourg branch of Deka Vermögensmanagement GmbH.

The Deka Group is now represented in Luxembourg by DekaBank Deutsche Girozentrale Niederlassung Luxemburg and the investment management companies: Deka International S.A., Deka Immobilien Luxembourg S.A., Deka Vermögensmanagement GmbH (Luxembourg branch) and Deka Verwaltungsgesellschaft Luxembourg S.A.

Deka acquired the Austrian company Fonds-Manufaktur IQAM Invest GmbH with effect from 1 January 2021. In Europe, the fund boutique plays an important role in quantitative fund management by developing its own models. With the purchase, Deka is building on its position as a leading provider of quantitative product solutions and enhancing its outstanding academic expertise in the German-speaking countries.

Corporate management and supervision

Social and political requirements in the interests of good and responsible corporate management and supervision are growing. As an institution incorporated under public law, Deka is not subject to the German Corporate Governance Code. Nevertheless, the Deka Group strictly adheres to the principles of good and responsible corporate governance.

The concept for the management and supervision of the Group ensures that the responsibilities of boards and committees are clearly defined and enables efficient decision-making processes. As a member of the *Sparkassen-Finanzgruppe*, the Deka Group is committed to the principles of subsidiarity and a focus on the greater good. Both the company's own Code of Ethics and the risk culture framework are based on this commitment. The Code of Ethics guides the actions of the boards, committees and employees. It is the basis for a corporate culture within the Deka Group that complies with the law, is open and transparent, and seeks to add value. The risk culture framework lays down binding guidelines for the responsible handling of risks in the Deka Group and for compliance among employees, managers and Board members in relation to this.

DekaBank is managed collectively by the Board of Management. The Board of Management takes a holistic approach, always considering the entirety of the Deka Group and the strategic direction and risks. The Board is divided into divisions, each under the responsibility of a designated member. This ensures a clear distribution of roles and core competencies in the Board of Management.

DekaBank completed its restructuring of the Board of Management in 2020. The long-standing deputy CEO Dr. Georg Stocker took over as CEO on 1 January. With effect from 1 May, Daniel Kapffer took over the role of Chief Financial Officer in addition to his existing responsibilities as Chief Operating Officer. The asset management business divisions were brought together under the remit of Dr. Matthias Danne. In early July, he was also appointed as deputy CEO. Finally, in June, Birgit Dietl-Benzin joined DekaBank as the Chief Risk Officer.

The Board of Management consisted of five members as of the reporting date. The responsibilities of the individual members at the reporting date were as follows:

- CEO & Sales: Dr. Georg Stocker
- Deputy CEO & Asset Management: Dr. Matthias Danne
- Risk (CRO): Birgit Dietl-Benzin
- Finance (CFO) & Operations (COO): Daniel Kapffer
- Banking business: Martin K. Müller

At its meeting on 2 December 2020, the Administrative Board of DekaBank appointed Torsten Knapmeyer as Chief Sales Officer with effect from 1 April 2021. In this role, he will be responsible for both retail and institutional customer sales. Mr Knapmeyer has already been responsible for sales since the beginning of 2020 in the role of executive manager within the remit of the CEO, Dr. Georg Stocker.

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

The Administrative Board oversees the Board of Management and thus performs a supervisory role. It comprises shareholder and employee representatives as well as representatives from the *Bundesvereinigung der kommunalen Spitzenverbände* (German Federal Association of Central Municipal Organisations), who act in an advisory capacity. The 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 established a General and Nomination Committee, an Audit Committee, a Risk and Credit Committee and a Remuneration Supervision Committee. With the exception of the employee representatives and representatives from the *Bundesvereinigung der kommunalen Spitzenverbände*, the members of the Administrative Board are appointed by the Shareholders' Meeting.

The responsibilities of the boards and committees are assigned by the Bank's statues. The Administrative Board has adopted rules of procedure and also has a separate fit & proper policy, guidelines on the handling of conflicts of interest, independence and the induction and training of new members. There are additional rules of procedure for the Board of Management and for the specialist advisory boards and sales committees.

Supervision of DekaBank is exercised by the Federal Minister of Finance.

Sustainable governance and non-financial statement

In 2015, the international community reached two ground-breaking agreements on how to deal with the challenges of climate change and sustainable development: the 2030 Agenda, which includes 17 Sustainable Development Goals (SDGs), and the Paris climate targets. Policymakers and society at large see an increasingly important role for the financial sector in achieving the objectives of these agreements. By actively advising its customers and funding a transition to a climate-friendly, resource-efficient and fair way of doing business, the sector should make a substantial contribution to achieving the global goals. This includes offering corresponding investment products.

Since the signing of the Paris Agreement, legislators and regulators have significantly stepped up their efforts to incorporate climate and sustainability criteria into the financial market. This affects banks in two ways: directly, in the form of rules that concern their business activities, product range and risk management, and indirectly, by influencing customer behaviour in the financing and investment business.

The Deka Group's positioning on sustainability issues, which it has been continuously strengthening since 2009, is gaining further momentum for the future. On 4 September 2020, the conference of the chairmen of the regional savings banks associations adopted the 2025 vision – a set of binding guidelines on sustainability issues for the institutions of the *Sparkassen-Finanzgruppe*. The first concrete outcome of this is a voluntary commitment by the German savings banks to climate-friendly and sustainable business practices. This was adopted on 28 September 2020 by the full Board of Management of the German Savings Bank and Giro Association (*Deutscher Sparkassen- und Giroverband* – DSGV).

The sustainability report, which is published annually and is audited by AGIMUS GmbH Umweltgutachter-organisation & Beratungsgesellschaft, contains detailed information on sustainable corporate governance at the Deka Group. It includes the Deka Group's non-financial statement pursuant to the German CSR Directive Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz*). The declaration sets out, in particular, targets, measures and due diligence processes in the areas that are significant to the Group's business model. These include environmental, social and employee concerns as well as the upholding of human rights and the combating of bribery and corruption.

See also:
www.deka.de/deka-group/our-responsibility/how-we-practice-sustainability/sustainability-reports-and-ratings

The annual sustainability report including the non-financial statement does not form part of the Group management report. In accordance with the statutory publication deadlines, it is published by the end of April each year on the Deka Group website (https://www.deka.de/deka-group/our-responsibility/how-we-practice-sustainability/sustainability-reports-and-ratings), where it will remain accessible for at least ten years.

The Deka Group continues to be rated as "very good" by sustainability rating agencies. In the reporting year, it received another "AA" rating from MSCI ESG, for example. The ISS ESG rating agency confirmed the Deka Group's C+ Prime "Industry Leader" rating in 2020. Sustainalytics rated Deka as with a score of 17.8 – "low risk". imug rating has discontinued its bond sonar rating.

Business model as the *Wertpapierhaus* for the savings banks

The Deka Group is the securities service provider (the *Wertpapierhaus*) for the savings banks. With its asset management and banking activities, the Deka Group acts as a service provider for the investment, administration and management of assets. It supports savings banks, their customers and institutional investors at every stage in the investment and advisory process within the securities business. It also offers comprehensive advice and solutions to the savings banks, their customers and to institutional customers on investing, liquidity and risk management, as well as refinancing.

The Deka Group sees itself as an all-round solution provider, meeting the needs of savings banks and their customers. This philosophy drives the development of its complete range of asset management and banking services to meet the securities business needs of savings banks and their customers and the targeted sales support it provides as a partner.

The Group's business model is tailored to Deka's role as a *Wertpapierhaus* and takes the form of an integrated model combining asset management and banking business, ensuring stability and competitiveness.

All business divisions aim their products and services at the needs of savings banks and their customers and at the interests of the institutional investors acquired and served in partnership with the savings banks.

- The Asset Management Securities and Asset Management Real Estate business divisions focus particularly on fund-based products and services.
- As a banking division, Asset Management Services encompasses banking services for asset management, such as the depositary and custody account business for Deka customers at the savings banks as well as digital multichannel management.
- The banking business divisions – Capital Markets and Financing – and the Treasury corporate centre support the integrated model by offering alternative investment products and enabling the necessary access to the money and capital markets and to financing. Capital Markets also acts as a service provider for asset management.

In business involving securities funds and real estate funds, the Deka Group primarily earns commission income from management and transaction fees. Subject to regulatory requirements, some of this income is passed on as payments to the alliance partners to the savings banks in their capacity as sales partners. Additional commission income is generated from banking transactions, including capital market activities. Interest income is obtained primarily from specialised financing and real estate finance, as well as from securities in the banking book.

Customers

The Deka Group puts its primary customers – German savings banks and their customers – at the heart of its activities. This includes the private and individual clients, private banking and business customer segments. To ensure that its products and solutions meets the needs of these customers, it is in regular dialogue with the savings banks. The products in demand from primary customers are also sold to institutional customers. These particularly include insurance companies, pension funds, family offices, foundations, corporates and the German public sector. Given the Deka Group's close involvement in the savings banks sector and its focus on German institutional customers, its business activities are concentrated on the domestic market.

Product and solution provider

The core business of the *Wertpapierhaus* is to provide suitable investments in securities and real estate for private and institutional investors as well as transactions which support and complement this along the entire asset management value chain. In this regard, the Deka Group acts as finance provider, issuer, structurer, trustee and depositary (custodian bank).

In addition to investment products and services such as mutual securities funds, special funds, ETFs, real estate funds and certificates, the Deka Group also provides execution of securities trading, custody accounts, asset servicing (master KVG and depositary) as part of its asset management activities. Deka's services for savings banks also include its role as a liquidity platform, its securities lending services and its support services relating to the procurement and settlement of securities and financial derivatives. All advice, support and service processes – e.g. the provision of market analyses, infrastructure services and the performance of regulatory requirements such as market conformity tests – also form part of its business model. The Deka Group thus works as a solution provider to create further value added for customers and shareholders.

Sales and all-round advice

The Deka Group's services are generally sold by Savings Banks Sales and Institutional Customer Sales.

Deka takes an all-round approach to helping savings banks sell asset management products and services. An example of this is the close support given to the investment and advisory process within the savings banks. This includes incorporating the product and service offering into customer advice, joint customer-focused activities and in-depth support for savings banks and local advisers. The Deka Group's sales support is fully aligned with the *Sparkassen-Finanzkonzept* – the financial planning strategy offered by the savings banks – and aims to support the savings banks throughout the investment and advisory process.

Positioning and role within the *Sparkassen-Finanzgruppe*

Deka is a key part of the *Sparkassen-Finanzgruppe* with a stable business model as the *Wertpapierhaus* of the savings banks.

The market position Deka has achieved is being challenged by market and customer trends. Today, we need to respond faster and more accurately to changes in customer requirements and do our utmost to anticipate them. In addition, the Deka Group also needs to address changing markets: negative interest rates, growing competition and pressure on margins, digitalisation, regulatory requirements and greater awareness of sustainability call for smart, innovative and sustainable solutions. A successful response is only possible if every part of the Deka Group is geared towards customer utility and fully exploits the strengths of its employees.

Between now and 2025, the Deka Group will therefore further reinforce its position as the *Wertpapierhaus* for the savings banks with an increased focus on four strategic thrusts: customer orientation, digitalisation, innovation and sustainability:

- Digitalisation and targeted innovation: Deka's aim is to drive innovations in business areas that benefit the savings banks in order to provide building blocks for greater customer utility.
- Sustainability will be a cornerstone of Deka's business model in future. The Deka Group recognises the importance of this issue for society and the planet and also sees an opportunity here for growth and future profitability.
- The Deka Group is convinced that it already has the talent it needs to shape the successful evolution of its business model. Systematic professional development for employees will therefore be an important part of driving ahead with its strategic ambitions for 2025.
- To enable it to respond more quickly and flexibly to the changing requirements of customers and markets, the Deka Group will evolve as a modern and versatile organisation with efficient, customer-oriented processes.

Management Agenda 2025, by action area *(Fig. 2)*

Based on the four key thrusts set out above, the Management Agenda 2025 sets the direction for the Deka Group's strategic and operational focus in the coming years. The Management Agenda was launched in 2020 and is comprised of five action areas.

The existing DekaPro programme has been absorbed into the new Management Agenda. This includes the strategic cost initiative launched as part of DekaPro, which concentrates on a lasting reduction in personnel and operating expenses. Creating new benefits and focusing on customers are the key factors in successfully implementing the Management Agenda 2025.

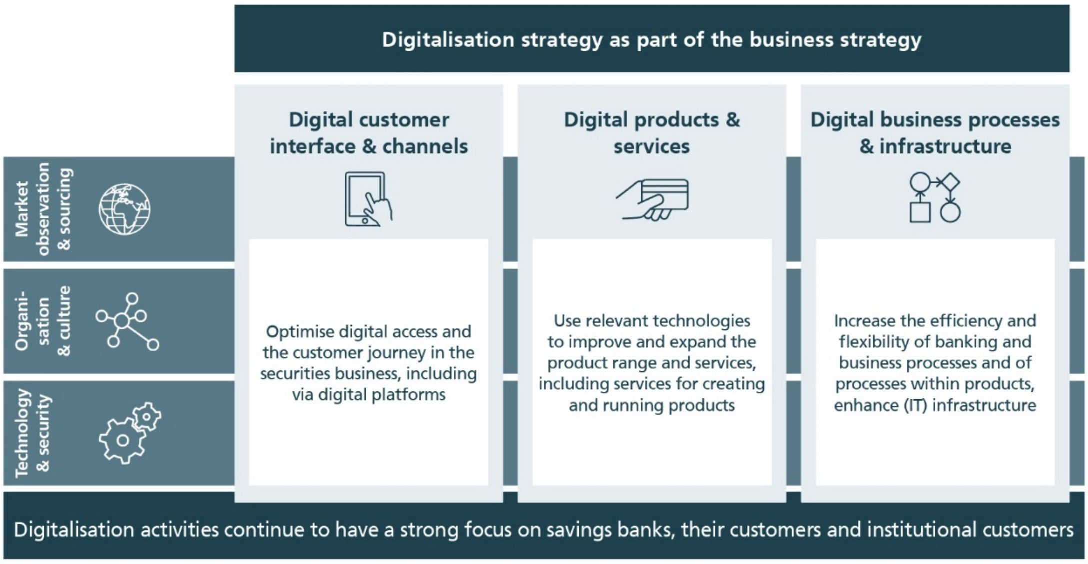
Digitalisation strategy at the Deka Group

This strategy provides a framework for digitalisation, ensuring that the business model continues to evolve in a customer-oriented manner, that business processes and infrastructure continue to improve and that the organisation and its employees have opportunities for further development.

The potential solutions arising from digitalisation are exploited all along the value chain, beginning with the customer interface, and are reflected at every level of the Deka Group. Another major focus is on digitalising products and developing digital assets.

For the digitalisation strategy, which forms part of the business strategy, the Deka Group has defined three key activities with the following strategic thrusts.

Key digitalisation activities at a glance *(Fig. 3)*



Business divisions, sales units and corporate centres

See also: Segment reporting: page 116 ff.

There is a clear separation in the Deka Group at Board of Management level between asset management and banking. Nevertheless, the divisions, sales units and corporate centres work closely together in operational terms. They form the basis for the Deka Group's segment reporting under IFRS (International Financial Reporting Standards) 8.

Asset Management Securities business division

The Asset Management Securities business division offers high-quality asset management solutions for every market environment. Customers can choose from a wide range of products.

The product range comprises:

- actively managed mutual securities funds following fundamental and quantitative strategies in all major asset classes, along with fund savings plans based on these,
- passively managed index funds (exchange-traded funds – ETFs),
- asset management solutions such as asset management funds, fund-based asset management, wealth management, individual security-based asset management, online asset management and robo-advisory investing, ETF-based asset management and an increasing number of sustainable asset management concepts,
- pension products (e.g. fund-based private and company pension products),
- special funds, advisory/management mandates and asset servicing solutions with an emphasis on master KVGs for institutional customers.

The product range also features bespoke and standardised securities services such as macro research for individual stocks and funds, support with designing investment strategies and processes, order desk and fund reporting services. These are also offered to external customers in some cases.

To meet customer demand for more sustainable investments, the Asset Management Securities business division is gradually expanding its existing product and service range and taking greater account of sustainability aspects in fund and investment processes. With the product range for sustainable securities investments, the aim is to play an important role among German asset managers and to be the leading asset manager within the savings bank association.

The division's strategic objectives remain to expand its market position in the relevant product segments for savings bank customers and to achieve profitable growth in institutional business. Alongside product quality and competitiveness, the focus is on digitalising processes all along the value chain to further improve quality, efficiency and service. Sustainability aspects are also increasingly coming to the fore.

Asset Management Real Estate business division

The Asset Management Real Estate business division provides fund products relating to real estate or real estate financing for the customer and proprietary business of savings banks and other institutional investors. The division focuses on the office, retail, hotel and logistics segments in Europe as well as selected locations in North and South America and the Asia-Pacific region.

The product range comprises:

- open-ended real estate mutual funds,
- open-ended and closed-ended special funds,
- real estate funds of funds,
- credit funds that invest in real estate, infrastructure or transport financing,
- residential property funds offered together with experienced external partners.

Fund products are subject to appropriate cash flow management for the purpose of lasting risk avoidance.

The division’s services comprise the purchase, sale and management of real estate and all other real estate services, as well as the growth-oriented development of marketable commercial properties in liquid markets, and active portfolio and risk management. As part of the *Deka Immobilien-Kompass* initiative, the division offers savings banks and other institutional investors an extensive modular service package aimed at real estate fund investment, positioning itself as a strategic partner to institutional investors.

In order to fully address environmental and social aspects and meet investors’ expectations, the Asset Management Real Estate business division also takes sustainability aspects into account in fund and investment processes. It achieves this through an integrated approach incorporating the producer, production and product level.

The division’s mission is to provide the savings banks with lasting, high-quality and sustainable real estate- and real estate financing-based investment products for their customer business and proprietary investments. The aim is to maintain or expand the market position in the retail and institutional business without compromising the proven quality or stability.

Asset Management Services business division

The Asset Management Services business division provides banking and other services that complement the offerings of the asset management divisions. These range from supporting the sales departments with multichannel solutions to managing custody accounts for customers and providing custodial services for investment funds.

The Digital Multichannel Management subdivision develops and implements digital solutions for the securities business in the “internet branch” and for the savings bank apps (e.g. S-App and S-Invest). The savings banks are provided with a multi-platform online securities offering, including stock exchange and securities information tools. DekaNet acts as the central information and sales platform, offering automation solutions that enable processes to work more efficiently. OSPlus neo – the central software solution for the savings banks – is used to provide and enhance the relevant securities processes. In the retail segment, the subdivision takes legal responsibility for the management of DekaBank custody accounts, in which Deka funds, investment solutions, ETFs and certificates can be held. Its services are supplemented with those provided by S Broker, which likewise provides solutions for multichannel sales by savings banks. *S ComfortDepot* is a particularly popular solution for savings banks that want S Broker to take legal charge of their retail customer custody accounts (*Depot B*). With *DepotPlus* and *DirektDepot*, S Broker also provides the savings banks with an offering for online-oriented execution-only customers and trading-oriented clients. The digital development platform bevestor is another module of the multichannel approach and produces innovative solutions for the online securities business. bevestor GmbH enables the savings banks to market a robo-advisory product.

Testing innovative solutions, ideas and trends in the securities business, such as the use of artificial intelligence and data analytics, will remain an important part of the subdivision’s activities in future. Digital Multichannel Management’s objective is to provide the savings banks with the best possible support in maintaining an appealing and ever-improving digital customer interface. Innovative online solutions will be used to attract new customers and maintain customer loyalty. Seamless, multichannel integration of branch and online sales for the securities business is at the heart of this.

The Depositary subdivision provides a full range of depositary services to Deka Group funds and to investment management firms outside the Group. These include the regulatory control function under the German Investment Code (*Kapitalanlagesetzbuch* – KAGB), securities settlement and reporting. Depositary functions are also offered to institutional end investors. Asset Management Services and the Capital Markets business division work closely together on services such as commission business, collateral management and securities lending.

The Depositary subdivision is aiming to improve its competitive position even further and to continue to grow its business involving mutual and special funds, third-party mandates and investment managers.

Capital Markets business division

The Capital Markets business division is the central product, solution and infrastructure provider while also acting as a service provider and driving forward innovation in the Deka Group's customer-focused capital markets business. As such, the business division provides the link between customers and the capital markets. It offers investment solutions to both retail and institutional customers and helps them to put their asset and risk management decisions into practice.

With its tailored range of services relating to securities repurchase transactions, securities lending and foreign exchange trading, the business division provides the central securities and collateral platform for the savings bank association. In addition to its function as a commission agent for all relevant asset classes, it serves as a centre of competence for trading and structuring capital market products as well as for DekaBank's certificate issues. Institutional customers are provided with clearing services and support with the efficient fulfilment of regulatory requirements. Until the end of 2020, the division was also responsible for the Deka Group's Strategic Investments portfolio. This comprises the securities in the proprietary portfolio that are not held for liquidity management purposes, but rather to invest surplus refinancing funds and, in doing so, to balance out a varied maturity structure. Starting in 2021, the Strategic Investments portfolio is managed in the Treasury corporate centre.

The business division is pursuing ongoing digitalisation initiatives to increase customer utility and efficiency. The main product is the Deka Easy Access (DEA) platform, which helps savings banks to manage their proprietary portfolios effectively. DEA allows the savings banks to trade popular capital market products and offers broad access to information and research. As of the end of 2020, 279 savings banks already use the tool. Together with other market participants, the business division launched the finledger platform in 2019 for processing digital promissory note loans with the help of distributed ledger technology (DLT). In 2020, the first partner not involved in the finledger project issued a promissory note loan via the platform. DLT was also the basis for the development of the Digital Collateral Protocol (DCP). This is a distributed settlement system suited to traditional securities but also digital assets, commercial bank money and central bank digital currency. It enables transfers between national and international custodians. The DCP has been available for lending transactions since November 2020. By the end of the year, it had already handled securities movements between DekaBank and a third customer.

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

- The Collateral Trading & Currency subdivision brings together securities lending products, securities repurchase transactions and customer-oriented currency trading.
- The Trading & Structuring subdivision is the Deka Group's centre of competence for trading and structuring capital market products (cash instruments, bonds and shares), for derivatives in all asset classes and for the certificates issuing business. Until the end of 2020, it also included the Strategic Investments portfolio.
- The Commission Business subdivision executes trades in securities and exchange-traded derivatives in its own name on behalf of third parties. These services can be used by business partners inside and outside the *Sparkassen-Finanzgruppe*.

As a product, solution and infrastructure provider, the Capital Markets business division provides savings banks and institutional customers with access to capital markets and (central) counterparties. Customers benefit from synergy effects and economies of scale. The business division is responding to regulatory requirements by optimising the business portfolio on an ongoing basis and by efficiently managing regulatory capital requirements. In terms of activities, the business division's range of services is set to be expanded by the increased use of DEA.

Financing business division

The Financing business division focuses on specialised and real estate financing – segments in which it has the relevant market knowledge and long-standing expertise.

Lending is taken onto our own statement of financial position via the banking book, as well as being packaged as an investment product for other savings banks and banks or institutional investors via club deals or syndications. Priority is given to placements within the *Sparkassen-Finanzgruppe*.

The Specialised Financing subdivision concentrates on financing energy, grid, utilities and public infrastructure projects (infrastructure financing), on aircraft and ship financing (transport financing), on financing covered by export credit agencies (ECAs), and on financing of the public sector. It also has a leading position in the funding of German savings banks. Loans that were made before the credit risk strategy was revised in 2010 are combined in a legacy portfolio that does not conform to the current strategy. These continue to be wound down while safeguarding assets.

The Real Estate Financing subdivision provides lending for commercial real estate in the office, logistics, retail and hotel segments. It focuses on marketable properties in liquid markets in Europe and North America.

In accordance with the sustainability strategy, the Financing business division is supporting the Deka Group's aim of attracting more financing business that focuses on sustainability aspects. This type of financing and investment contributes to fulfilling the United Nations Sustainable Development Goals and is part and parcel of the sustainable corporate governance of the Deka Group.

The Financing business division is aiming its new business activities at defined core segments, a broader product offering in existing asset classes and maintaining the regional spread of Deka's financing business. It also aims to strengthen Deka's position in liquid markets and as a sought-after financing partner for the most important international real estate investors. In addition, DekaBank continues to act as a dependable refinancing partner for the savings banks.

Sales

Savings Banks Sales & Marketing

Savings Banks Sales & Marketing focuses on comprehensive sales support for the savings banks for business with retail and business customers across all sales channels.

There is a clear division of tasks in market cultivation: The savings banks have sole responsibility for directly contacting, advising and serving retail customers. The Deka Group provides them with the products and services they need to do so. To accompany Deka's marketing activities, the savings banks receive an all-round marketing package. Deka therefore also aims its offering directly at end customers so as to nurture their active demand for savings banks' services. Sales Management & Marketing and Private Banking & Product Management systematically analyse the needs of customers and savings banks as well as competitor and market developments. Based on their findings, they develop forward-looking measures to support sales and marketing at the savings banks. Retail and business customers access the Deka Group's products and services through the savings banks. The product universe encompasses all funds, certificates, asset management solutions, private and company pension solutions, and private banking services throughout the product lifecycle. Among other things, Private Banking offers solutions and services for asset optimisation, generation management, protection against life's risks, pensions and sustainable investment.

To ensure nationwide support, Sales in Germany is divided into six sales regions. Sales directors maintain regular dialogue on markets and customers with the savings banks and associations. Deka also provides the savings banks with sales associates and other specialists as the topic or occasion requires to assist at local level with marketing and sales activities and offer training and coaching. In the private banking and corporate customer segment, heads of private banking and corporate customers at the savings banks can call directly upon the specialist Deka sales managers in Private Banking.

The Deka *Wertpapierbaukasten* established in early 2019 was expanded in 2020. This modular securities concept is a web-based application that helps sales directors to better support the savings banks, allowing the banks to efficiently expand their securities business in a way that makes full use of their potential. Since 2020, savings banks have been able to independently run their own multi-year planning simulations in the *Wertpapierbaukasten*. This planning tool offers additional transparency in relation to segment planning as well as earnings, portfolio and sales structures. This means that a savings bank can not only check that its targets are plausible but adjust them too – another step forward for digital support.

The COVID-19 pandemic has made it even more important to expand online securities business and provide a complete online securities trading process so that customers never have to switch to an alternative communication channel. Responding to the new situation, Deka worked with DSGV ö.K. to speed up the provision of online access for customers through DSGV's online banking customer initiative. Established communication formats were also adapted to the increased demand. This included providing content modules on the economic situation in the "internet branch" and savings banks app. These were updated daily or several times a week. Deka also ran TV adverts and published a newsletter on up-to-date topics. It supplemented these with resources for dialogue marketing and direct marketing, which the savings banks could use to communicate with their customers during the crisis. In addition, end customers could access new formats such as Deka webcasts and podcasts. The S-Invest app brought together all our investment services in a single place and expanded our mobile offering for customers.

Products and solutions for retail customers are primarily marketed under the Deka Investments and Deka Private Banking sales brands.

Institutional Customer Sales

The Institutional Customer Sales unit supports the savings banks with proprietary business and serves institutional investors in Germany and, in a number of cases, abroad. Customer advisers are responsible for the overall relationship with institutional customers and adopt a comprehensive approach that covers all products and services offered by the Deka Group across all business divisions. In addition, Deka provides institutional customers with important functions such as reporting and order placement through online channels. The focus is generally on tapping additional sales and earnings potential as well as offering new products and services and implementing regulatory requirements as necessary, Sustainability, in particular, is an important topic when advising and supporting customers.

In our business with savings banks, the Institutional Customer Sales team is available as a management partner and adviser. It develops immediately viable solutions for proprietary business (*Depot A*) and overall bank management. This includes methods and applications for interest rate book management and asset allocation. The solutions are built on comprehensive analyses of the earnings and risk situation. Support for savings banks and financial institutions is divided into two sales regions. A separate team looks after the largest savings banks and financial institutions with special requirements. Employees in the Strategic Proprietary Business & Asset Liability Management team develop methods and applications for interest rate book management and asset allocation for institutional customers – primarily savings banks – and advise them on these topics. There are also dedicated teams for the ETF sales business, the sale of bonds and structured products and direct business with asset managers. These teams work across customer groups.

For the business with institutional investors in Germany, there are three teams, each responsible for a different customer group: insurance companies (investors subject to the German Insurance Supervision Act (*Versicherungsaufsichtsgesetz* – VAG)), public sector/non-profit organisations and corporates & family offices. This specialisation enables Institutional Customer Sales to incorporate the Deka Group's expertise into investment solutions in a way that meets the needs of investors in each target group. The Client Analytics & Solutions team develops methods and solutions for customer-specific analysis of ideal investment opportunities, manages relationships with consultants and handles requests for proposal.

The Deka Group brings together all its solution expertise for institutional customers under the Deka Institutionell brand, reinforcing its clear focus on the needs of the institutional target group.

Corporate Centres
The corporate centres provide support to our sales teams and business divisions. As at the reporting date, these comprised the Corporate Office & Communications, Internal Audit, Legal, Compliance, Corporate Development, Human Resources, Organisational Development, Risk Control Capital Market Funds, Risk Control, Finance, IT, Business Services, Credit Risk Office, and Treasury corporate centres.

Influencing factors and market position

In securities-related asset management, the economy, money market and capital market environment, the sales environment for the *Sparkassen-Finanzgruppe*, customer-driven trends and product quality all influence business development and profit performance. These factors have an impact on the sale of products to retail and institutional investors as well as on the performance of portfolios. In addition to this, real estate asset management is largely influenced by the situation and developments in commercial property, investment and letting markets.

With fund assets (according to the BVI, the German Investment Funds Association, as at 31 December 2020) of €134.3bn and a market share of 12.6%, Deka is the fourth-largest provider of mutual securities funds in Germany. It is Germany's second-placed provider of mutual property funds with fund assets (according to the BVI, as at 31 December 2020) of €36.2bn and a market share of 30.8%.

In the Capital-Fonds-Kompass 2020 awards organised by the business magazine Capital, the fund analysis firm Scope and Tetralog Systems Analysis, Deka Investment GmbH secured a five-star rating for the eighth time in a row.

In autumn 2020, the rating agency Telos conducted over 250 conversations to rate the satisfaction of institutional investors in asset managers and master KVGs. Among large managers, Deka Investment GmbH took the top spot in two categories: for reporting and master KVGs over five years. In the new category measuring expertise in sustainability/ESG, Deka went straight to third place.

At the 2020 Scope Alternative Investment Awards in late November 2020, Deka Immobilien Investment GmbH was again honoured as Best Asset Manager in the Retail Real Estate Europe category.

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

Real estate financing focuses on properties in Europe and selected locations in North America. The specialised financing business has an international orientation and is rounded off by its services for German savings banks. Having worked for decades in every segment, DekaBank has extensive market knowledge and experience at its disposal. In the savings bank sector, DekaBank is market leader in the segment for the financing of German federal states.

The Deka Group's certificates are sold through the German savings banks. Deka has confirmed its very good position as an issuer of structured products in Germany, with a 23.4% market share at year-end 2020.

The Scope Zertifikate Awards 2021 were presented in Frankfurt in late November 2020. For the fifth time in a row, DekaBank was recognised as the best certificate issuer in the primary market. DekaBank was also voted best certificate issuer of 2020/2021 by the magazine "Der ZertifikateBerater" together with n-tv, Börse Frankfurt Zertifikate and the Stuttgart Stock Exchange. Deka again won the public vote as "Certificate Issuer of the Year". The expert jury put Deka in first place in the express certificates and capital protection certificates categories.

Deka also achieved the top score of AAA (ZMR) in the Scope Zertifikate Management Ratings for the fourth time in a row. This reaffirmed its quality and expertise as an issuer of investment certificates in the primary market.

In autumn 2020, the F.A.Z.-Institut and the IMWF (Institute for Management and Economic Research) jointly examined a range of German companies in relation to their environmental protection activities. The study was based on the companies' corporate social responsibility (CSR) reports and sustainability reputation. DekaBank achieved the maximum 100 points in the fund companies category, putting it in first place.

See also: Economic report: page 28 ff.

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

Risk and profit management at the Deka Group

The Deka Group has a consistent system of targets. Success is measured against three outcomes: sustainably increasing enterprise value, generating value added for the *Sparkassen-Finanzgruppe* and corporate growth.

Financial and non-financial performance indicators are used in the Bank's management. These can be divided into key management indicators and other relevant indicators. The Board of Management and management committees that support the Board in its management role are informed through comprehensive reporting whether the strategic and operational measures used to manage the Deka Group are successful and whether the Deka Group risk/reward ratio is within the target range.

Financial performance indicators

The financial performance indicators relate to the Deka Group's earnings position, capital adequacy and liquidity adequacy.

The economic result is the key in-house management indicator within the meaning of the provisions of IFRS 8 (Operating Segments) and is based on the IFRS figures. The economic result includes the total of profit or loss before tax, plus or minus changes in the revaluation reserve (before tax) and the interest rate and currency-related valuation result from financial instruments recognised at amortised cost, which are not recognised in the income statement under IFRS but are relevant for assessing financial performance. The interest expense on AT1 bonds (Additional Tier 1 capital), which is recognised directly in equity, is also included in the economic result. Furthermore, the economic result takes into account contingent future charges where the likelihood of occurrence is considered to be "possible" but for which a provision cannot be recorded under IFRS due to the lack of sufficient concrete evidence. The economic result is therefore a control variable on an accrual basis with a high level of transparency that enables recipients of the external financial reporting to consider the company from the management perspective.

See also: Segment reporting: page 116 ff.

The economic result has been used in external reporting at Group and business division level since 2007. For a reconciliation of the economic result to profit before tax under IFRS, please refer to the segment reporting in note [3], which shows the measurement and reporting differences in the "reconciliation" column. This ensures that it is possible to reconcile the figures presented with profit before tax under IFRS.

See also: Capital adequacy: page 79 ff.

The Internal Capital Adequacy Assessment Process (ICAAP) is based on two perspectives. In the normative perspective, the Common Equity Tier 1 capital ratio is the key management indicator. The Common Equity Tier 1 capital ratio is defined as the ratio of Common Equity Tier 1 capital to risk-weighted assets (RWAs) for all relevant credit, market and operational risk positions plus the credit valuation adjustment (CVA) risk. Other relevant indicators comprise own funds, risk-weighted assets and the leverage ratio exposure, along with the corresponding capital ratios, the MREL ratio, thesubordinated MREL requirements and utilisation of the large exposure limit. Risk-weighted assets are managed in line with the Deka Group's strategy, the targeted balance sheet structure and the capital market environment.

As the key management indicator in the economic perspective, risk appetite is defined as the overall aggregate risk for individual risk types that the Deka Group is willing to accept in order to achieve its strategic objectives and business plan. It forms the basis for allocating risk capital. The monthly risk-bearing capacity analysis involves comparing the Deka Group's risk appetite and allocated risk capital with total risk determined across all risk types that have an impact on profit or loss. This makes it possible to establish whether risk limits have been adhered to at Group and divisional level.

See also: Liquidity adequacy: page 83 ff.

The Internal Liquidity Adequacy Assessment Process (ILAAP) is also based on two perspectives. From the normative perspective, the liquidity coverage ratio (LCR) serves as the relevant indicator. It will be joined from June 2021 by the net stable funding ratio (NSFR). The funding matrix (FM) has been defined by the Board of Management as the risk measure to be used as an indicator in the quantification, management and monitoring of liquidity risk in the economic perspective.

Non-financial performance indicators

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

Net sales is the key management indicator of sales performance in the fund and certificates business. This figure essentially consists of the total direct sales volume of mutual and special funds, fund-based asset management, funds of partner organisations, master funds and advisory/management mandates, ETFs and certificates. Net sales in investment fund business corresponds to gross sales less redemptions and maturities. Sales generated through proprietary investment activities are not counted. Redemptions and maturities are not taken into account for certificates, since in the certificates business the impact on earnings primarily occurs at the time of issue.

See also: Business development and profit performance in the Deka Group: page 34 ff.

The key management indicator total customer assets comprises the income-relevant volume of mutual and special fund products (including ETFs), direct investments in the funds of partner organisations, the portion of fund-based asset management activities attributable to cooperation partners, third-party funds and liquidity, advisory/management mandates, master funds and certificates. Total customer assets have a significant impact on the level of net commission income.

The performance indicators are reported by customer segment and product category at Deka Group level and for the Asset Management Securities and Asset Management Real Estate business divisions.

Economic report

Economic environment

Macroeconomic conditions

The COVID-19 pandemic hit economies all around the world in spring 2020. Economic activity declined very sharply in many countries as a result of lockdown measures. For the year as a whole, global gross domestic product was down 3.6% on 2019. The downturn triggered an immediate response from governments and central banks in the form of stimulus measures. From a global perspective, the economic situation improved significantly again in the third quarter thanks to increased production and household spending. However, as autumn and winter arrived in the northern hemisphere, a second wave of coronavirus infections took hold in many countries. Governments particularly in Europe responded with new lockdown measures, prompting renewed declines in gross domestic product in the region.

In the eurozone, the inflation rate for 2020 remained at a very low level, with the coronavirus pandemic having a dampening effect. By April, the price of crude oil had fallen by over two-thirds since start of the year. Although oil prices subsequently recouped some of their losses, energy commodities continued to exert downward pressure on inflation until year-end. Food price inflation, by contrast, temporarily outpaced even the previous year for a time before dropping back to normal levels in the second half of the year. Products hit particularly hard by coronavirus lockdown rules, such as flight tickets, hotel stays and package holidays, saw exceptional price reductions worldwide. After historically low unemployment rates at the end of 2019, the coronavirus caused a jump in underemployment in the spring of 2020. In Germany and other countries, the pandemic's impact on the labour market was mitigated by the use of short-time working, the German equivalent of furlough. Combined with underused capacity, this generally resulted in lower than expected wage growth. Despite expansionary monetary and fiscal policy, the central banks largely fell short of their inflation targets.

The pandemic's impact on inflation and economic growth presented particular challenges for central banks. Extreme risk aversion and a flight to high-quality assets sucked liquidity out of the financial markets and threatened to trigger a self-reinforcing downward spiral with spillover effects between the real and financial economy. A majority of central bank measures in the first half of the year were therefore aimed at maintaining lending in the real economy. The US Federal Reserve (Fed) concentrated on asset purchases, while efforts were also made in the eurozone to ensure banks had access to very cheap central bank liquidity. The Pandemic Emergency Purchase Programme (PEPP), launched by the European Central Bank (ECB) in March 2020, initially served principally to stabilise financial markets. As the flight to high-quality assets was accompanied by substantial financial flows between eurozone member countries, market liquidity threatened to decline sharply in some parts of the single currency area. To ensure its monetary policy continued to reach every corner of the eurozone, the ECB needed this new tool to flexibly adjust its asset purchases on a large scale across member states and asset classes.

With financial markets stabilising later in the year, the focus of monetary policy shifted towards stimulating economic recovery with extremely favourable financing conditions. In June and December 2020, the ECB therefore scaled up and extended the duration of the PEPP programme. The Fed continued its sovereign bond purchases.

Economic environment for asset management

Stock markets in industrialised countries continued their upward trend in the early weeks of 2020. Germany's stock market index – the DAX – and a number of other share indices hit new historic highs. On the bond markets, spreads largely remained at very low levels. Most investors in early 2020 regarded the coronavirus as a regional phenomenon likely to affect only China and some of its neighbouring countries. When this assumption proved incorrect and the virus spread rapidly all around the world, the financial markets plummeted. Capital market participants anticipated a severe recession and rising insolvencies. This triggered significant falls in prices for shares and corporate bonds. Spreads on higher-risk corporate bonds, for instance in emerging markets and the eurozone periphery, widened dramatically. Meanwhile, low-risk sovereign bonds benefited from the flight to quality. Bund yields marked new historic lows across the maturity spectrum in March 2020. However, this was short-lived. A combination of illiquid markets and the prospect of a sharp rise in government borrowing soon drove yields higher again.

As spring progressed, the situation on financial markets gradually stabilised. Governments implemented a host of measures to avert corporate insolvencies. At the same time, extensive bond purchases by central banks improved market liquidity and provided a counterweight to the growing need for bond issues on the part of governments and corporates. The pandemic also led to increased fiscal risk-sharing between European Union (EU) member states, initially through established institutions such as the European Investment Bank (EIB) and European Stability Mechanism (ESM). This was followed by an expanded EU budget with an extensive recovery fund. The stabilisation of financial markets was driven by investors' confidence that the EU would provide substantial support to financially weaker member states, but also by the rapid recovery of growth in summer 2020. The latter showed the potential for demand to rebound quickly in the event of lockdown easing. Combined with the prospect of an available vaccine, this boosted confidence in a V-shaped recovery. The second wave of the pandemic, which hit Europe particularly hard in the autumn, therefore had a relatively minor impact on the markets for riskier assets. It reinforced investors' expectations that the ECB would stick to a very expansionary monetary policy for a long time to come, which led Bund yields to trend further downwards at the end of the year.

Real estate funds continued to offer an attractive risk/reward ratio in the low interest rate environment. Given high real estate prices and limited availability of suitable properties, however, the investment opportunities open to real estate funds remained limited. This restricted their ability to attract new investor funds, particularly given that it was not possible to generate positive margins from liquidity investments. The real estate markets did not escape the consequences of the COVID-19 pandemic. While low vacancy rates have enabled markets for office space to weather the crisis relatively well, with only isolated rent reductions, retail and hotels took a greater hit from the impacts of the pandemic, such as temporary shop closures, the cancellation of large events and travel restrictions. The logistics market, by contrast, benefited from the growing trend towards online shopping and increased demand for space, which was needed to safeguard supply chains. Delays, renegotiations and cancellations of planned transactions were commonplace on the investment market. The global transaction volume in 2020 was down by around a third on the previous year's level.

Private household wealth in Germany increased in 2020. Households increased their financial assets to €6,738bn (30 September 2020), up €234bn from the end of 2019, due to high new inflows and growth in value. The high level of uncertainty due to the coronavirus pandemic continued to drive households towards liquid assets such as currency and deposits. Investments in equities and investment funds also contributed to increased wealth. Compared against year-end 2019, the share of these investments in the total financial assets of private households remained steady at 21%.

The market performance seen in 2020 was also reflected in the investment statistics of the German Investment Funds Association BVI. Net assets in open-ended mutual funds amounted to €1,179.9bn as at 31 December 2020 (year-end 2019: €1,113.6bn), while the net assets of open-ended special funds stood at €1,998.0bn (year-end 2019: €1,873.7bn). At €43., n3et inflows into open-ended mutual funds significantly exceeded the previous year's figure (€17.5bn). Equity funds, mixed funds and real estate funds made a particular contribution to this increase. At €79.7bn, the sales figure for open-ended special funds for institutional investors was significantly down on the comparative figure for the previous year (€100.3bn).

Economic environment for the banking business

Money market rates in many currency areas increased in March and April 2020. Alongside the reduced market liquidity due to the pandemic, a contributing factor is likely to have been the issue of money market securities by governments and corporates to cover their additional financing needs. Money market tensions eased as the year progressed given the extensive measures by central banks. The ECB, for example, increased surplus reserves in the banking system not only with its bond purchases but also through refinancing operations on very attractive terms and an expansion of the list of assets eligible as central bank collateral. Towards the end of the year, EURIBOR rates hit new historic lows, reflecting both the expansionary monetary policy and the increased importance of non-banks in the money market.

To improve their difficult liquidity position resulting from a lack of cash flow, companies worldwide conducted an unusually high volume of new issues in the first half of 2020. These new issues featured attractive premiums and therefore met with very high demand from investors. Although the ECB's enormous purchase programmes supported the bond market, the high volume of new issues initially also meant that risk premiums on existing bonds at mid-year remained at a high level compared with the start of January. Corporate bonds and covered bonds continued to recover from the sharp spread widening until the end of the year, as the ECB's measures provided strong support to this market too. The secondary market for covered bonds became increasingly illiquid as banks placed the majority of their new issues as collateral at the ECB as part of the targeted longer-term refinancing operations (TLTRO) III tender. As a result, spreads on corporate bonds and covered bonds ended the year roughly at the level they started it.

The significant fall in economic growth and the expansionary monetary policy of central banks during the pandemic have continued to hit the capital markets business. The margins achievable on the market in the Commission Business unit came under pressure as expected, while the high market volatility, particularly at the start of the pandemic, led to a slightly increased volume overall. Sales of structured issues and the third-party issues business both developed positively in 2020.

The COVID-19 pandemic dominated market activity in the financing business in 2020. While competitive pressure on margins for popular low-risk assets continued across all asset classes at the start of the year, the pandemic caused a significant fall in business activity beginning in early March, especially in transport financing. The number of business opportunities in the real estate financing business fell sharply in 2020 as the pandemic led to a dramatic fall in investment volume and in the number of real estate transactions financed by DekaBank. A lack of liquidity in the banking market in some regions meant that terms and conditions were stable, however.

Regulatory environment

Changes to regulations, both those already initiated and those in the pipeline, once again influenced the business model and profitability of the Deka Group during the 2020 financial year. Higher capital requirements for banks could emerge from supervisory interpretations of existing legal standards and from the results of the annual Supervisory Review and Evaluation Process (SREP), for example in the context of the supervisory review of the internal models under Pillar 1 of the Basel capital framework.

Implementing the regulations described, which comprise the key regulatory issues for the Deka Group, makes major demands in terms of costs and resources.

Regulatory topics

Supervisory authorities and regulators enacted numerous, in some cases temporary, relief measures in light of the coronavirus crisis. The measures described below are of potential significance to DekaBank:

DekaBank applied the following relief measures:

- The ECB has temporarily reduced its capital requirements for market price risk in connection with market volatility.
- The Federal Financial Supervisory Authority (BaFin) has announced a reduction in the countercyclical capital buffer to 0%. The increase to 0.25% that had been planned for July 2020 therefore does not apply.
- The ECB brought forward a change originally planned for the end of 2020 to allow capital other than Common Equity Tier 1 (CET 1) capital to contribute to meeting P2R (the Pillar 2 Requirement). Banks can make long-term use of this change provided they have sufficient Additional Tier 1 (AT1) capital and Tier 2 (T2) capital.
- Among other measures, the European Banking Authority (EBA) permitted lower capital deductions for the prudent valuation of items measured at fair value. This applied until the end of 2020.

DekaBank did not apply the following relief measures:

- The ECB has permitted the institutions under its supervision to temporarily operate below the capital level defined by the capital conservation buffer, the P2G (Pillar 2 Guidance) and the LCR. DekaBank has not adjusted its relevant internal thresholds for capital and liquidity management.
- The Capital Requirements Regulation (CRR) has been amended in European law (CRR quick fix). This allows banks to temporarily adjust their regulatory capital for the effects of increased risk provisioning. Other relief measures relate to the measurement of unrealised losses on banks' holdings of public debt and to the capital deduction for capitalised software. The measures in the CRR quick fix do not currently offer significant relief for DekaBank.

In the EU, the reform of Capital Requirements Regulation II (CRR II) and Capital Requirements Directive V (CRD V) was published in June 2019. The reform of the CRR primarily implements the proposals put forward by the Basel Committee on Banking Supervision (BCBS) on the leverage ratio (LR), the net stable funding ratio (NSFR), the standardised approach for counterparty credit risk exposure (SA-CCR), the revised requirements that apply to large exposures, the trading book and the treatment of credit risks resulting from guarantee funds and Riester products. These regulations will generally be applied for the first time in June 2021.

In October 2020, the European Banking Authority (EBA) issued an opinion on the treatment of capital instruments that are no longer eligible as own funds from 2022 onwards ("legacy instruments"). The grandfathering period provided by the CRR will expire at the end of 2021. The opinion holds that legacy instruments have the potential to infect other (non-legacy) capital instruments to the extent of disqualifying them. This may be the case if the legacy instruments have certain detrimental features (e.g. equal ranking with the non-legacy capital instrument). At DekaBank, this could apply to atypical silent capital contributions, which might infect the subscribed capital (as a CET1 instrument) including the capital reserve. In DekaBank's view, however, this is not a reasonable interpretation, at least not if – as in DekaBank's case – the investors in the capital instrument and the legacy instrument are one and the same. Nevertheless, DekaBank is currently working on various options to avoid potential infection.

The Fundamental Review of the Trading Book (FRTB) contains amended provisions on the calculation of market risk. On 14 January 2019, the Basel Committee published the final standard with slightly reduced risk weightings in the standardised approach compared with under the 2016 Basel standard. The provisions of the final standard tend to reduce the increase in risk-weighted assets (RWAs) overall. The European Commission adopted the final Delegated Regulation in mid-December 2019 and thereby partially integrated the changes to the standardised approach under the 2019 Basel standard into CRR II. Further implementation of the requirements will involve regulatory standards and EBA guidance. The beginning of the reporting obligation for the FRTB standardised approach has been postponed until September 2021. The new capital requirements at EU level will only apply from a later date.

The European capital and liquidity requirements were revised to tighten up the rules on large exposures, forcing more restrictive handling of large exposure risks. The large exposure limit will no longer be set according to the level of total own funds but instead according to the level of Tier 1 capital. The calculation of the exposure values and the provisions governing the application of credit risk mitigation techniques have also been revised. In applying credit risk mitigation techniques, the collateral provider or issuer of the financial collateral is required to take the collateralised exposure into account in their large exposure limit when collateral is accepted. This could have an impact on repo lending business activities. First-time application is scheduled for the end of June 2021.

The provisions of the Basel III regulations finalised in December 2017 (also known as Basel IV), which contain, among other things, rules on the output floor and Credit Risk Standardised Approach (CRSA), are not included in CRR II. The Basel Committee had planned initial application on 1 January 2022 but has now postponed this until 1 January 2023. More specifically, the gradual introduction of an output floor is planned. This will stand at 50% upon introduction at the beginning of 2023 and increase to its final level of 72.5% in 2028. The output floor will limit the benefit of internal models as compared to the standardised approach. Deka currently uses the IRB approach for the majority of its lending. It will therefore be particularly affected by the new output floor rules, which may lead to a significant rise in RWAs going forward. In addition, new rules have been agreed on calculating RWAs for CVA risk and operational risk, which are also to be applied starting in 2023. These may also increase RWAs. Draft legislation for implementation at EU level is not yet available.

The entry into force of the Single Resolution Mechanism Regulation (SRMR II) in December 2020 changed the minimum requirements on holding own funds and eligible liabilities for the purposes of loss absorption and recapitalisation in the event the Bank is wound up (Minimum Requirement for Eligible Liabilities – MREL). The balance sheet-based approach previously used will switch to an RWA- and leverage exposure-based calculation method. As the Single Supervisory Mechanism (SSM) applies to the Deka Group, DekaBank again worked on a resolution plan for the Deka Group during the reporting year, which will form the basis for determining MREL. The resolution authority sets the requirements applicable to the Deka Group and will notify them to the Deka Group based on the new calculation method.

A further stress test by the European Banking Authority (EBA) is planned for 2021, which, as in 2018, will cover all risk types. The 2020 stress test was postponed due to the coronavirus pandemic. Publication of the results is scheduled for July 2021. DekaBank is not among the banks taking part in the EBA stress test. As a bank subject to ECB supervision, however, it will be subjected to a stress test by the ECB in 2021 which will be carried out in accordance with EBA methodology. The results of the ECB stress test feed into the calculation of the Supervisory Review and Evaluation Process (SREP) ratios.

In March 2018, the ECB published an Addendum to the ECB Guidance to banks on non-performing loans. This detailed its expectations regarding the level of prudential provisioning for all loans classified as non-performing exposures (NPEs) for the first time after 1 April 2018. As part of the annual supervisory dialogue, the ECB examines any divergences between supervisory expectations and the risk provisions actually recognised by the Bank. In the event of a shortfall in cover, the banks are required either to make a deduction from their Common Equity Tier 1 capital on their own initiative or to provide the supervisory authorities with adequate justification of their divergence from the prudential provisioning expectations. If the ECB does not accept the justification, this could result in higher capital requirements. The amendment to the CRR concerning the minimum loss cover for non-performing exposures was published in the EU Official Journal on 25 April 2019, thereby entering into force. This provides for a mandatory deduction from the Common Equity Tier 1 capital if the actual risk provisions set up by the institutions fall short of the regulatory minimum requirements for the level of risk provisioning. In August 2019, the ECB then revised the Addendum to the ECB Guidance to banks on non-performing loans in respect of the minimum coverage ratios and timescales for achieving these minimum coverage ratios. It also limited the scope to NPEs not regulated by the CRR. With the amendments to the CRR (CRR quick fix) that entered into force on 27 June 2020 to mitigate the impact of the COVID-19 pandemic on banks, preferential treatment for publicly guaranteed NPEs is permitted in terms of the minimum loss coverage, which does not need to be reached until the eighth year after classification as an NPE.

In October 2017, the Basel Committee published guidelines on identification and measurement of step-in risk. Here, the Basel Committee defined general expectations for dealing with these risks, which were to be implemented by 2020. However, they have not yet been codified into European law. As planned, the Deka Group conducted an initial identification and evaluation process in 2020 in respect of potential applications.

Following the publication of the Guidance Notice on Dealing with Sustainability Risks by the Federal Financial Supervisory Authority (BaFin) in December 2019, the ECB published its own expectations for the handling of climate-related and environmental risk in spring 2020. Both institutions require banks, as part of their risk management, to systematically engage with sustainability risks, particularly in relation to the climate and environment. The Deka Group laid important foundations here in the reporting year.

Reorienting capital from private and institutional investors towards sustainable investment, as one of the main goals of the EU Action Plan for Financing Sustainable Growth, can only be achieved if these investors are offered attractive investment products that meet high sustainability standards. This is particularly the case where private investors are concerned. In future, banks will be required, during the consultation, to actively ask these investors about their preferences in relation to sustainable investment. With this in mind, the Deka Group once again significantly expanded its range of sustainable investment opportunities in the reporting year, making a major contribution to the large selection of funds, ETFs and other investments that advisers in the savings banks can offer their customers. Since 2020, companies with a substantial involvement in coal extraction and coal-based electricity generation have been excluded not only from the sustainability funds but from all actively managed mutual funds and proprietary investment activities.

Product- and service-related regulatory proposals

The EU Directive on deposit guarantee schemes (Deposit Guarantee Scheme Directive) was adopted at the end of 2018 as a component of the European Banking Union. It is planned to establish a common European Deposit Insurance Scheme (EDIS), harmonising the requirements concerning national deposit guarantee schemes at European level. The European institutions are working and coordinating with each other on the exact shape of this and the future timetable.

Business development and profit performance in the Deka Group

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

The coronavirus pandemic and its impacts on the economy, business cycle and capital markets also affected the Deka Group's performance. Deka took swift and extensive action in this difficult environment, promptly adapting its business operations and management processes to events.

The crisis team worked with the departments to analyse the situation on a daily basis at the height of the crisis, looking at key operational processes and formulating cross-divisional measures. Deka remained fully operational at every stage. Employees largely worked remotely from home from March onwards. The frequency and scope of reporting to the Board of Management on business development, profit performance, operational management and key business processes were temporarily increased. Meetings of the Board of Management and senior management committees took place more frequently in the early stages of the crisis in order to assess the situation and initiate management measures. Deka used early and active risk management to respond to the crisis, both in terms of market and credit risk in the banking business and with a view to fund management of customers' trust assets.

It further stepped up its support for the savings banks and institutional customers during the crisis and switched to digital formats. Giving good advice in times like these has been particularly important, whether face to face or through new technologies. In 2020, the expert advice offered by the savings banks, whether online or in branches, helped both retail and institutional customers to respond calmly to the new situation and continue to invest.

At €269.4m, the economic result was down sharply on the previous year (€434.0m). Given the circumstances, however, profit performance was satisfactory.

Income amounted to €1,387.9m (2019: €1,560.6m). The decline of 11.1% was principally due to increased risk provisions for the transport and real estate financing sectors, which were particularly affected by the COVID-19 crisis. Without risk provisions, income was almost unchanged from the previous year. Net commission income, as a major sustainable income component, was slightly down on the previous year due to a market-induced increase in provisions for guarantee products.

At €1,118.5m, expenses were virtually unchanged on 2019 (€1,126.7m). However, there was a significant increase overall in the bank levy and contributions to the deposit guarantee scheme of the *Landesbanken* and *Girozentralen*. Personnel and operating expenses, meanwhile, remained stable. The bRestructuring expense as part of the strategic cost initiative were below the previous year's figure.

The Deka Group improved net sales by a total of €14.1bn to €32.1bn year-on-year in the 2020 reporting period.

The Group increased net sales in the retail customer segment by €1.5bn compared with 2019 to €12.6bn. Fund sales rose from €5.9bn to €8.0bn. Equity funds (€4.7bn) and real estate funds (€2.5bn) accounted for a particularly significant share of this figure. Sales of certificates to retail customers totalled €4.6bn (2019: €5.3bn).

With net sales of €19.5bn, the institutional customer segment recorded a strong increase versus the previous year (€6.9bn). The very strong net sales figure of €17.4bn in the institutional fund business (2019: €5.6bn) was also boosted by a change in master KVG by a major client in the master fund segment. Certificate sales to institutional customers came to €2.2bn (2019: €1.3bn).

Deka Group net sales *in €m (Fig. 4)*

	2020	2019
Net sales	**32,148**	**18,040**
by customer segment		
Retail customers	12,600	11,117
Institutional customers	19,548	6,923
by product category		
Mutual funds and fund-based asset management	7,905	4,084
Special funds and mandates	16,945	8,637
Certificates	6,743	6,567
ETFs	555	– 1,248

Investors signed up to around 776,000 (net figure) new Deka investment savings plans in 2020 (year-end 2019: approximately 620,000), meaning that Deka now manages over 5.9 million contracts.

A very strong net sales performance meant that the Deka Group's total customer assets rose by €25.7bn to €339.2bn (year-end 2019: €313.4bn). The investment performance for the year as a whole was slightly positive. Distributions to fund investors (€3.5bn) and maturing certificates (€3.3bn) offset the upward trend somewhat.

Deka Group total customer assets *in €m (Fig. 5)*

	31 Dec 2020	31 Dec 2019	Change	
Total customer assets	**339,160**	**313,412**	25,749	8.2 %
by customer segment				
Retail customers	167,159	158,749	8,410	5.3 %
Institutional customers	172,001	154,662	17,339	11.2 %
by product category				
Mutual funds and fund-based asset management	161,226	154,347	6,880	4.5 %
Special funds and mandates	144,695	127,360	17,335	13.6 %
Certificates	23,712	22,670	1,042	4.6 %
ETFs	9,527	9,035	492	5.4 %

See also: Capital adequacy: page 79 ff.

The Common Equity Tier 1 capital ratio at the close of 2020 stood at 14.2% (year-end 2019: 14.2%). The regulatory requirement was clearly exceeded at all times.

Compared with the previous year, Common Equity Tier 1 capital fell by €142m to €4,437m. The slight decline was mainly due to a larger shortfall of provisions and to the neutralisation of valuation effects for own issues dating from the 2019 financial year. Meanwhile, there was a positive effect from the retention of parts of the annual profit from the 2019 annual financial statements.

RWAs declined by €923 m from the year-end 2019 figure of €32,229m to €31,307m. Credit risk was down by €1,542m to €17,605m, which was mainly attributable to the portfolio optimisation measures introduced as part of active risk management and the associated reduction in securities in the banking book. Market risk increased by €309m to €9,578m. There was a significant decrease in general market risk, due among other things to lower spread risks despite increased spread volatilities. However, there was a significant increase in market risk measured using the standardised approach. This resulted from a changed interpretation of the use of options for offsetting in specific interest rate risk. RWAs from operational risk increased by €242m to €3,485m. CVA risk came to €638m (2019: €570m).

At 5.6%, the leverage ratio (fully loaded) exceeded the previous year's figure of 4.9%. The increase was largely attributable to the reduction in leverage ratio exposure significantly exceeding the reduction in Tier 1 capital (in line with the development of total assets). The leverage ratio was at all times substantially above the minimum of 3.0% to be adhered to from June 2021 onwards.

European banks must hold a minimum volume of own funds and MREL-eligible liabilities in order to provide sufficient loss coverage and recapitalisation in the event of resolution. The balance sheet-based approach calculates the ratio of own funds and MREL-eligible liabilities to total liabilities and own funds (TLOF). The MREL ratio as at the reporting date increased by 3.2 percentage points to 25.2% (year-end 2019: 22.0%), considerably above the statutory minimum.

Institutions and entities should meet the MREL with own funds and other subordinated liabilities to the extent necessary to prevent their creditors from incurring greater losses in the event of resolution than they would incur under normal insolvency proceedings (subordinated MREL requirements). The subordinated MREL requirements are calculated using a balance sheet-based approach. The total of eligible own funds (own funds less the combined capital buffer requirement (percentage of RWAs)) and all subordinated liabilities eligible based on statutory requirements is expressed in relation to total liabilities and own funds (TLOF). The subordinated MREL requirements as at the reporting date were 19.2% and thus significantly above the minimum required.

See also: Liquidity adequacy: page 83 ff.

The Deka Group had ample liquidity, measured using the liquidity balances and liquidity coverage ratio (LCR), throughout 2020. The LCR improved by 15 percentage points to 185.6% compared with the end of 2019 (170.6%). In percentage terms, the decline in net cash outflows was greater than the decline in holdings of high-quality liquid assets. The LCR in the reporting period was always substantially above the minimum limit of 100.0 % applicable in 2020.

Economic risk-bearing capacity was at a non-critical level overall as at the end of 2020. Utilisation of risk appetite (70.5%) increased versus the end of the previous year (63.9%). Market price and business risks increased significantly, and there was a moderate rise in operational risk. However, there was a significant reduction in counterparty risk in particular. At 53.9%, utilisation of risk capacity was above the level seen at the end of 2019 (50.7%).

Comparison of forecast and actual growth

Expectations regarding the Deka Group's key performance indicators in 2020, as set out in the forecast report of the 2019 Group management report and updated in the 2020 interim financial report, were largely met. The ongoing coronavirus crisis and the consequences for the transport and real estate financing sectors, which were particularly affected, led to increased risk provisioning requirements. At €269.4m, the economic result fell short of the forecast.

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

		31 Dec 2019	Forecast 2020 in the Annual Report 2020	Forecast 2020 in the Interim Report 2020	31 Dec 2020	Change	
Economic result	€m	434.0	Moderate below the previous year	20% to 30% below the previous year	269.4	– 164.5	– 37.9 %
Total customer assets	€bn	313.4	Moderate above the previous year	Moderate above the previous year	339.2	25.7	8.2 %
Net sales	€bn	18.0	Above the previous year	Above the previous year	32.1	14.1	78.2 %
Common Equity Tier 1 capital ratio	%	14.2	Over 13 %	Over 13 %	14.2	0.0 %-Points	
Utilisation of risk appetite	%	63.9	Noticeable over the previous year	At non-critical level	70.5	6.6 %-Points	

Profit performance of the Deka Group

The economic result was €269.4m. This was sharply down on the previous year's figure of €434.0m, mainly due to increased risk provisioning especially for the transport and real estate financing sectors, which were particularly affected by the coronavirus crisis. Income fell by 11.1% to €1,387.9m (2019: €1,560.6m). At €1,118.5m, expenses were virtually unchanged on 2019 (€1,126.7m).

Net interest income of €165.0m was incurred in the reporting period (2019: €202.5m). The main component was earnings from specialised and real estate financing, which were virtually unchanged from the previous year. Meanwhile, there was a reduced earnings contribution from the Strategic Investments portfolio in the Capital Markets business division, mainly due to lower volumes. Measures to optimise portfolios while achieving an appropriate risk/reward ratio were implemented as part of risk management.

Risk provisions in the lending and securities business increased to €– 178.0m (2019: €– 10.6m), primarily due to the particularly severe impact of the COVID-19 crisis on the transport and real estate financing sectors. Risk provisions of €– 162.1m (2019: €– 8.7m) were recognised for the lending business in the reporting period. €– 108.7m was attributable to the Specialised Financing subdivision and €– 52.9m to the Real Estate Financing subdivision. Risk provisions of €– 15.8m (2019: €– 1.9m) were recognised for the securities business.

Net commission income amounted to €1,308.9m (2019: €1,343.7m). This major sustainable income component was only moderately down on the previous year. Commission from the investment fund business remained slightly below the previous year's figure, mainly due to market-induced provisions for guarantee products. Commission from banking business also fell short of the result for 2019 due to a decline in loan commission. In contrast, commission income from custody account business exceeded the previous year's level. This was due to the continued positive sales figures for savings agreements as well as a rise in the number of transactions via S Broker in its function as the Deka Group's online broker.

Net financial income came to €164.9m, a significant reduction on the previous year's figure of €197.5m. This figure includes all income and expense items from the trading book as well as the valuation and sale results from the banking book portfolios.

At €194.9m, net financial income from the trading book was higher than in the previous year (€182.9m). A key component was income from the Trading & Structuring unit, which saw a significant increase year-on-year. The contribution from the Collateral Trading & Currency unit was down on the figure for 2019.

Net financial income from the banking book was €–30.0m (previous year: €14.6m). This was due to negative valuation effects on securities in the wake of spread movements. An amount of €40.0m was released from the general provision for potential risks (2019: €0.0m). Additions to or releases from the general provision are reflected in the economic result, but do not form part of the IFRS profit or loss and are not allocated to specific business divisions.

Other operating profit was €–72.9m (2019: €–172.5m). Actuarial losses of €–50.4m on provisions for pensions had a negative effect. They primarily reflected the fall in the actuarial interest rate to 0.70% (year-end 2019: 1.10%). In the previous year, there was a one-off effect of €–140.0m from capital-strengthening measures for a company in the equity investment portfolio and actuarial losses on pension provisions of €–38.6m. Actuarial effects are not included in the IFRS profit or loss as they are posted directly to equity (revaluation reserve). However, they are reported in the economic result as part of the profit or loss for the period.

Personnel expenses remained almost unchanged year-on-year at €534.7m (2019: €535.4m). Other administrative expenses including depreciation and amortisation remained stable at €491.2m (2019: €492.6m). Expenditure for computer equipment and machinery, consultancy expenses (particularly for projects) and subscriptions and fees increased, while there was a fall in, among other things, travel expenses, costs for personnel recruitment and temporary staff, and marketing and sales expenses.

The annual contribution to the deposit guarantee scheme of the *Landesbanken* and *Girozentralen* amounted to €20.4m (previous year: €17.3m). At €52.4m, the bank levy was €12.0m higher than in the previous year (€40.4m).

The Restructuring expense of €19.9m incurred in connection with HR measures and resulted primarily from the strategic cost initiative, which is focusing on a lasting reduction in personnel and operating expenses. The previous year's restructuring expense of €41.0m was primarily related to the same context.

The cost/income ratio, i.e. the ratio of total expenses (excluding restructuring expense) to total income (before risk provisions in the lending and securities business), was 70.2% (previous year: 69.1%). The return on equity (before tax) was 5.5% (previous year: 9.0%).

Deka Group performance *in €m (Fig. 7)*

	2020	2019	Change	
Net interest income	165.0	202.5	–37.4	–18.5 %
Risk provisions in the lending and securities business	–178.0	–10.6	–167.4	(<–300 %)
Net commission income	1,308.9	1,343.7	–34.8	–2.6 %
Net financial income	164.9	197.5	–32.5	–16.5 %
Other operating profit	–72.9	–172.5	99.5	57.7 %
Total income	**1,387.9**	**1,560.6**	–172.7	–11.1 %
Administrative expenses (including depreciation and amortisation)	1,098.7	1,085.7	13.0	1.2 %
Restructuring expense	19.9	41.0	–21.1	–51.5 %
Total expenses	**1,118.5**	**1,126.7**	–8.1	–0.7 %
Economic result	**269.4**	**434.0**	–164.5	–37.9 %

Business development and profit performance by business division

Business development and profit performance in the Asset Management Securities business division

Amid the difficult circumstances of the coronavirus pandemic, the economic result for the Asset Management Securities business division stood at €365.8m (previous year: €416.7m). Net sales more than doubled year-on-year, with the business with institutional customers performing especially positively. High net sales increased total customer assets to €269.7bn, compared with €248.5bn in the previous year.

Net sales and total customer assets

At €22.0bn, net sales were significantly up on the figure for 2019 (€8.5bn). Despite the challenging conditions, the retail customer and institutional customer businesses both performed better than in the previous year. Sales of mutual securities funds reached €7.1bn (previous year: €4.2bn). Sales of equity funds were especially positive. The prior-year figures for bond funds and mixed funds were also exceeded. In fund-based asset management, investor caution was still in evidence. Sales stood at €– 1.9bn, compared with €– 2.3bn in 2019. Fund sales to institutional customers in 2020 totalled €16.5bn, compared with €4.8bn in the previous year. The very strong net sales performance in the institutional fund business in the reporting year was also boosted by a change in master KVG by a major client in the master fund segment. Net sales of special funds and mandates stood at €16.3bn (previous year: €8.0bn). Net inflows were recorded for master funds, securities special funds and advisory/management mandates. Net ETF sales climbed to €0.6bn (previous year: €– 1.2bn).

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

	2020	2019
Net sales	**22,006**	**8,545**
by customer segment		
Retail customers	5,540	3,734
Institutional customers	16,466	4,811
by product category		
Mutual funds and fund-based asset management	5,176	1,821
ETFs	555	–1,248
Special funds and mandates	16,276	7,972

The very strong net sales performance increased total customer assets by €21.2bn to €269.7bn. The investment performance for the year as a whole was slightly positive. Distributions to fund investors had a negative impact on total customer assets.

Total customer assets in the Asset Management Securities business division *in €m (Fig. 9)*

	31 Dec 2020	31 Dec 2019	Change	
Total customer assets	**269,716**	**248,520**	21,196	8.5 %
by customer segment				
Retail customers	118,436	113,336	5,100	4.5 %
Institutional customers	151,280	135,184	16,096	11.9 %
by product category				
Mutual funds and fund-based asset management	124,721	120,561	4,160	3.5 %
thereof: equity funds	42,257	38,204	4,053	10.6 %
thereof: bond funds	27,312	30,031	−2,719	−9.1 %
thereof: mixed funds	18,726	17,580	1,146	6.5 %
ETFs	9,527	9,035	492	5.4 %
Special funds and mandates	135,469	118,924	16,544	13.9 %

Profit performance in the Asset Management Securities business division

At €365.8m, the division's economic result was down on the previous year's figure of €416.7m. This was chiefly attributable to the lower net commission income due to market-induced provisions for guarantee products. Performance fees were lower than in the previous year. By contrast, there was a year-on-year increase in portfolio-based fees from existing business and sales-related commission. Expenses totalled €357.2m (previous year: €373.2m). Personnel and operating expenses (including project expenses) were lower than in the previous year.

Profit performance in the Asset Management Securities business division *in €m (Fig. 10)*

	2020	2019	Change	
Net commission income	741.8	787.2	−45.4	−5.8 %
Other income	−1.0	7.3	−8.3	−113.7 %
Total income	**740.8**	**794.5**	−53.7	−6.8 %
Administrative expenses (including depreciation and amortisation)	355.7	369.5	−13.8	−3.7 %
Restructuring expense	1.5	3.7	−2.2	−59.5 %
Total expenses	**357.2**	**373.2**	−16.0	−4.3 %
Economic result before income distribution of Treasury function	**383.6**	**421.3**	−37.7	−8.9 %
Income distribution of Treasury function	−17.8	−4.6	−13.2	−287.8 %
Economic result	**365.8**	**416.7**	−50.9	−12.2 %

Business development and profit performance in the Asset Management Real Estate business division

At €149.9m, the economic result in the Asset Management Real Estate business division slightly exceeded the previous year's figure of €146.4m. Net sales also increased versus the previous year. As a result, and thanks to the solid investment performance, total customer assets reached approximately €46bn.

Net sales and total customer assets

The division's net sales increased to €3.4bn (previous year: €2.9bn). As in previous years, the tried-and-tested quota system for sales to retail customers was maintained. This allows the inflow of funds into the products to be managed effectively, even in the face of high demand. What is more, the funds' liquidity resources can be limited in the current low interest rate environment. This also helps to prevent excessive investment pressure arising in view of the continuing high real estate prices. The sales quotas that had been set were largely met by the end of the year.

Mutual funds accounted for around 80% of the division's net sales. There was particularly high demand for products focused on Europe, such as *Deka-ImmobilienEuropa* and *WestInvest InterSelect*. The newly launched funds *Deka-ImmobilienMetropolen* and Swiss Life REF (DE) European Living were also well received by customers.

At €0.9bn, net sales in open-ended mutual property funds for institutional customers, special funds, individual property funds, credit funds and mandates exceeded the previous year's figure of €0.8bn. Special funds accounted for a particularly significant proportion of sales.

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

	2020	2019
Net sales	**3,399**	**2,928**
by customer segment		
Retail customers	2,469	2,133
Institutional customers	930	795
by product category		
Mutual property funds	2,729	2,262
Special funds, individual property funds and mandates	669	666

Total customer assets in the Asset Management Real Estate business division increased by 8.3% in the reporting year, despite distributions of €1.0bn and the coronavirus crisis, to reach €45.7bn. A yield-focused cash management policy and the introduction of new products, such as the cooperation partner fund Swiss Life REF (DE) European Living, once again contributed to the increase in total customer assets. Of the total customer assets, mutual property funds accounted for €36.5bn, of which approximately 90% was from retail products. Euro-denominated mutual property funds achieved an average volume-weighted return of 2.3% (previous year: 3.3%).

Total customer assets in the Asset Management Real Estate business division *in €m (Fig. 12)*

	31 Dec 2020	31 Dec 2019	Change	
Total customer assets	**45,732**	**42,222**	3,510	8.3 %
by customer segment				
Retail customers	33,397	31,078	2,319	7.5 %
Institutional customers	12,335	11,143	1,192	10.7 %
by product category				
Mutual property funds	36,505	33,786	2,719	8.0 %
Special funds, individual property funds and mandates	9,227	8,436	791	9.4 %

Transaction volume, i.e. purchases and sales of property, increased to €5.7bn (previous year: €3.7bn), despite the restrictions caused by the coronavirus crisis. Around 85 % of the overall transaction volume concerned a total of 44 contractually secured property purchases. There were 11 disposals, representing 15% of the transaction volume. Business activities continue to centre on properties in the office, retail, logistics and hotel asset classes. With this transaction volume, the Deka Group remains one of the world's biggest property investors.

Profit performance in the Asset Management Real Estate business division

The economic result of the Asset Management Real Estate business division stood at €149.9m at the end of 2020 compared with €146.4m in the previous year. Income exceeded the previous year's level by €5.7m, principally due to higher net commission income. Portfolio-based fees remained stable at the previous year's level, while commission income from purchasing and construction fees was noticeably higher than the prior-year figure. Expenses were virtually stable at €141.7m.

Profit performance in the Asset Management Real Estate business division *in €m (Fig. 13)*

	2020	2019	Change	
Net interest income	1.8	0.8	1.0	129.7 %
Net commission income	294.4	286.0	8.4	2.9 %
Net financial income	−5.6	−0.6	−5.0	(<–300 %)
Other operating profit	2.2	0.9	1.3	141.0 %
Total income	**292.8**	**287.1**	5.7	2.0 %
Administrative expenses (including depreciation and amortisation)	141.7	139.8	1.8	1.3 %
Total expenses	**141.7**	**139.8**	1.8	1.3 %
Economic result before income distribution of Treasury function	**151.1**	**147.3**	3.9	2.6 %
Income distribution of Treasury function	−1.2	−0.9	−0.3	−32.6 %
Economic result	**149.9**	**146.4**	3.6	2.4 %

Business development and profit performance in the Asset Management Services business division

The Asset Management Services business division achieved an economic result of €33.4m (previous year: €10.3m). There were increases in the number securities accounts and assets under custody (assets held by the Deka Group in its capacity as custodian bank) in Digital Multichannel Management. Assets under custody in the Depositary subdivision also saw a positive trend despite the COVID-19 pandemic.

Business development in the Asset Management Services business division

Aided by the positive market trend in the second half of 2020, assets under custody in the Digital Multichannel Management subdivision rose to €144.8bn (previous year: €136.3bn). At 89.8 million, the number of securities transactions exceeded the previous year's figure of 70.4 million. This was due to the positive sales figures for savings agreements, which continued throughout the year, as well as a rise in the number of transactions via S Broker, which, as the Deka Group's online broker, has benefited from the current situation. As of year-end 2020, the robo-advisory service bevestor GmbH has been integrated into the sales of 314 savings banks (previous year: 291) as part of the cooperation partner model.

Assets under custody rose in line with the development in Asset Management to €230.8bn (previous year: €220.3bn). The number of custody accounts for which the division is the legal provider rose increased by 186 thousand to 5.0 million in the reporting year. Regular savings products were a key driver.

Profit performance in the Asset Management Services business division

The economic result for the Asset Management Services business division was €33.4m. (previous year: €10.3m). Net commission income, as a major income component, was up by 12.1% on the previous year at €205.5m. The sharp increase in transaction volume at S Broker meant, in particular, that commission income from custody account business significantly exceeded the previous year's level. At €175.7m, expenses were down on the previous year's figure (€182.4m).

Profit performance in the Asset Management Services business division *in €m (Fig. 14)*

	2020	2019	Change	
Net interest income	2.8	5.2	−2.3	−45.3 %
Risk provisions in the lending and securities business	−1.0	0.0	−1.0	(<–300 %)
Net commission income	205.5	183.3	22.2	12.1 %
Net financial income	3.2	2.5	0.7	29.5 %
Other operating profit	−0.4	3.0	−3.3	−112.1 %
Total income	**210.2**	**193.9**	16.3	8.4 %
Administrative expenses (including depreciation and amortisation)	175.7	182.4	−6.8	−3.7 %
Total expenses	**175.7**	**182.4**	−6.8	−3.7 %
Economic result before income distribution of Treasury function	**34.6**	**11.5**	23.1	201.8 %
Income distribution of Treasury function	−1.2	−1.1	−0.1	−7.6 %
Economic result	**33.4**	**10.3**	23.0	222.5 %

Business development and profit performance in the Capital Markets business division

Due to the impact of the COVID-19 crisis, the economic result in the Capital Markets business division of €54.6m in the reporting year was below the prior-year figure (€107.1m). The business division continued to fulfil its important role as the Deka Group’s provider of products, solutions and infrastructure. Deka is both using and systematically enhancing digitalisation initiatives to increase customer utility and achieve efficiency gains. These include the DEA platform for managing the savings banks’ proprietary investments and the finledger platform for processing digital promissory note loans with the help of distributed ledger technology (DLT).

Business development in the Capital Markets business division

Despite its continued solid positioning in repo lending transactions, the Collateral Trading & Currency subdivision remained short of the previous year’s figure. This was due to the high market liquidity and continuing low interest rates.

Amid high market volatility, the Commission Business subdivision maintained a stable level of business with shares, bonds, exchange-traded derivatives and supplementary services in 2020.

In the Trading & Structuring subdivision, the coronavirus crisis kept performance significantly below the previous year’s figure. At €6.7bn, net sales of certificates at year-end 2020 remained, as expected, level with the previous year’s figure of €6.6bn. At €4.6bn, retail customers accounted for the lion's share of demand (previous year: €5.3bn). Net sales of certificates to institutional customers totalled €2.2bn (previous year: €1.3bn).

Profit performance in the Capital Markets business division

The division achieved an economic result of €54.6m in financial year 2020 (previous year: €107.1m). Net interest income did not match the previous year’s figure. This was due to the active reduction in the volume of the Strategic Investments portfolio. As part of risk management, measures to optimise the portfolios while achieving an appropriate risk/reward ratio were implemented. Risk provisions for securities increased in the reporting year due to the review of ratings and amended macroeconomic forecasts in light of the coronavirus crisis. Net financial income was slightly weaker than in the previous year. This was primarily due to negative valuation effects on securities portfolios in the wake of spread movements during the COVID-19 crisis. Expenses amounted to €177.5m, roughly equalling the previous year’s level.

Profit performance in the Capital Markets business division *in €m (Fig. 15)*

	2020	2019	Change	
Net interest income	37.6	56.4	–18.8	–33.3 %
Risk provisions in the lending and securities business	–12.2	–1.7	–10.5	(<–300 %)
Net commission income	58.3	55.7	2.6	4.7 %
Net financial income	181.5	197.4	–16.0	–8.1 %
Other operating profit	2.2	3.5	–1.3	–37.0 %
Total income	**267.4**	**311.4**	–44.0	–14.1 %
Administrative expenses (including depreciation and amortisation)	177.5	175.5	2.1	1.2 %
Total expenses	**177.5**	**175.5**	2.1	1.2 %
Economic result before income distribution of Treasury function	**89.9**	**135.9**	–46.1	–33.9 %
Income distribution of Treasury function	–35.3	–28.9	–6.4	–22.3 %
Economic result	**54.6**	**107.1**	–52.5	–49.0 %

Business development and profit performance in the Financing business division

As a result of the coronavirus crisis, the Financing business division recorded a negative economic result of €–87.0m (previous year: €90.3m). The increased risk provisioning requirement in the reporting year was a particular factor in this. The division's gross loan volume also fell compared with the figure at the end of 2019. It was down by 9.1% to €24.8bn.

Business development in the Financing business division

In the Specialised Financing subdivision, the gross loan volume was reduced mainly by the more cautious lending policy in response to the coronavirus pandemic. It fell to €14.6bn (year-end 2019: €16.1bn). As of the end of 2020, €3.7bn related to infrastructure financing (year-end 2019: €4.0bn), €2.9bn to public sector financing (year-end 2019: €2.3bn), €1.4bn to export financing (year-end 2019: €1.6bn and €3.9bn to transport financing (year-end 2019: €4.7bn). The transport financing segment comprised ship financing of €1.0bn and aircraft financing of €2.9bn. Gross loan volume for savings bank financing fell as expected by €0.7bn compared with the end of 2019 to €2.6bn.

The legacy portfolio, which primarily contains ship financing loans that were made before the lending risk strategy was changed in 2010, was reduced further to €0.06bn as planned in 2020 (year-end 2019: €0.2bn).

Gross loan volume in the Real Estate Financing subdivision declined to €10.3bn (year-end 2019: €11.2bn). The volume of commercial property loans fell to €7.8bn (year-end 2019: €8.9bn). Around 8% of this was accounted for the retail use type and around 4% to the hotel use type, each in relation to the gross loan volume in the Real Estate Financing subdivision. The financing volume for open-ended real estate funds increased slightly, reaching €2.5bn (year-end 2019: €2.3bn).

Compared with the end of the previous year, the average rating for the loan portfolio as a whole according to the DSGV master scale deteriorated by one notch to 6 due to the effects of the COVID-19 crisis. This corresponds to a rating of BB+ on S&P's external rating scale. The average rating for Specialised Financing dropped by one notch from 5 at the end of 2019 to 6 (S&P: from BBB– to BB+). The rating for Real Estate Financing also changed by one notch from 4 at the end of the previous year to 5 (S&P: from BBB– to BBB–). Taking account of collateralised assets, the average rating for Real Estate Financing (on the DSGV master scale) deteriorated from AA (S&P: A+) to AA– (S&P: A+).

The crisis led to a significant reduction in the volume of new business in the Financing business division in 2020 to €3.9bn (previous year: €8.3bn). New business of €1.7bn in Specialised Financing (year-end 2019: €4.2bn) and €2.2bn in Real Estate Financing (year-end 2019: €4.0bn) fell short of the previous year's figures. This was due to the effects of the coronavirus crisis. Loans to savings banks accounted for 2% of total new business in the division (year-end 2019: 4%).

At €0.7bn, the total volume of placements was also below the previous year's figure of €1.1bn due to a change in the level of new business. The lion's share of this amount continued to be successfully placed within the *Sparkassen-Finanzgruppe*.

Profit performance in the Financing business division

Due to the severe impact of the coronavirus crisis, the Financing business division closed the 2020 financial year with a negative economic result of €–87.0m (previous year: €90.3m). The main reason for this was the sharp increase in risk provisions to €–164.9m as a result of the crisis (previous year: €–8.8m). In the Specialised Financing subdivision, aircraft financing accounted for the bulk of the risk provisions. In Real Estate Financing, the retail use type made up the lion's share. Net commission income stood at €12.7m. This was a significant fall on the previous year's €33.7m due to the decline in new business caused by the pandemic. At €137.3m, net interest income was on a level with the previous year. Net financial income of €–10.2m included negative earnings effects from fair value loans. Expenses totalled €64.6m and were therefore on a level with the previous year.

Profit performance in the Financing business division *in €m (Fig. 16)*

	2020	**2019**	Change	
Net interest income	137.3	135.1	2.2	1.6 %
Risk provisions in the lending and securities business	–164.9	–8.8	–156.1	(<–300 %)
Net commission income	12.7	33.7	–21.0	–62.3 %
Net financial income	–10.2	–2.4	–7.8	(<–300 %)
Other operating profit	0.3	9.7	–9.4	–96.9 %
Total income	**–24.8**	**167.3**	–192.1	–114.8 %
Administrative expenses (including depreciation and amortisation)	64.6	64.8	–0.1	–0.2 %
Total expenses	**64.6**	**64.8**	–0.1	–0.2 %
Economic result before income distribution of Treasury function	**–89.4**	**102.6**	–191.9	–187.1 %
Income distribution of Treasury function	2.4	–12.3	14.7	119.6 %
Economic result	**–87.0**	**90.3**	–177.2	–196.4 %

Financial position of the Deka Group

Financial management principles and objectives

Via its Treasury corporate centre, DekaBank pursues an integrated approach aimed at the active management of group-wide liquidity, thus ensuring that flexibility and investor trust are retained even in difficult market situations.

The Treasury corporate centre acts as a resource manager for the Deka Group. On behalf of the Board of Management, Treasury manages group liquidity and Deka Group refinancing across all maturities and is responsible for asset-liability management. Treasury also manages group-wide liquidity reserves, maintaining a clear focus on liquidity. Since the beginning of 2021, the securities in the proprietary securities portfolio (Strategic Investments portfolio) have also been managed here. These are used to invest surplus financial resources and balance out differences in maturity structure. The securities in the liquidity buffer are held for short-term liquidity management. Together, the two portfolios comprise the Deka Group's liquidity management portfolio.

Treasury manages market price risks in the banking book, counterparty risks in its own banking book and equity. By setting transfer prices for the whole Group, Treasury helps to ensure that the balance sheet is evenly structured and in line with strategy, and that transactions are managed and calculated on a source-specific basis. It also assists the Board of Management with the handling of guarantee risks from funds and fund-related products.

DekaBank supports cash pooling for the savings banks and other units of the *Sparkassen-Finanzgruppe*. It has high volumes of central bank-eligible highly liquid assets, which can be used to generate liquidity via various market access routes at any time.

For the securities that constitute the strategic investments, liquidity investing is focused on investments in investment-grade bonds, including from public sector issuers, financial services providers and corporates. Given the targets for the liquidity buffer, investment here concentrates on investments in bonds issued by German federal states, German development banks, German run-off institutions, German covered bonds (*Pfandbriefe)*, supranational institutions, investment-grade corporate bonds and, where appropriate, credit balances held with central banks. Securities suitable as cover assets for the two covered bond programmes can be taken from the liquidity buffer and Strategic Investments portfolio..

Refinancing is carried out in a diversified manner using domestic and international money market and capital market instruments. This includes issues of *covered bonds*, short-term bearer bonds based on the commercial paper (CP) programme, and medium to long-term unsecured bearer bonds based on the debt issuance programme, as well as the programmes for structured issues and certificates. These activities are supplemented by placements of registered debt securities along with promissory note loans and DekaBank's range of sustainable certificates. DekaBank also uses the repo and lending markets as well as call money and time deposits to raise liquidity, and participates in the various central bank tenders (including TLTROs) as necessary.

It offers sustainable structured products and certificates in line with the Deka Group's sustainability strategy and expanded its product range in 2020. This development was also reinforced by the publication of the Green Bond Framework, which enables the issue of green bonds and certain certificates as required as part of ongoing issuing activities.

See also: Consolidated financial statements: page 105 ff.

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

Changes in the Deka Group balance sheet

The Deka Group's total assets fell by 12.1% year-on-year to €85.5bn as at 31 December 2020 (previous year: €97.3bn). There was a significant reduction in securities in the banking book as part of active risk management. Moreover, maturing reverse repos and short-term money market transactions were not fully replaced in liquidity management. On the liabilities side, there was a reduction in refinancing (especially commercial papers).

The amount due from banks and customers fell during the reporting period by a total of €10.0bn to €41.0bn and equated to around half of total assets (48 %). This was principally due to the reductions in reverse repos and money market transactions. Financial assets reported at fair value also declined by €7.5bn to €23.0bn. This was particularly due to the reduction in securities in the banking book and the volume-driven reduction in equities and bonds in connection with synthetic lending transactions. Financial investments were almost unchanged year-on-year at €10.6bn.

Amounts due to banks and customers fell collectively by €2.4bn to €38.8bn, and thus accounted for around 45% of total assets. The change resulted mainly from reduced repo and money market transactions. Securitised liabilities also decreased significantly in the reporting year, dropping by €10.1bn to €7.7bn. This was caused by commercial papers falling due. Financial liabilities reported at fair value remained virtually stable at €30.5bn (previous year: €29.9bn).

Changes in the Deka Group balance sheet *in €m (Fig. 17)*

	31 Dec 2020	31 Dec 2019	Change	
Total assets	**85,509**	**97,282**	–11,773	–12.1 %
Selected asset items				
Due from banks and customers	40,967	50,950	–9,983	–19.6 %
Financial assets at fair value	22,982	30,442	–7,460	–24.5 %
Financial investments	10,567	10,748	–180	–1.7 %
Selected liability items				
Due to banks and customers	38,801	41,248	–2,448	–5.9 %
Securitised liabilities	7,656	17,752	–10,096	–56.9 %
Financial liabilities at fair value	30,550	29,903	647	2.2 %

Capital and liquidity adequacy

Full details of capital and liquidity adequacy in the 2020 financial year are provided in the risk report section of the Group management report.

See also:
Risk report:
page 57 ff.

Ratings

At year-end 2020, DekaBank's ratings remained among the best in its peer group of German commercial banks. This enables access to the money and capital markets on stable and competitive terms.

The rating assessments from Standard & Poor's (S&P) and Moody's reflect the high strategic importance of the Deka Group to the savings bank sector as well as the adequate capital and liquidity base for its business model.

Ratings overview *(Fig. 18)*

	Standard & Poor's	Moody's
Bank Ratings		
Issuer Rating	A+ (negative) Issuer Credit Rating	Aa2 (stable) Issuer Rating
Counterparty Rating	A+ Counterparty Credit Rating	Aa2 Counterparty Risk Rating
Deposit Rating	N/A	Aa2 Bank Deposits
Own financial strength	bbb Stand-alone Credit Profile	baa2 Baseline Credit Assessment
Short-term rating	A-1 Short-term Rating	P-1 Short-term Rating
Issuance Ratings		
Preferred Senior Unsecured Debt	A+ Senior Unsecured Debt	Aa2 (stable) Senior Unsecured Debt
Non-Preferred Senior Unsecured Debt	A Senior Subordinated Debt	A1 Junior Senior Unsecured Debt
Public Sector Covered Bonds	N/A	Aaa Public Sector Covered Bonds
Mortgage Covered Bonds	N/A	Aaa Mortgage Covered Bonds

Human resources report

The total number of employees at the end of 2020 stood at 4,711 and was roughly level year-on-year (year-end: 2019: 4,723). 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.

See also: www.deka.de/deka-group/our-responsibility/how-we-practice-sustainability/sustainability-reports-and-ratings

At 4,131, there was no significant change in the number of earnings-relevant full-time equivalents (active employees) compared with year-end 2019 (4,108). The number includes part-time employees actively involved in work processes in the Deka Group, who are counted *pro rata* on the basis of their working hours. At the year-end, approximately 78% of the workforce were employed in full-time posts. The average age of active employees (excluding apprentices and inactive staff members) was 45.1 years (previous year: 44.8 years). Further key indicators regarding sustainable HR management can be found in the sustainability report.

Implementation of the components of the Management Agenda and digitalisation strategy also has an impact on HR structures, processes, roles and tasks. Greater digitalisation in the world of work, along with the COVID-19 pandemic, is also placing new demands on managers, employees and the ways in which they work together. Deka therefore expanded and increasingly virtualised its central training programme again in 2020. This allowed it to offer professional development opportunities to its employees, even with many of them working from home during the pandemic. There was a particular focus on the "Deka Way", which combines the use of agile and traditional working methods, and a dedicated training offering to communicate this to the workforce.

In light of the coronavirus pandemic, Deka has been making increased use of mobile working since spring 2020 in order to minimise the infection risk to employees and facilitate a work-life balance. Since this time, more than 80% of employees on average have been working from home. Human Resources quickly increased the support it offers to Deka Group employees in this challenging time. This includes the "tips for mobile working" – a series for employees working from home that helps them cope with the new situation. It includes tips on healthy eating, mental health, physical fitness, dealing with conflicts, designing a workspace and looking after children. In autumn 2020, HR also implemented the new integrated health care offering "Deka machtfit", where employees can choose from a range of health services sponsored by the company.

In 2020, Deka began to pilot its *Unternehmenserfolgsmodell* (UEM) for part of its workforce. The UEM will be used to measure the company's performance. It will give greater weight to overall performance achieved by people working together and will provide a simpler, easy to understand and transparent methodology. This model will continue to be rolled out across the Deka Group in the coming years.

Deka also expanded its offering for potential new employees in 2020. In summer, the new Deka Group website launched, which included a new and improved recruitment section.

The Deka Group has already received awards from the "career and family audit" *Audit berufundfamilie* on five occasions for its family-friendly HR policy. It is actively working towards the next certification. The objectives of the Equality Plan were not fully achieved in 2020 and will therefore remain in place until the end of 2021. This will also be supported by the Diversity element of the Management Agenda.

Forecast and opportunities report

Forecast report

Forward-looking statements

The Deka Group's planning is based on the assumptions about future economic development that appear the most probable from a current standpoint. However, plans and statements about expected developments and the course of business during 2021 are subject to uncertainty.

Actual trends in the international money, capital and property markets and in the Deka Group may diverge significantly from our assumptions, which are partly based on expert estimates.

See also:
Risk report:
page 57 ff.
Opportunities report:
page 56

The Deka Group's risk position is explained in full in the risk report. If the risk scenarios referred to in the risk report should materialise, for example as a result of stress situations or counterparty default, this may result in negative differences from the forecast during the remaining months of the 2021 financial year. Conversely, opportunities may result in expectations being exceeded. The opportunities for the Deka Group are set out in the opportunities report.

The global impacts of the coronavirus pandemic on the economy in 2021 cannot yet be reliably predicted. There thus remains a high degree of uncertainty regarding future market developments. At least in the short term, there also remains a possibility of further setbacks in tackling the pandemic. These may be caused by delays in vaccinating the population or the spread of mutated variants. It therefore cannot be ruled out that the earnings, risk and capital situation, along with the corresponding performance indicators, may turn out to be less favourable than presented in the forecast report.

Expected macroeconomic trends

After the recessionary year in 2020, DekaBank expects the economic recovery process to continue in most regions of the world in 2021. Global gross domestic product is predicted to rise by 6.2%. This relies on a gradual relaxation in 2021 of the restrictions imposed on the economy to protect public health. Even if economic activity swiftly returns to a growth trajectory, the economic repercussions of the COVID-19 crisis will continue to be felt. While the industrial sector may be able to make up for a good portion of the output lost during the pandemic, this catch-up effect will be very limited in the service sector. Moreover, both demand and production will be lower than they would have been without the pandemic. The pace of recovery in disposable income will be limited by weak wage growth, increasing taxes and social security contributions and, unlike in 2020, the absence of a pension increase in Germany. Increased corporate insolvencies could also hit the economy. All in all, the expansionary impact of monetary and fiscal policy will continue to prop up the economy in 2021. In the US, the new government will set new domestic priorities and stimulate the economy with a further economic programme. On the global stage, a more constructive approach is anticipated than that seen under Donald Trump's administration. However, the trade dispute with China will continue in 2021.

The marked expansion of the money supply by central banks will generate upward demand pressure on asset prices. Despite the high growth rates in gross domestic product anticipated in the industrialised nations, underused capacity will again mean there is little inflation in goods prices. Employment already began to recover in the US, the eurozone and other industrialised countries in 2020. Nevertheless, labour markets will feel the consequences of the COVID-19 pandemic for a long time to come. This means we expect little growth in wages and only moderate inflation globally. In the eurozone, we expect signs of positive inflation again in the early months of 2021. However, the upward trend in prices will remain weak. For the most part, inflation is likely to remain significantly below the ECB's 2 % target over the next few years. The low inflation rates caused by the coronavirus crisis will thus provide a basis for a continued highly expansionary monetary policy.

In industrialised nations, central banks will seek to pin inflation closer to their targets over the coming years and to limit the long-term economic damage of the coronavirus pandemic as far as possible. Both ambitions will require a sustained growth-friendly financial environment for many years to come. The central banks will use low key interest rates, securities purchases and long-term refinancing operations to achieve this. They will also communicate with market participants to assure them that no sudden change of course is expected in the coming years. The US Federal Reserve has therefore adjusted its monetary policy strategy and will orient itself in future on average rates of inflation over an extended period. The ECB is using its forward guidance to send a similar message regarding its key interest rates and the duration of its special coronavirus measures, such as the Pandemic Emergency Purchase Programme (PEPP) and targeted longer-term refinancing operations (TLTROs). A discussion is likely to begin at the ECB in 2021 as to when and under what circumstances the PEPP should be brought to an end. However, ECB monetary policy is likely to remain highly expansionary even after the PEPP, with securities purchases likely to continue as part of the Asset Purchase Programme (APP).

Expected environment for asset management

The favourable growth forecasts for the coming years are rendered more likely by the available vaccines against the coronavirus. This means that corporate profits should gradually return to pre-crisis levels. Stock markets will also continue to benefit from the highly expansionary monetary policy and low interest rate environment, providing scope for share prices to rise somewhat further. While equity markets are thus well placed, bond markets are in a more difficult position given very low yields and narrow spreads. High budget deficits and slowly increasing inflation expectations are likely to put upward pressure on the yields of long-dated US Treasuries and German government bonds. However, monetary policy in the form of extensive bond purchases by the Fed, ECB and other central banks will continue to limit this in 2021. With robust economic growth, accompanied by only a slight increase in Bund yields, the performance of corporate bonds should also remain stable. In the case of sovereign bonds in the eurozone periphery, the ECB's purchases are bound up with principally political risks, which could give rise to doubts about the sustainability of government debt.

Real estate asset management remains an appealing asset class. However, investment opportunities for real estate funds remain limited, meaning that restraint is still called for when attracting new inflows. The generally weaker demand triggered by the uncertainty of the crisis is likely to produce rising vacancy rates and downward pressure on rents in the property market, especially in the countries worst hit by the pandemic. Rent incentives will become more important. For 2021, Deka anticipates further drops in prices for shopping centres and hotels, stable prices for office real estate and rising prices for logistics properties and local amenities. In the ongoing low interest rate environment, yields will nevertheless remain at low levels for the foreseeable future, presenting fund management with particular challenges.

Expected environment for the banking business
The ECB will continue its extensive securities purchases in 2021 and offer new longer-term refinancing operations. Surplus reserves in the banking system will thus continue to rise, no more than slightly compensated by the tiered deposit rate. The immediate consequence will be sharply negative EONIA and EURIBOR rates close to the current ECB deposit rate of –0.50 %. This will also affect the bond markets, where yields on low-risk securities such as German government bonds and covered bonds will also remain negative, even in the longer maturity ranges. In this context, demand for riskier assets such as high-yield bonds or sovereign bonds of peripheral countries is likely to remain high. Spread narrowing will increase the risk of sudden market corrections; on the other hand, the prospect of continued supportive monetary policy will limit the scope and duration of such setbacks.

The capital markets business will continue to be influenced by high market liquidity and low interest rates throughout the remainder of the year. Governments and corporates also face record indebtedness. In this market environment, the Deka Group expects only moderate changes for the Capital Markets business division. In the financing business, increased market liquidity compared with 2020, along with investment pressure among institutional investors, will put rising pressure on margins, which may be reflected in the terms and conditions offered. The further development of the Financing business division will depend substantially on the duration of the COVID-19 pandemic.

Overall assessment of the expected economic trends
All in all, DekaBank expects a largely positive economic environment for asset management in financial year 2021 given an economic recovery and continued expansionary monetary policy. The higher equity and real estate prices resulting from this may have a positive influence on total customer assets. Moreover, the high levels of financial assets held by private households in general and savings bank customers in particular offer potential for fund sales. Returns on assets in the banking business will remain under pressure.

Expected business development and profit performance
It is still not possible from where we stand in 2021 to reach a conclusive estimate as to the effects of the coronavirus pandemic on the world economy. This means that a high degree of uncertainty remains about future market developments.

The Deka Group is continuing to follow through on its *Wertpapierhaus* strategy. With the Management Agenda, it aims to further enhance its position as a customer-focused, innovative and sustainable *Wertpapierhaus* for the savings banks between now and 2025.

Following the hit to earnings in 2020 due to the COVID-19 crisis, the Deka Group expects its economic result in 2021 to return to around €400m – the average figure for the last five years. This will ensure that DekaBank remains able to distribute profits and to allow the retention of parts of the annual profit necessary for the purposes of capital management.

Sales plans continue to concentrate on an investment fund business that maintains lasting value. This also includes regular securities saving. Total net sales are expected to fall significantly short of the previous year's high level. However, net sales to retail customers are expected to be higher than in 2020. In institutional customer business, we expect net sales to be below the previous year's high figure. The Deka Group anticipates a moderate year-on-year rise in total customer assets in 2021.

The Asset Management Securities business division will focus on continuing to develop its range of high-quality products and services in 2021 in close coordination with the sales departments. It will concentrate particularly on the global impacts of the coronavirus pandemic and on expanding the range of products and services for sustainable investments in line with regulatory requirements and the Deka Group’s strategy. An increase in net sales is expected in the retail business. The focus will be on an investment fund business that maintains lasting value and products for regular saving. This particularly includes sustainable investments, equity funds, income-oriented bond funds, multi-asset solutions, individual asset management products, new asset management funds, ETF-based asset management solutions and ETFs. In the institutional customer business, sales of special funds and, in particular, positive developments in institutional mutual funds and ETFs will boost sales performance and keep it at a high level.

Risks may arise from the further course of the coronavirus pandemic and its economic impact on the investment fund business. Once the pandemic has been overcome, political risks will become more significant again in the medium term. These developments could put pressure on the stock markets and dampen investors’ risk appetite, which could trigger fund outflows and an absence of new investment. In addition, a pronounced stock market correction could negatively affect total customer assets.

The Asset Management Real Estate business division aims to remain the first-choice partner for savings banks and their customers when investing in commercial property. Systems and processes for portfolio and (real estate) risk management, taking advantage of potential for digitalisation, are being constantly developed. In open-ended real estate funds for retail customers, the aim is to become the market leader without compromising on quality or stability. The sales launch of a new open-ended real estate fund is planned for the retail business in 2021. This is the division’s response to the ongoing high demand from private investors. By further tapping market potential and introducing new products, the division aims to significantly improve its market position in institutional business. Consistently taking sustainability criteria into account in property purchases and portfolio management will continue to ensure that Deka remains attractive to sustainability-oriented investors. The division is continuously driving ahead with its economically, environmentally and socially sustainable approach. As the leading asset manager in the savings banks association, the Asset Management Real Estate business division is steadily expanding its existing product range in the area of sustainability. The business division aims to further improve its net sales performance among retail and institutional customers and increase total customer assets.

There are risks to the performance of the Asset Management Real Estate business division from fierce competition in the transaction markets, which have been additionally impacted by the coronavirus restrictions. This makes transaction planning difficult. The reinforcement of measures to tackle the pandemic is creating more volatile business conditions in various parts of the economy and affecting tenants’ income. The business division aims to take a constructive approach to each individual solution and find viable long-term solutions that enable the funds to maintain profitable rental relationships. There are also risks from continued strong regulatory pressure and the further consideration of sustainability criteria, though the impacts cannot be fully predicted here.

For 2021, the Asset Management Services business division again aims to increase assets under custody in line with the targeted asset management growth. The Digital Multichannel Management subdivision will continue with its strategic direction, pushing ahead with the expansion and integration of the sales processes of physical branches and other channels for the securities products offered by the savings banks. Combined with contemporary, innovative services such as the bevestor GmbH robo-advisory product (digital asset management), this will ensure and expand access to the customer interface in the *Sparkassen-Finanzgruppe*.

The Depositary subdivision will strive to further expand its depositary function through growth in the Deka Group investment companies' mutual funds and by obtaining third-party mandates. It will continue to pursue its vision of establishing itself as the national champion, focusing on developing a comprehensive asset servicing solution.

There are risks to Digital Multichannel Management from a stagnation of sales and from product development in the custody account business or delays in the enhancement of the multichannel sales offering. Rising expenses, for instance due to changes in the regulatory environment, could exacerbate these risks. Risks to future performance in the Depositary subdivision include rising pressure on margins for depositaries as well as market-induced outflows of funds, particularly due to the effects of the COVID-19 pandemic. In addition, a pronounced stock market correction could negatively affect assets under custody and thus income from the depositary business.

The Capital Markets business division will continue its existing strategic direction as a customer-centric product and solution provider focused on DekaBank's structured products and the derivatives, issuance and trading business. This is the division's response to both regulatory requirements and current market developments. At the same time, the division will step up its support to savings banks in the form of products and services to help them fulfil their regulatory requirements. It will also be important to maintain the Deka Group's position as an infrastructure provider with international capital market access. Systematically digitalising and expanding the existing platform solutions will help to achieve this. In the certificates business, retail products will be the focus again in 2021.

Risks to the development of the Capital Markets business division arise particularly from negative capital market developments and recessionary fears due to exogenous shocks (COVID-19 pandemic and trade disputes) followed by low customer activity levels. Additional risks arise from regulatory intervention in the design of products and definition of terms and conditions and further increased market pressure on fees. Regulatory or adverse monetary policy escalations leading to additional capital backing or reporting obligations may also affect business performance.

For its business activities in 2021, the Financing business division will continue to concentrate on its defined and well-established core segments: specialised financing and real estate financing in liquid markets. It focuses its approach on core assets with a local physical presence and aims to be a sought-after refinancing partner for the savings banks. The business division is pushing ahead with its stability-focused and risk-conscious strategy in a market environment that continues to be shaped by the COVID-19 crisis.

Risks to the Financing business division arise especially from the potential further repercussions of the COVID-19 crisis on the quality of loan exposures, especially in the particularly affected sectors of transport and real estate financing. DekaBank took extensive precautions against these risks in the reporting year by focusing on specialised and real estate financing and promptly reviewing the impact on credit quality at the level of individual exposures. At least in the short term, however, there remains a possibility of further setbacks caused by delays in vaccinating the population or the spread of mutated variants. Further risks may arise from political crises, which could adversely affect the economic outlook for lending segments in which we operate. This could also lead to a need for higher loan loss provisions, or to increased capital adequacy requirements as a result of a downgrading of our credit ratings. The long acquisition periods and intense competitive pressure for credit assets may also mean that the intended new business volume and expected returns cannot be achieved. Business performance may also be negatively affected by increasing competitive pressure for project and infrastructure financing due to institutional investors acting as direct lenders.

Expected financial and risk position

The Deka Group anticipates a sound financial position for 2021. Total assets will be subject to the usual business-related fluctuations over the course of the year. The planning assumption is for total assets of less than €100bn at year-end 2021.

The Deka Group expects to maintain an adequate capital and liquidity base in both the normative and economic perspective for 2021. It continues to aim for a Common Equity Tier 1 capital ratio above the strategic target of 13%.

Balance sheet management will be geared towards ensuring compliance with an appropriate leverage ratio above the regulatory requirement applicable from June 2021 and the secure compliance with the MREL ratio and the subordinated MREL requirements.

In the risk-bearing capacity analysis, risk appetite utilisation is expected to rise slightly, particularly due to the planned new business in the Financing business division, but not to a critical level. There is increased uncertainty about risk development, however, with regard to the future development of the market environment.

The Group's liquidity position is forecast to remain at a comfortable level. The Group expects to comfortably achieve all the required liquidity ratios in 2021. This includes the NSFR requirements applicable from June 2021.

Forecast development of key performance indicators in the of Deka Group *(Fig. 19)*

		31 Dec 2020	Forecast 2021 in the Annual Report 2020
Economic result	€m	269.4	Around €400bn
Total customer assets	€bn	339.2	Moderate above the previous year
Net sales	€bn	32.1	Significant below the previous year
Common Equity Tier 1 capital ratio	%	14.2	Over 13 %
Utilisation of risk appetite	%	70.5	Sight above the previous year

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 risks and earnings and probability of occurrence. Continuous and intensive market observation and the feedback processes established with the savings banks ensure that the assessment of the opportunities portfolio is regularly updated. This allows the Deka Group to actively manage its opportunities and react to new developments swiftly.

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

- Opportunities arising from changes in circumstances result from market developments that are more favourable than expected. These include regulatory changes or changing investment trends on the part of customers.
- Corporate strategy opportunities are mainly linked to the strategy implementation programme, which is designed to put the *Wertpapierhaus* strategy into practice. Positive effects linked to the growth initiatives may be more extensive or occur sooner than assumed in the forecast report.
- Other opportunities lie in greater than anticipated process improvements or positive earnings effects from efficiency initiatives.

Current opportunities

The assumptions on economic trends made in the forecast report represent the most likely scenario from the point of view of the Deka Group. Nevertheless, trends may turn out better than the baseline scenario assumes. Low interest rates, increased confidence and significant productivity gains could lead to surprisingly high growth without a significant rise in inflation, despite high capacity utilisation. Thanks to the reduction of debt, the recovery of financial systems would continue apace. In this scenario, it is possible that a more substantial than expected rise in index levels could lead to strong growth in total customer assets and have a positive impact on net commission income. The resulting somewhat stronger increase in yields at the long end, associated with a steepening yield curve, could improve the conditions for investing own funds and managing liquidity. A favourable macroeconomic scenario such as this would improve general conditions most notably for securities- and property-related asset management and capital market activities. This scenario is seen as rather unlikely, however.

Opportunities from market developments could also be generated by an even stronger shift towards funds, ETFs and certificates for financial savings. However, the Deka Group anticipates that this process will continue to take place only gradually. Nonetheless, if the popularity of funds, ETFs and certificates should increase by more than forecast in planning, this would have a beneficial impact on net sales and total customer assets.

There are strategic and other opportunities associated with the strategy implementation programme. The resultant effects have already been incorporated into the planning for 2021, meaning that any further positive impacts on the Deka Group's business and results are unlikely.

Risk report

Risk policy and strategy

The basic principles underlying the Deka Group's risk policy remain largely unchanged from the previous year. The Group's risk strategy-based approach has enabled proportionate risk management during the coronavirus crisis. The experience gained from this crisis has been incorporated into the bank's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). The Deka Group has also enhanced its internal risk taxonomy, tightened risk definitions and incorporated sustainability risks.

In order to achieve its commercial objectives, the Deka Group accepts certain risks in line with strategic requirements. These risks are limited by a comprehensive risk management system that covers all types of risk and all business divisions, sales and corporate centres in order to ensure the success of the Deka Group as a business. The framework for business and risk management is provided by the general concept of risk appetite (Risk Appetite Framework – RAF), which forms the main basis for the ICAAP and ILAAP and is an integral part of the Deka Group's strategy system. The aim of the ICAAP and ILAAP is to help ensure the Deka Group's continued existence by maintaining adequate capital and liquidity and to contribute to effective risk management. To this end, there is a distinction within the ICAAP and ILAAP between the economic and normative perspective.

A strong risk culture for the Deka Group is key to the lasting achievement of the business policy objectives set out in the business strategy. Without risk-appropriate behaviour and a sensible approach to risks, it would be impossible to limit them through overall risk management and ensure the Deka Group's lasting business success. The concept of risk appetite and the procedures for monitoring compliance with it form one of the three fundamental pillars of the Deka Group's risk culture. They are complemented by sound governance and a remuneration system that encourages appropriate risk behaviour. Processes are in place to ensure that these three pillars are continuously adjusted to changing circumstances. Staff and leadership behaviour – risk culture in the narrower sense – are shaped by the rules set down in the Code of Ethics and by the Deka Principles of Leadership, in addition to the aforementioned formal components. The Deka Group has adopted a risk culture framework laying down binding guidelines for the responsible handling of risks in the Deka Group and for compliance among employees, managers and Board members in relation to this. The framework also sets out the guiding principles that detailed rules on processes and tools have to adhere to. All Deka Group employees receive information and undergo awareness-raising measures on risk culture-related topics through mandatory annual training. Information from the regular survey on the risk culture, completed in the first quarter of 2020, was addressed and is being incorporated into the risk culture's ongoing development.

See also: Opportunities report: page 56

The risk position of the Deka Group presented in the risk report corresponds to the definition used as the basis for presentation of the Deka Group's business development and profit performance in the economic report. The report focuses on risks that are relevant from the point of view of the Group. Opportunities that might be used to counteract an increase in risk are presented separately in the opportunities report.

Strategy process
In accordance with the German Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement*, MaRisk), the Group uses a systematic strategic process to ensure that its Group-wide business strategy, management and structure, as well as the corresponding divisional and sales strategies and the risk strategy, are reviewed on a regular basis. The reviews consider whether these items are consistent, complete, sustainable and up to date. The process covers the planning, implementation and evaluation of the strategies and any necessary adjustments to them. Division-specific targets for risk and profit are used in order to ensure that the business and risk strategy is implemented appropriately in the business divisions.

The risk data aggregation strategy fleshes out the risk strategy in terms of the general requirements and specifications for effectively aggregating risk data and for risk reporting. As part of the risk strategy, it is an integral part of the strategic architecture and systematic strategic process.

Sub-risk strategies are formulated for significant types of risk identified during the risk inventory: counterparty risk, market price risk, operational risk, business risk and liquidity risk. These risk strategies are derived from the Deka Group's risk strategy as well as the strategies of the business divisions and provide specific details regarding risk monitoring and management. They are also reviewed at least once a year, revised if necessary, approved by the Board of Management and discussed with the Administrative Board.

Developments in risk management
The year 2020 was defined by the global spread of the coronavirus and its impacts on the real economy and financial markets. Various changes were made to ensure that the models used by the Deka Group for economic risk management purposes continue to reflect the corporate and market situation in an appropriate and timely manner despite this changed environment. For example, the risk-bearing capacity calculation entered a stress phase at the end of the first quarter, which is associated with the additional eligibility of AT1 capital in internal capital. The macroeconomic stress scenarios were revised on an ad hoc basis. In order to avoid the impact of excessive market reactions in connection with the COVID-19 crisis and thus excessive procyclical effects in risk management, the observation period for determining historical volatilities in the calculation of economic market price risk was extended. There was also an extension in the averaging period for the calculation of bond segment curves in determining economic counterparty risk. The experience of stressed refinancing markets and stress-induced liquidity outflows during the coronavirus crisis was used to enhance the ILAAP. In the fourth quarter, for example, Deka refined its models for calculating liquidity outflows in market-wide stress scenarios for collateralised derivatives. It also improved the consistency of the internal liquidity risk limits and emergency triggers for the recovery plan indicators and updated the liquidity emergency plan based on the experience gained.

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

In respect of the management of non-financial risks (NFR), the Deka Group has initiated a project to implement the Board of Management's guidelines for the establishment of integrated NFR management. Applying a uniform valuation methodology and establishing consolidated NFR reporting, for example, will ultimately lead to more efficient and effective processes for identifying, measuring and managing NFR. Implementation of the guidelines has begun this year using selected pilot risk types. In addition to addressing the NFR directly allocated to operational risk (e.g. personnel risks or information technology and security risk), this work will also include enhancements in the management of sustainability risk and reputational risk. As reputational risk is of particular significance to the Deka Group, the Group already applies various complementary approaches to its identification, measurement and management. In the interests of a comprehensive management system for reputational risk, the Deka Group has this year made further efforts to develop its decision- and cause-oriented reputational risk management.

Sustainability risks have now been consistently defined for the Deka Group for the first time and incorporated into the Deka Group's risk taxonomy. In line with regulatory expectations, such as those published in the ECB guidance on climate and environmental risks in November 2020, the Deka Group does not regard sustainability risks as a standalone risk type but as a potential driver of existing risk types. The issue of sustainability has already informed the Deka Group's business strategy and organisation for many years. Positive sustainability ratings are testament to the Deka Group's efforts in sustainable business development, which go beyond those typically seen in the sector. Building on this, the Group aims to gradually develop a system for systematically managing sustainability risks. It began the process in 2020 by designing individual elements of a risk management cycle for a selected business segment (Specialised Financing). The experience gathered from this will then be used to implement similar cycles in the remaining segments.

With regard to step-in risk, the Basel Committee's guidelines on identification and measurement of step-in risk were used as a basis for systematically identifying potential applications in the reporting year, taking into account materiality criteria and risk indicators in accordance with regulatory expectations. Given the mitigation measures taken or the lack of plausibility, this assessment found no current need to maintain capital or liquidity to cover step-in risk. A regular review of the step-in risk assessment is planned to ensure the level of risk identified remains up to date.

To meet the requirements of the ECB guide on internal models published in November 2018, DekaBank has implemented all planned measures in relation to the market risk model. The measures are in keeping with the findings of an on-site audit of the market risk model conducted in 2017 in the context of the supervisory review of internal models under Pillar 1 of the Basel capital regulations (targeted review of internal models – TRIM). The review aimed to reduce the variability of model results and thereby increase confidence in internal models. It affected the internal rating models for credit risk (IRBA), internal market risk models (IMA) and internal models for estimating exposure to counterparty risk (IMM). With regard to the IRB approach, suitable measures to fulfil the requirements were implemented based on the findings of the 2019 on-site audit in the fund rating module as part of the TRIM. TRIM audits concerning counterparty risk did not affect DekaBank.

The potential economic impact of changes to the Credit Risk Standardised Approach (CRSA) and the Internal Ratings Based Approach (IRBA) that are currently planned as part of the finalisation of Basel III (Basel IV) continues to be monitored. The same applies to the Fundamental Review of the Trading Book (FRTB). The measures needed to fulfil the requirements of the new FRTB standard approach are already being planned. The planned introduction of the Standardised Measurement Approach (SMA) for calculating operational risk capital, which could also affect Pillar II of the Basel framework under certain circumstances, is also being monitored.

Concept of risk appetite

Overview

The key component of the concept of risk appetite is the risk appetite statement (RAS), which provides the framework for the ICAAP and ILAAP. Within the ICAAP and ILAAP, there is a distinction between the economic and normative perspective.

The first starting point for the RAS is a description of the desired risk profile that is implied by our customer-centred business model. A Group-wide risk inventory ensures that the Deka Group has an overview of its risk profile at all times. The risk inventory exercise is carried out on an annual basis, and at other times as required, in order to assess which risks could have a significant negative impact on its financial position (including in terms of capital adequacy, earnings or liquidity). Particular consideration is given here to risk concentrations to which the Deka Group consciously exposes itself in connection with its business model. The assessment has further implications for backing risks with capital, for the holding of liquidity, and for validation. Inclusion of the relevant companies is checked as part of the risk inventory.

The second starting point for the RAS, in addition to the risk profile, is risk capacity – the maximum amount of risk that the Deka Group can accept with respect to its available funds. Risk appetite is defined, within the scope of this risk capacity, as the overall aggregate risk for individual risk types that the Deka Group is willing to accept in order to achieve its strategic objectives and business plan. There are different measures of risk capacity and risk appetite depending on the perspective and the nature of the risks (affecting profit or liquidity).

The RAS also incorporates medium-term planning, which specifies and quantifies details of the business and risk strategy. Medium-term planning involves an integrated planning process for profits, balance sheets, funding, capital and risk for the next three budget years, with account being taken of potential adverse developments.

The concept of risk appetite also covers procedures for monitoring compliance with risk appetite. These include management instruments, regular reporting, rulebooks, controls and processes, as well as risk governance in the sense that roles and responsibilities are laid down for implementing and monitoring risk appetite. Taking risk concentrations into account, the Deka Group has thus established limits for all risks classified as significant during the risk inventory and has implemented rigorous risk management.

Risk definitions, concentrations and measurement

The individual risk types for the purposes of risk monitoring and risk management are derived from the annual risk inventory. Risk types considered to be significant, which are backed by capital in the context of the ICAAP, include counterparty risk, market price risk, operational risk and business risk. Liquidity risk is also classified as significant and is managed and monitored as part of the ILAAP. Liquidity is maintained to cover the main drivers of liquidity risk (in the sense of insolvency risk).

A distinction is drawn between financial and non-financial risks, based on the context in which risks are incurred and/or arise. Financial risks are incurred consciously in direct connection with individual transactions in order to generate income. Non-financial risks, by contrast, are inherent in a particular business activity but are not incurred in order to achieve profit. Non-financial risks include, in particular, operational risk and business risk.

Counterparty risk

Counterparty risk is the risk of financial loss resulting from the deterioration in the creditworthiness of a borrower, issuer or other counterparty (migration risk) or when the counterparty is unable to fulfil its contractually agreed obligations, or unable to fulfil them in a timely manner (default risk). Counterparty risk also includes the risk of changes in specific provisions: the risk that a specific provision will underestimate the loss. Country risk is also included in counterparty risk. There is a distinction between country risk in the narrow and broad senses. Country risk in the narrow sense equates to transfer risk, which results not from the business partner itself, but instead is due to that partner's location abroad. Country risk in the broad sense is the risk that countries or governments will be unable to (fully) meet their contractual obligations in respect of receivables.

In terms of volume limitation, the Deka Group makes a distinction in counterparty risk between position risk, advance performance risk and potential future exposure (PFE). Position risk comprises borrower and issuer risk, as well as replacement risk and open position risk. Borrower risk is the risk that outstanding loan payment obligations to the Deka Group will not be paid or will not be paid in a timely manner. Similarly, issuer risk is the risk of losses caused by default on the part of issuers of debt or equity securities, underlyings of derivative instruments, or fund units. Replacement risk is the risk that if a business partner were to default, a replacement transaction would have to be conducted at less favourable market conditions. Open position risk (performance disruption) results if a delay occurs in the performance of a contractually agreed obligation by a business partner. Advance performance risk represents the risk that a business partner will not pay the contractually agreed consideration after advance performance has been rendered by the Deka Group. Potential future exposure (PFE) risk comprises the risk arising from potential market price fluctuations in relation to repo loan transactions, synthetic lending transactions and other derivatives transactions.

Market price risk
Market price risk describes the potential financial loss from future market price fluctuations (and from relevant valuation parameters) over a fixed time horizon and hence includes interest rate risk (including credit spread risk), currency risk and share price risk. Option risks are included in the above risks.

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

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

Share price risks (including real estate fund risks) are identified as risk factors via the individual shares, indices or funds and are influenced by risks from share or index volatility. The associated option risks or volatility risks are also taken into account here. Currency risks reflect changes in exchange rates.

The process for identifying and quantifying these risks in the economic perspective does not differentiate between the trading book and banking book; the same procedures are applied for all Deka Group portfolios, irrespective of the portfolio type. Market price risks relating to guarantees that the Deka Group has provided for individual investment funds are part of market price risk and are backed by capital as part of the ICAAP.

Credit valuation adjustments (CVAs) are potential valuation adjustments on derivative contracts. CVA risk is the risk of a corresponding financial loss due to potential future changes in the risk factors determining the valuation adjustments. CVA risk, for which separate RWAs are calculated, is quantified within market price risk in the economic perspective.

Liquidity risk
In terms of liquidity risk, the Deka Group makes a distinction between insolvency risk (liquidity risk in the stricter sense), liquidity maturity transformation risk and market liquidity risk.

Insolvency risk describes the risk that the Deka Group will be unable to meet its current and future payment obligations in a timely manner because 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 at a loss, due to inadequate market depth or because of market disruptions.

Operational risk
Operational risk means the risk of loss caused by the inadequacy or failure of internal processes, people and systems or by external events, including legal risks. In accordance with its overarching definition in the Deka Group's non-financial risk taxonomy, it can be broken down into the following sub-types: compliance risk, conduct risk, legal risk, information and communication technology and security risk, personnel risk, service provider risk, project risk and process risk.

Business risk
Business risk concerns potential adverse variances from plan that result from changes in the behaviour of customers or sales partners, or from market conditions, legal requirements or competitive conditions and for which the causes are not already covered by other risk types.

Sustainability risk

Sustainability risk describes the danger that business activities with environmental, social or corporate governance implications lead to sustainability-related developments or events that result either directly, or indirectly via reputational damage, in losses, declining revenue, higher costs or lower liquidity levels. While sustainability risks are part of the Deka Group's risk universe, their impacts mean that they are always viewed in the context of the other risk types.

Procedural measures specific to individual business activities are used to manage sustainability risks. Where sustainability risk arises in connection with counterparty risk, DekaBank manages it, among other things, by involving the Sustainability Management unit in lending decision processes as appropriate. A sustainability filter is also applied in the context of counterparty and market price risks (exclusion criteria for proprietary investments developed with the help of a sustainability rating agency). DekaBank combats potential sustainability risks arising in connection with business risk through measures such as regular dialogue with sales partners to identify and meet customer requirements, the use of exclusion criteria (e.g. controversial weapons or coal) and special investment universes for sustainably managed funds.

Reputational risk

Reputational risk describes the danger that loss events or developments resulting from Deka's business activities or in connection with other types of risk may have a negative impact on the external image of the Deka Group. This may lead to losses, declining revenue, higher costs or lower liquidity levels in addition to those incurred through other risk types. Reputational risks therefore form part of the Deka Group's risk universe but are regarded, given their effects, as comprising part of or potentially exacerbating business and liquidity risks.

Given this definition, the identification and management of reputational risks depends on the link to another risk type. For instance, as part of the loss documentation and self-assessment for operational risks (OR), a systematic determination and qualitative assessment of reputational risks resulting from an OR loss event are also performed. As sustainability-related developments or events can also negatively affect reputation, the same tools are used here. Where counterparty risk is concerned, the Deka Group uses, among other things, appropriate counterparty risk principles, a blacklist and appropriate assessment as part of the credit approval process. The sustainability filter is also applied in the context of counterparty and market price risks (exclusion criteria for proprietary investments developed with the help of a sustainability rating agency). Among other measures, the Deka Group has established a white list for its own issues of credit-linked notes and uses a defensive product design to counter potential reputational risks in connection with market price risks from the certificates business. In the case of business risk, the Deka Group manages the risk of lower commission due to the materialisation of reputational risks using relevant standards and principles for the funds' investment decisions. In addition to using these risk type-specific tools, the Deka Group quantifies the impact of reputational damage across all risk types as part of the macroeconomic stress tests. 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.

Model risk

Model risks are not regarded as a separate risk type at the Deka Group, but are viewed in conjunction with the individual risk and valuation models. Model risks arising from errors during the implementation, use or application of valuation or risk models, or from the incorrect choice of parameters for these models, are treated as part of process risk and thus as a sub-category of operational risk. Model risks are incorporated directly into the Deka Group's ICAAP by developing and assessing corresponding scenarios as part of the self-assessment process.

Model risk arising from the deliberate selection, specification, calibration or use of models, or from the choice of parameters, is described as model uncertainty. Model uncertainty should generally be avoided or minimised through suitable precautions. Relevant tools and processes are used for this purpose. However, even these processes are unable to fully eliminate model uncertainty.

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

Step-in risk

Step-in risk describes the risk of providing support, for reputational reasons or out of other considerations in connection with a (financial) stress scenario, to affiliated companies that are unconsolidated for regulatory purposes or business partners, despite the absence of a contractual obligation to do so. In this context, step-in risks form part of the Deka Group's risk universe. However, given their effects in the event that such support is provided, they are either regarded as exacerbating other risk types or have a direct impact on internal capital.

The identification and evaluation process as part of the 2020 risk inventory showed no current need for the Deka Group to maintain capital or liquidity to cover step-in risk given the mitigation measures taken or the lack of plausibility.

Further types of risk

The Deka Group defines investment risk as the risk of financial loss due to impairment of the portfolio of equity investments, insofar as they are not consolidated in the balance sheet and therefore already included under other types of risk. Internal capital is set aside for investment risk. Currently, however, this risk has only a minor influence on the Group's risk-bearing capacity.

Pension risk comprises potential losses from pension benefits payable or similar commitments due that are not already covered by the provisions recognised for pensions or similar commitments. Losses due to guarantee obligations from pension commitments are calculated using appropriate assumptions when determining market price risk or counterparty risk and taken into account as a deduction from internal capital.

Risk concentrations

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

Risk concentrations can occur both within the major risk types (intra-risk concentrations) as well as between different significant types of risk (inter-risk concentrations). These are a focus of risk management and monitoring in terms of tools looking at specific types of risk as well as those that apply across risk types.

Risk profile of the Deka Group and its business divisions

To successfully implement its vision of the *Wertpapierhaus* while avoiding conflicts of interest, the Deka Group exploits the advantages arising from the interconnection of its asset management and banking business. 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 or 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, and the establishment or acquisition of new business units, are undertaken only after a thorough risk evaluation has been performed.

These activities give rise principally to counterparty, market, business and operational risks, as well as to liquidity risk (which does not directly affect the income statement). The Deka Group also consciously exposes itself to risk concentrations in the context of its business model. The main examples of this in the context of counterparty risk are the Group's focus on the domestic public sector, on German savings banks and their customers, and on selected capital market participants and central counterparties, which is partly due to its function as a securities and collateral platform. With respect to market price risk, the Deka Group's business model focuses primarily on spread risks. In addition, (general) interest rate risks from guarantee products make a significant contribution to the Deka Group's market price risk. Large positions in collateralised derivatives give rise to concentrations of liquidity risk, as high sensitivity to specific market movements can trigger liquidity outflows due to the provision of collateral. To conduct its business, the Group mainly uses established products and markets with adequate market liquidity and market depth due to their international acceptance. No business is conducted involving physical delivery of precious metals and goods.

The Deka Group's business activities are organised into five divisions. Asset Management Securities, Asset Management Real Estate, Asset Management Services, Capital Markets and Financing. In addition to these, the Treasury corporate centre also exposes itself to risk in the course of its activities. In principle, this structure has a diversifying effect on business activities and the resulting risks for the overall portfolio. However, it is also associated in part with the pooling of certain business activities, resulting in different risk profiles in the individual divisions.

Asset Management Securities business division

Because of its focus on the active management of securities funds and investment solutions and services, this division principally generates operational and business risks for the Deka Group. These may be exacerbated by reputational risks in connection with the "Deka" brand or by the increasing importance of sustainability-related developments or events. Counterparty and market price risks arise particularly in relation to the guarantee funds and pension products managed by the business division. These are fund-based guarantee products, where either the investment management companies themselves issue guarantees (with a letter of comfort from DekaBank for these liabilities) or DekaBank makes use of the investment management companies' funds for its own guarantee products (Riester products). The division also faces investment risks.

Asset Management Real Estate business division

As with Asset Management Securities, the principal operational and business risks in this business division arise from active fund management. They may be exacerbated by reputational and sustainability risks. To a small extent, market price and counterparty risks also arise for the division from real estate funds in the Group's own investment portfolio. The division also faces investment risks.

Asset Management Services business division

This business division, too, principally generates operational and business risks for the Deka Group. These result from the provision of banking services for asset management. Counterparty and market price risks also arise to a small degree from the operations of S Broker AG Co. KG, which is included in this division. The counterparty risks primarily result from S Broker's proprietary investments.

Capital Markets business division

Customer-led business activity in the Capital Markets business division gives rise in particular to counterparty and market price risks, which may be exacerbated by sustainability risks. The counterparty and market price risks arise primarily from currency, securities lending, securities repurchase and derivatives transactions, from trading in financial instruments with financial institutions, savings banks, funds and companies, and in relation to DekaBank's strategic investments. Outside the Strategic Investments portfolio, proprietary trading not directly linked to customers takes place only for the purposes of managing risks from the customer business or for overall risk management purposes. The Strategic Investments portfolio was transferred to the Treasury corporate centre at the beginning of the 2021 financial year. This did not involve any change in risk profile. In relation to the division's business activities, credit spread risks and, to a lesser extent, general interest rate risks, share price risks and currency risks, including associated option risks, arise in relation to the market price risk. Whenever economically justified, risks are covered using hedging instruments. The rules for recognising hedging relationships in the balance sheet do not always correspond with the methods used for internal bank management purposes. It is therefore possible that differences may arise between the economic and accounting hedging relationships. Operational and business risks also arise. As the central securities and collateral platform in the association, the Deka Group generates economies of scale and scope. This results especially in concentrations with increased gross risk in relation to individual major banks, market makers that act for the Deka Group and central counterparties. Risk concentrations also exist in relation to individual Landesbanks as association partners. The collateral in securities lending transactions can also give rise to risk concentrations in collateral, which are limited by the rules in the Collateral Policy.

Financing business division

The business activities of the Financing business division (essentially savings bank financing, financing of the public sector, infrastructure and transport financing, ECA-backed financing and real estate financing) create corresponding focal points, primarily in counterparty risk, which may be exacerbated by sustainability risk. In accordance with the business model, this also leads to regional concentrations of counterparty risk in Germany, as well sector-based risk concentrations in relation to the financial sector. The division also faces investment risks.

Treasury

The Treasury corporate centre's various functions, especially management of the liquidity buffer, give rise to counterparty and market price risks. The investment focus of liquidity investments is currently on bonds issued by German federal states, German development banks, German run-off institutions, German covered bonds (*Pfandbriefe)*, supranational institutions and investment-grade corporate bonds. Given the strategic focus, risk is concentrated on the public sector and domestic counterparties. Market price risk chiefly involves spread risks, which are closely monitored and reduced if required through disposals or credit derivatives. Interest rate risks, currency risks and share price risks arise to a limited extent. Operational risks also exist to a limited extent. With effect from the beginning of 2021, the Strategic Investments portfolio was transferred from the Capital Markets business division to the Treasury corporate centre. This did not involve any change in risk profile.

Organisation of risk management and control

Board of Management and Administrative Board

The Board of Management is responsible for the development, promotion and integration of an appropriate risk culture within the Deka Group and is clearly committed to risk-appropriate behaviour. It is also responsible for establishing, enhancing and monitoring the effectiveness of the risk management system. Within the risk management organisation, the Board of Management makes decisions on the Deka Group's strategy, including the nature and implementation of the risk appetite concept. It defines the amount of overall risk permitted at Group level and sets the capital allocations for the different types of risk and the business divisions, including the Treasury corporate centre. The Board also sets the thresholds used for internal management purposes for the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, the total capital ratio, the leverage ratio (LR), the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), the subordinated MREL requirements , the utilisation of the large exposure limit, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). It thereby takes decisions, in particular, on the governance framework for the internal processes used to assess the adequacy of internal capital and liquidity (ICAAP and ILAAP) and is responsible for implementing these processes. This includes setting limits at Group level for the individual risk types. Ms Birgit Dietl-Benzin took over as the Chief Risk Officer on the DekaBank Board of Management with effect from 11 June 2020.

The Administrative Board, together with the relevant committees it has established – the Risk and Credit Committee and the Audit Committee – is responsible for monitoring the Deka Group's risk management system. Prior to every meeting of the Administrative Board, the Risk and Credit Committee meets to discuss in detail matters impacting the Group's risk exposure and risk management. It also reviews the Group's strategic direction with the Board of Management. The Risk and Credit Committee also acts as a credit approval body within the scope of the applicable authorisation guideline. The Audit Committee is an oversight body that concerns itself with the results of internal and external audits. It thereby contributes to ensuring the appropriateness and effectiveness of the Deka Group's monitoring, control and risk management arrangements.

Management committees

The Board of Management is supported in its management role by various management committees.

The Risk Management Committee (*Managementkomitee Risiko* – MKR) advises the Board of Management on matters regarding significant risks at Group level and on addressing, analysing and assessing issues that could have a significant influence on the total risk profile or profitability of the Group.

It helps the Board of Management to set the framework for managing capital and liquidity adequacy. The committee thus makes an important contribution to promoting a Group-wide risk culture. The meetings of the MKR are generally divided into the following parts. In part A, the risk round table on non-financial risks (NFR), the discussion centres on current NFR-related risk topics for each unit or business division. This usually takes place four times a year. In part B, the risk round table on financial risks, methods and models and current risk reporting, geopolitical risks and the economic environment, along with the regular reports from sub-committees in the context of financial risks, are presented to the committee and discussed. Part B, which usually takes place once a month, also discusses the handling of model risks. At the end of the 2020 financial year, the tasks and decision-making authority of the Models Committee, a sub-committee of the MKR, were expanded. This was accompanied by a change in the committee's composition. The changes enabled a streamlining of the structure of the MKR, whose meetings were previously divided into three parts. The voting members of the MKR include the member of the Board of Management responsible for risk control and the head of the Risk Control department and, depending on responsibilities and the part of the meeting concerned, the heads of the Credit Risk Office and the Finance and Risk Control Capital Market Funds departments, the COOs for the Asset Management Securities and Asset Management Real Estate business divisions, the COO for the banking divisions & depositary, and the heads of Compliance, Legal, IT, Human Resources, Business Services, Treasury, Corporate Office & Communications, Corporate Development, Sales Management & Marketing, Digital Multichannel Management, Institutional Customer Sales, Organisational Development, Information Security Management, Capital Markets, Real

Estate Financing, Specialised Financing and Macro Research. The MKR is supported in this function by sub-committees, which each have individual core duties.

The Management Committee for Assets and Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP), which generally meets every two weeks, primarily drafts resolutions on matters relating to the management of interest rates, currency, liquidity and refinancing, to fund-based guarantee products and to the capital and balance sheet structure. It assists the Board of Management with the operational management of capital and liquidity adequacy. Measures to be taken in the event of a liquidity crisis are also confirmed in the course of the MKAP's regular review. The permanent voting members of the MKAP comprise the members of the Board of Management responsible for Treasury, Finance, Risk Control and Capital Markets and the heads of the Treasury, Finance, Risk Control and Capital Markets corporate centres.

Sub-committees of the Risk Management Committee

The Stress Testing Committee supports the Board of Management in relation to the overall appraisal of the regular macroeconomic stress tests (covering all risk types) and risk-type-specific stress tests. Stress tests form an integral part of the Deka Group's risk management. The duties of the Stress Testing Committee include in particular the assessment and appraisal of stress test results as well as general responsibility for setting stress test scenarios and processes.

The job of the Models Committee is to regularly analyse and address issues relating to DekaBank's valuation and risk models. This involves regular examination of their adequacy using model monitoring and assessment of current trends and validation issues. In this function, the Models Committee takes decisions within the scope of the authority granted to it or prepares decisions to be taken by the Board of Management with the involvement of the MKR. The committee thus makes an important contribution to ensuring overarching consistency in the models employed. Furthermore, the Models Committee represents the central body for assessing model risks, with the aim of ensuring appropriate treatment of model risk.

See also: Counterparty risk: page 85 ff.

Additional committees that are relevant to counterparty risk management include the Country Risk Committee, which assesses and monitors country risk, the Monitoring Committee, which monitors and manages non-performing loans and loans on the watch list, the Risk Provisioning Committee, which performs regular analysis and examination of matters relating to the planning, monitoring and management of loan loss provisions as well as monitoring and managing restructuring and liquidation cases, and the Rating Committee, which analyses and monitors the internal rating procedures (see counterparty risk).

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

Business divisions and corporate centres

All business divisions and the Treasury corporate centre operate within the scope of the strategic requirements. In addition, they operate within the framework set by the Board of Management on the basis of recommendations from the MKR and MKAP. The Treasury corporate centre also manages market price risks in the banking book and the liquidity, refinancing and equity of the Deka Group within these limits. The Equity investments department in the Corporate Development corporate centre has overall responsibility for the management of equity investments involving investment risk. This also includes monitoring in respect of compliance and other risks and liaising in this context with the relevant functions in the second line of defence.

The Risk Control and Finance corporate centres have particular responsibility for developing a standardised and self-contained system to quantify and monitor all significant risks associated with the Deka Group's business activities. The two corporate centres each concentrate on different tasks as part of this work. Risk measurement procedures evolve on an ongoing basis in line with economic and regulatory requirements.

The Risk Control corporate centre, which is independent of the business divisions, is primarily responsible for the economic perspective and, across both perspectives, for coordinating and choosing the parameters for macroeconomic stress testing. It also monitors compliance with the limits approved by authorised decision makers, and immediately reports any limit breaches to them.

The Finance corporate centre is responsible for the normative perspective and also monitors compliance with the thresholds set for the regulatory ratios.

The Credit Risk Office corporate centre is primarily responsible for providing a second opinion independent of front office operations, creating and/or approving ratings and verifying and approving specific collateral. The office also acts as the central statistical monitoring centre for early-stage risk identification. In addition – acting independently of front office operations – the Credit Risk Office is responsible for lending processes, including closely monitoring and managing non-performing and troubled loans as well as for dealing with restructuring and liquidation cases (work-out exposures).

On behalf of the Deka Group, the Compliance corporate centre covers the regulatory functions of the Compliance Officer as set out in the German Banking Act (*Kreditwesengesetz* – KWG), the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) and the German Investment Code (*Kapitalanlagegesetzbuch* – KAGB). It also covers those functions assigned to the Money Laundering Officer pursuant to the German Money Laundering Act (*Geldwäschegesetz* – GwG) and the KWG, and represents the "Central Office" for the Money Laundering Officer and in relation to the obligations to prevent criminal acts under section 25h (7) KWG. Furthermore, the Compliance corporate centre fulfils the roles of Group Money Laundering Officer, of the party responsible for processes (*Verfahrensverantwortlicher*) under section 24c KWG, of the independent body (*Unabhängige Stelle*) under sections 70 and 85 KAGB, and of the Single Officer under section 81 (5) WpHG.

The specialist functions for monitoring selected non-financial risks are consolidated in the Information Security Management department, which reports directly to the Board of Management, along with the functions of Information Security Officer and Data Protection Officer.

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

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

Organisational structure of risk management in the Deka Group *(Fig. 20)*

		Counterparty risk	Market price risk	Operational risk	Business risk	Investment risk	Liquidity risk
Administrative Board							
Risk and Credit Committee	- Overview of current risk situation/risk management system - Discussion of strategic direction with Board of Management - Credit approval body	●	●	●	●	●	●
Audit Committee	- Reviews results of internal and external audits	●	●	●	●	●	●
Board of Management	- Determines strategic direction - Responsible for Group-wide risk management system - Defines risk appetite in the economic perspective and thresholds for regulatory ratios - Allocates risk capital to risk types and business divisions, incl. setting the limits for individual risk types at business division level	●	●	●	●	●	●
Management Committee for Risk (Management-komitee Risiko – MKR)	- Assists the Board of Management in matters relating to significant existing and prospective risks and in defining a framework for management in the context of the ICAAP and ILAAP - Supports the Board of Management with the evaluation of issues that have a significant effect on the overall risk profile - Prepares draft resolutions for the Board of Management and makes decisions within the scope of the authority granted to it - Supplemented by various sub-committees	●	●	●	●	●	●
Stress Testing Committee	- Assesses and appraises stress test results - Specifies stress testing scenarios and processes - Reports and makes recommendations for action to the Board of Management	●	●	●	●	●	●
Models Committee	- Assesses current trends and validation issues with regard to valuation and risk models - Central body for assessing model risks	●	●	●	●	●	●
Country Risk Committee	- Assesses country risks - Assesses and further develops the methodology for limiting country risks - Approves/sets country limits	●					
Monitoring Committee	- Defines, assesses and further develops the early warning indicators and classification criteria - Monitors and manages non-performing loans and loans on the watch list	●					
Ratings Committee	- Enhances and maintains internal rating procedures and rating processes - Responsible for approving policies and regulations relating to the internal rating procedures	●					
Risk Provisioning Committee	- Plans, manages and monitors loan loss provisions - Monitors and manages restructuring and liquidation cases	●					
Risk Talk	- Supports the MKR/Board of Management in connection with risk management and monitoring processes in the Capital Markets business division's operational processes - Emphasis on market price and counterparty risk	●	●	●	●		●
Management Committee for Assets and Liabilities (Management-komitee Aktiv-Passiv – MKAP)	- Supports the Board of Management in matters relating to interest rate and FX management, liquidity and funding management, capital and balance sheet structure management - Supports the Board of Management with operational ICAAP and ILAAP management - Evaluates the measures planned for liquidity crises - Prepares draft resolutions for the Board of Management - Has various sub-committees, including the central sub-committee for guarantee products	●	●	●	●	●	●
AM Securities business division	- Conducts transactions in line with strategic guidelines	●	●		●	●	●
AM Real Estate business division	- Conducts transactions in line with strategic guidelines	●	●		●	●	●

		Counterparty risk	Market price risk	Operational risk	Business risk	Investment risk	Liquidity risk
AM Services business division	- Conducts transactions in line with strategic guidelines	•	•		•		•
Capital Markets business division	- Conducts transactions in line with strategic guidelines	•	•		•		•
	- Makes decisions within the guidelines proposed by the MKAP and established by the Board of Management and sets limits within the division		•				•
Financing business division	- Conducts transactions in line with strategic guidelines	•			•	•	•
Treasury (Corporate Centre)	- Conducts transactions in line with strategic guidelines	•	•				•
	- Makes decisions within the guidelines proposed by the MKAP and established by the Board of Management and sets limits within the corporate centre - Manages market price risks in the banking book, manages the liquidity and refinancing of the Deka Group		•				•
Risk Control (Corporate Centre)	- Develops and updates system to quantify, analyse and monitor risks (economic perspective and both perspectives for the purposes of stress testing) - Reports to Board of Management and Administrative Board - Determines/monitors risk-bearing capacity - Monitors approved limits - Responsible for general controlling of operational risks	•	•	•	•	•	•
Finance (Corporate Centre)	- Develops and updates system to quantify, analyse and monitor risks (normative perspective based on actual situation) - Reports to Board of Management and Administrative Board - Determines regulatory ratios - Monitors thresholds in the normative perspective	•	•	•	•	•	•
Credit Risk Office (Corporate Centre)	- Administrative office for early risk identification - Market-independent second recommendation - Reviews and/or approves ratings - Checks certain collateral - Management of troubled and non-performing loans (work out) - Loan administration - Responsible for lending-related processes	•					
Equity investments (Corporate Centre Corp. Development)	- Manages equity investment portfolio					•	
Compliance (Corporate Centre)	- Functions as Compliance Officer as set out in the German Banking Act (KWG), German Securities Trading Act (WpHG) and German Investment Code (KAGB), as Money Laundering Officer pursuant to the German Money Laundering Act (GwG) and as Central Office in line with the requirements of the KWG - Party responsible for processes under section 24c KWG - Independent body under sections 70, 85 KAGB - Single Officer under section 81 (5) WpHG			•			
Information Security Management (ISM) (reports directly to the Board of Management)	- Monitors selected non-financial risks through specialist functions (information security management, BCM, data protection and central outsourcing management)			•			
Internal Audit (Corporate Centre)	- Audits and evaluates all activities/processes (especially risk management system)	•	•	•	•	•	•
All business divisions and Corporate Centres	- Identifies, measures and manages operational risks on a decentralised basis			•			

Three Lines of Defence model

Risk management involves active management of the Deka Group's risk position. The distribution of risk-related activities and associated controls across several organisational units requires proper assignment and delineation of the respective responsibilities and functions. Ever greater significance is attributed to an effective and properly functioning risk management system across all organisational units, which has no control gaps, conflicts of interest or redundancy and takes into consideration the risk strategy of the Deka Group. This also promotes clear-cut governance.

The "Three Lines of Defence" model practised by the Deka Group is designed to ensure compliance with and verification of the risk framework stipulated by the risk strategy, including the regular review of ICAAP and ILAAP. The operational business units responsible for exposures are – as the first line of defence – responsible for identifying, assessing and managing the (financial) risks involved in any business conducted. This also includes transactions to minimise total risk at Group level in day-to-day operations. In terms of the (non-financial) risks that are inherent in the general business activities but not incurred in direct connection with individual transactions, each unit should be treated as part of the first line of defence. The controls forming the first line of defence are supplemented and enhanced by the independent downstream organisational units that carry out control functions as part of the second line of defence (e.g. the Risk Control, Credit Risk Office and Compliance corporate centres). These units monitor compliance with the requirements of corporate policy independently of front office and trading operations. For financial risks, the need for an independent monitoring function results from the conflict between responsibility for earnings and responsibility for risks. Translated to non-financial risks, it is therefore necessary to create a specialist function for at least those areas of risk in which the first line of defence can be assumed to have an incentive to accept higher risks with the goal of minimising costs. In addition, an overarching function defines methodological standards that ensure the risks are assessed in a comparable way, reported consistently and taken fully into account in the capital adequacy assessment. The third line of defence is the Deka Group's Internal Audit department, which also exercises its functions independently.

It is ensured that the requisite personnel resources are available to carry out the control functions, both in terms of the staff capacity needed to assess and monitor risks and in terms of the sufficient capability of the staff concerned. The systems and equipment provided for all control functions ensure that the ongoing processing, management and monitoring requirements arising from the nature and scope of the business carried out are met.

Accounting-related internal control and risk management system

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

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

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

Additional checks at DekaBank – for example in order to substantiate balance sheet items – are carried out at an aggregated level by "sub-position managers". These employees, who have in-depth product knowledge, are also responsible for regularly calculating results.

The accounting recognition of business transactions is governed centrally by a Group accounting policy. This policy describes key accounting requirements and documents the standard accounting processes that apply throughout the Group. This ensures, amongst other things, that the same business transaction is accounted for uniformly in different Deka Group units and companies in compliance with the applicable accounting standards.

Specific work instructions are used to implement Group policy at operational level in individual specialist departments. These instructions also describe the control mechanisms to be followed. Guidelines and authorisation procedures have been developed for the central systems that generate accounting information as part of the preparation of financial statements. Compliance with these guidelines and concepts is regularly monitored by Internal Audit.

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

Framework and tools for managing capital adequacy
The Deka Group has defined risk capacity and risk appetite as follows, depending on the perspective.

In the economic perspective, the risk capacity for profit-affecting risks is set in the course of the risk-bearing capacity analysis, while taking due account of risk concentration. It represents the upper limit of acceptable risk and corresponds to the Deka Group's total internal capital. The risk appetite for profit-affecting risks is defined in the economic perspective as part of the risk-bearing capacity analysis as the allocated risk capital (allocation) for the total risk at Group level. The maximum permissible risk appetite is equal to risk capacity less any stress buffer that has been created and a management buffer.

In the normative perspective, thresholds are set that take into account the regulatory requirements. It is important that the chosen thresholds provide sufficient notice to allow for the preparation and initiation of management measures. Escalation and information processes are triggered for governance purposes when individual thresholds are hit. The thresholds are also reviewed and adjusted as necessary as part of an annual revision process. The maximum level of risk corresponds to the red threshold for the Common Equity Tier 1 capital ratio used for internal management purposes. In the current situation, this is based on the overall capital requirements (OCR) and the Pillar 2 Guidance (P2G) as part of the SREP process. For internal management purposes, there are also red thresholds as of the end of 2020 for the Tier 1 capital ratio, the total capital ratio, the leverage ratio, the MREL ratio, the subordinated MREL requirements and utilisation of the large exposure limit.

In the normative perspective, the level of risk that the Deka Group is willing to accept in relation to profit-affecting risks is the amber threshold for the Common Equity Tier 1 capital ratio used for internal management purposes, which is comprised of the overall capital requirements (OCR), the Pillar 2 Guidance (P2G) and a management buffer. For internal management purposes, there are also amber thresholds for the Tier 1 capital ratio, the total capital ratio, the leverage ratio, the MREL ratio, the subordinated MREL requirements and utilisation of the large exposure limit. The management buffer has been determined taking into account the ECB guide to the ICAAP and is essentially based on the results of the annual risk inventory and strategic considerations as to how to respond flexibly to potential business opportunities without jeopardising capital adequacy.

In order to appropriately reflect the particular features of non-financial risks, which, wherever possible, are quantified as sub-risk categories of operational risk, qualitative risk tolerance rules are also set for these risks in addition to the quantitative risk appetite relating to the overall risk position. Such risks include compliance risk and reputational risk, among others.

See also: Individual risk types: page 85 ff.

The Deka Group makes use of a variety of tools to manage the risks and risk concentrations resulting from its business activities and thereby ensure capital adequacy. In the course of the ICAAP, the Deka Group distinguishes here between tools that apply to all risk types at the level of strategic requirements and risk-specific tools for operational management, which are described for the economic perspective in the sections covering the individual risks. Alongside the risk inventory, the tools used by the Deka Group for overall management and monitoring of the risks mainly comprise risk and capital planning, the economic perspective in the current situation with the monthly risk-bearing capacity and capital allocation, the normative perspective in the current situation with adherence to regulatory ratios, and macroeconomic stress testing, which covers both the economic and normative perspectives. Key performance indicators are integrated into both the recovery plan and the remuneration system.

Risk and capital planning

Medium-term planning involves an integrated planning process for profits, balance sheets, funding, capital and risk for the next three budget years, with account being taken of potential adverse developments. For profit-affecting risks, risk and capital planning in the economic perspective calculates risk-bearing capacity for the next three years. Based on the planned business activities and the risks associated with them, and taking into account the available risk capacity in this perspective, the Board of Management sets the risk appetite for operational activities. In accordance with the planning assumptions, certain items are not taken into account. Based on the risk appetite, the Board of Management also allocates capital to the individual risk types and business divisions. 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 MKR and adopted by a resolution of the Board of Management.

The regulatory ratios (Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio, leverage ratio, MREL ratio and the subordinated MREL requirements) are determined for each year as part of the normative risk and capital planning.

The Common Equity Tier 1 capital ratio should exceed the target ratio or at least show medium to long-term adherence to the strategic target ratio. The strategic target ratio is determined based on the supervisory requirements (OCR and P2G) plus a strategic premium, set annually as part of the planning work by the Board of Management and adjusted as necessary. The lower limit is the amber threshold used for internal management purposes for the relevant year. This is calculated based on the OCR and P2G expected to apply in the relevant year plus a management buffer.

In addition to planning based on expected economic developments (base scenario), appropriate scenarios are used to assess whether the regulatory ratios can be adhered to even under adverse circumstances within the planning horizon. To this end, the Board of Management may set its own annual thresholds that deviate from the base scenario.

Economic perspective (current situation): Risk-bearing capacity and capital allocation

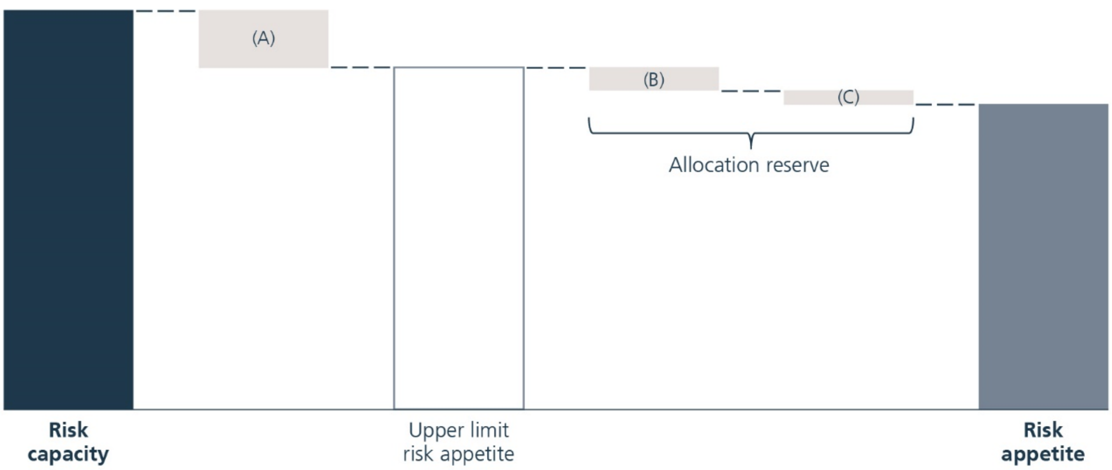
As a basic principle, internal capital is used to determine the maximum level of risk that can be incurred (impacting the income statement), taking into account risk concentrations. Risk capacity is analysed monthly. In the course of the risk-bearing capacity analysis, the risk capacity (in the form of internal capital) and the current risk level (current situation) are determined, and compliance with the guidelines and limits is monitored. The Deka Group’s total risk, as examined in the risk-bearing capacity analysis, includes as a minimum all material risk types with an impact on the income statement, and is determined by adding these together. Diversification effects between individual types of risk are not taken into account as part of this process. The total risk of the Deka Group is measured as an economic capital amount that is highly likely to be sufficient to cover the losses from all significant risk positions at any time within one year.

DekaBank uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and to aggregate them as an indicator for overall risk. The calculation of VaR for a one-year holding period is made for internal management purposes with a confidence level of 99.9%. This level is derived from the business model with reference to an S&P rating at the level of a stand-alone credit profile of “a–”.

The total risk of the Deka Group that is derived from the individual types of risk is compared to the Group’s internal capital available to offset losses. Internal capital, or risk capacity, consists mainly of equity capital in accordance with IFRS and earnings components, adjusted using amounts to correct for specific capital components, such as intangible assets or risks arising from pension obligations. AT1 capital, which serves as a capital buffer in periods of stress, is also included in internal capital. This internal capital is available as risk capacity – in the sense of a formal total risk limit – to safeguard risk-bearing capacity as a whole.

In normal market conditions, AT1 capital is separated from it as a stress buffer. Based on risk capacity less any stress buffer created, a management buffer is set whose amount must at least correspond to the buffer for model uncertainty (depending on the risk models used). Risk appetite is the primary control parameter. In addition to the Group-level analysis, risk is also limited, based on the risk appetite, by business division (including the Treasury corporate centre) and risk type (including investment risk) in the form of allocated risk capital.

Risk capacity and risk appetite *(Fig. 21)*



(A) Deduction of maximum of buffer for model uncertainty and minimum management buffer
(B) Hidden losses and reserves and own credit rating effects (if positive)
(C) Allocation reserve after deduction of (B)

The utilisation ratios for risk capacity and the risk appetite may not exceed 100%. For the utilisation of the risk appetite, an early warning threshold of 90% has also been established.

The results of the risk-bearing capacity analysis and the utilisation levels for the specified allocations are determined monthly and reported to the Board of Management. The Risk and Credit Committee and the Administrative Board are informed on a quarterly basis.

Normative perspective (current situation): Compliance with regulatory ratios

The regulatory ratios are calculated monthly or quarterly. Adherence to the internal thresholds is ensured using an ongoing monitoring process, which additionally includes a monthly plan/actual comparison and a regular forecast process. The regulatory ratios are reported monthly to the Board of Management and quarterly to the Administrative Board. If the amber threshold is undercut in internal management, the Board of Management has to be informed using ad hoc reports as part of an agreed escalation process. The Board decides on measures to resolve this. Unless decided otherwise by the Board of Management, the Administrative Board is informed of the fact that the amber threshold has been undercut as part of the regular quarterly reporting process and is notified of the measures initiated. If the red threshold is undercut in internal management (i.e. if the alarm threshold for the corresponding recovery plan indicator is reached), this triggers governance measures under the integrated recovery plan.

In addition to adhering to these internal thresholds, the business divisions and Treasury corporate centre are required, within the framework of this overall plan, not to exceed the target RWAs specified in the medium-term planning as a general rule. In the event that individual business divisions or the Treasury corporate centre may conceivably exceed these targets, the affected business divisions and the Treasury and Finance corporate centres examine whether measures to reduce RWAs are required.

Macroeconomic stress tests (both perspectives)

Macroeconomic stress testing for all risk categories is used as an additional tool to manage capital adequacy along with the indicators for the current situation. Capital adequacy is regularly assessed by way of macroeconomic stress tests, which enable an estimate to be made of how it would be affected by extreme market developments. Macroeconomic stress tests enable action areas to be identified at an early stage as soon as crisis situations emerge.

The macroeconomic stress tests examine extraordinary but nonetheless plausible scenarios. These cover historical scenarios, hypothetical stress situations and institute-specific stress situations. Reputational risks are also systematically included in the stress tests. When needed, the scenarios are supplemented with relevant ad hoc analyses. Furthermore, the Deka Group also performs reverse stress tests, examining specific manifestations of scenarios that would lead, in the economic perspective, to the risk capacity being reached in the specific context of the Deka Group's business model, taking into account the associated risk concentrations, and in the normative perspective to a Common Equity Tier 1 capital ratio at the level of the red threshold.

The effects of the various macroeconomic stress scenarios are calculated for the economic perspective for all relevant risk and earnings figures and compared to the internal capital determined for each scenario. Similarly, in the normative perspective, the effects of the stress scenarios on regulatory own funds and RWAs, the resulting capital ratios and the leverage ratio, MREL ratio and the subordinated MREL requirements are calculated and compared to the regulatory requirements. Utilisation of the large exposure limit is also examined. The point in time for which the stress scenarios are calculated is always a year in the future.

The results of the macroeconomic stress tests are determined quarterly, assessed by the Stress Testing Committee and reported to the Board of Management, the Risk and Credit Committee, and the Administrative Board.

The macroeconomic scenarios were revised on an ad hoc basis as of 31 March 2020 in the context of the COVID-19 crisis. Both the base scenario (reflects the expected development) and stress scenarios were adjusted in light of global economic developments. The description and parameters, especially of the hypothetical stress scenarios, have been amended accordingly. Some hypothetical and historical scenarios were temporarily withdrawn given their lack of relevance to the crisis. In the second half of 2020, the scenarios also underwent their regular annual review. This found that the scenarios examined continue to provide an appropriate reflection of all risks relevant to the Deka Group. The waves of reinfection and their impact on the world economy were confirmed as the trigger for the shock events in the market-wide scenarios. The description and parameters of the hypothetical and institute-specific stress scenarios were adjusted in light of the experience of the COVID-19 crisis to date.

Framework and tools for managing liquidity adequacy

Liquidity risk is managed and monitored as an independent risk category within the framework of the Deka Group's risk strategy. The liquidity risk strategy applies to all organisational units of the Deka Group and sets out the responsibilities for liquidity risk management and monitoring.

With the ECB's approval of the liquidity waiver for DekaBank and S-Broker, the liquidity subgroup consisting of these companies has been monitored in addition to the Deka Group since April 2020.

Liquidity risk in the narrower sense (insolvency risk) is not an immediate risk to the Group's profit that can be cushioned with equity capital. Liquidity risk management therefore forms an additional management level outside the ICAAP. Like the latter, it is based on the results of the risk inventory and integrated with the recovery plan and remuneration system. The central objective of liquidity risk management is to prevent liquidity shortfalls and thus ensure that the overall solvency of the Deka Group is guaranteed on a continuous basis. In the economic perspective, the key risk measure used in the integrated quantification, management and monitoring of liquidity risk is the relevant funding matrix (FM) defined by the Board of Management. In the normative perspective, the key risk measure is the liquidity coverage ratio (LCR) for regulatory purposes. The LCR is the ratio of the holdings of high-quality liquid assets (HQLA) to the total net outflows for the next 30 days, as calculated under a stress scenario.

For liquidity risk (insolvency risk), risk capacity is defined in the economic perspective as the amount of free liquidity that is in principle available. It thus corresponds to the positive liquidity balance of the FM for normal business operations. For liquidity risk, the Deka Group has defined its risk appetite in the economic perspective such that an indefinite survival horizon exists under an extreme hypothetical stress scenario of a simultaneous institution-specific and market-wide stress event. This hypothetical stress scenario is illustrated in the "combined stress scenario" funding matrix. Permanent solvency and an unlimited survival horizon are achieved by setting a limit of 0 on the liquidity balances of all maturity bands.

In the normative perspective, thresholds are set that take into account the regulatory requirements. It is important that the chosen thresholds provide sufficient notice to allow for the preparation and initiation of management measures. Escalation and information processes are triggered for governance purposes when the thresholds are hit. The thresholds are also reviewed and adjusted as necessary as part of an annual revision process. The maximum level of risk corresponds to the red threshold for the LCR used for internal management purposes. In the current situation, this is based on the applicable regulatory requirement (currently 100%) plus a management buffer. In the normative perspective, the liquidity risk that the Deka Group is prepared to accept is the amber threshold for the LCR used for internal management purposes. This is comprised of the red threshold used for internal management purposes plus a management buffer. The management buffer has been determined taking into account the ECB guide to the ILAAP and is essentially based on the results of the annual risk inventory and strategic considerations as to how to respond flexibly to potential business opportunities without jeopardising liquidity adequacy. The regulatory requirements for the net stable funding ratio (NSFR) to be observed from mid-2021 are met.

Risks impacting the income statement arising from refinancing gaps (liquidity maturity transformation risk) are currently not material because the limits placed on liquidity balances in the FM prohibit negative balances, meaning that maturity transformation is only possible to a very limited extent. In view of the ample levels of liquidity available to the Deka Group overall, market liquidity risk is also not regarded as significant at present.

Liquidity positions are managed by the Treasury corporate centre. Liquidity management involves managing and monitoring short-term and structural liquidity and offsetting liquidity costs and benefits. The Treasury corporate centre also ensures an ample liquidity buffer of central bank-eligible collateral and deposits with the Bundesbank. In addition, it is in charge of managing the Deka Group's liquidity buffer as well as controlling the level of liquidity ratios. Operational liquidity management across all maturities is also handled centrally by the Treasury corporate centre.

The liquidity position and compliance with risk appetite is analysed, for the economic perspective, across the entire Group by the Risk Control corporate centre and monitored independently from the front office units in organisational and procedural terms. The Finance corporate centre is responsible for determining the LCR and monitoring compliance with the thresholds set.

In the event of a liquidity emergency, a crisis committee assembles. It may decide all measures judged necessary to ensure the short-term solvency of the Group and may instruct all units of the Deka Group to implement these measures. The Board of Management, as a permanent member with a voting right, is the core of this crisis committee. Continuous monitoring of market-wide and institution-specific early warning indicators and emergency triggers anticipate potential liquidity crises so that appropriate countermeasures can be quickly implemented in the event of adverse developments. The Deka Group had ample liquidity even throughout the period of stressed refinancing markets triggered by the coronavirus pandemic. Nevertheless, the experience gained in this stressed market environment was incorporated into the annual update and review of the liquidity emergency plan and associated action plan.

Medium term and funding planning

Medium-term planning involves an integrated planning process for profits, balance sheets, funding, capital and risk at Deka Group level for the next three years. This looks at liquidity adequacy in the normative perspective for planning horizons, including under adverse scenarios.

Both short-term (LCR) and medium-to-long-term liquidity adequacy (NSFR) are examined with a three-year planning horizon and under adverse scenarios. The liquidity subgroup is included in the Deka Group perspective.

Economic perspective: Funding matrices

The purpose of the funding matrix is to show expected future cash flows across the portfolio as at the reporting date. The liquidity requirement (liquidity gap) or liquidity surplus is determined for each maturity range based on these flows. In addition, freely available financial resources, such as realisable assets in the form of securities, over-coverage in cover registers and other sources of funding, are identified as potential liquidity on an aggregated basis. The liquidity balance for each maturity band is determined from the sum of the cumulative liquidity gap and the cumulative liquidity potential.

The basis for the model is cash flows as indicated by legal maturities. This approach is based on the sum of all legal net cash flows per maturity band. Reconciliation between the amount from a legal perspective and expected cash flows is performed using modelling assumptions. Securities used for liquidity potential are allocated either to the liquidity buffer or to operational securities portfolios.

The liquidity buffer is used to cover possible stress-induced liquidity outflows from the banking book as well as stochastic liquidity outflows that cannot be influenced by the Deka Group or can only be influenced to a limited extent (stochastic liquidity position). The liquidity buffer is the responsibility of the Treasury corporate centre. The minimum level required and currency composition of the liquidity buffer are determined by Risk Control on a quarterly basis. The results are reported to the MKR and MKAP. Treasury can independently propose a higher liquidity buffer above this level. The Board of Management sets the level of the liquidity buffer based on the MKAP's recommendation.

The operational securities portfolios comprise all freely available securities. These can be divided into securities that fall within the remit of the Capital Markets business division and portfolios that are allocated to the Treasury corporate centre and which do not form part of the liquidity buffer.

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

The Deka Group primarily examines the "combined stress scenario" FM, which simulates the simultaneous occurrence of both the institution's own and market-wide stress factors. This FM fully implements MaRisk requirements. A traffic light system in the "combined stress scenario" FM, consisting of early warning thresholds and limits, is used to manage compliance with risk appetite – i.e. to ensure that the Group is solvent at all times with an indefinite survival horizon in a stress scenario that is both institution-specific and market-wide – and is monitored daily. The use of limits means that the liquidity balance must be positive for all the maturity bands monitored. In addition, individual stress scenarios are examined separately in special FMs for which different modelling assumptions are used. Among other factors, market liquidity risks arising from a reduction in the market value of the securities in the liquidity potential are taken into account in the stress scenarios.

Liquidity risks in foreign currency are monitored daily based on the "combined stress scenario" FM in the relevant foreign currency using materiality and alarm thresholds.

Normative perspective: Liquidity coverage ratio

The Finance corporate centre monitors the internal amber threshold as part of the daily calculation of the LCRs for DekaBank Deutsche Girozentrale (which, together with S Broker, forms the liquidity subgroup). This enables proactive management of the LCRs. A Group-wide LCR is calculated on a monthly basis.

Tools for both perspectives

DekaBank has established a liquidity transfer pricing system (funds transfer pricing) for the source-specific internal allocation of liquidity costs, benefits and risks. The transfer prices calculated are taken into account in the management of risks and returns. The liquidity transfer pricing system is used to allocate economic costs on a source-specific basis as well as the costs for maintaining the liquidity buffer and complying with regulatory requirements (e.g. LCR). The use of a liquidity transfer pricing system for source-specific allocation allows liquidity to be proactively managed and efficiently allocated.

Macroeconomic stress testing for all risk categories is used to manage both capital and liquidity adequacy. For the economic perspective, the impact of the stress scenarios on liquidity balances is calculated and compared to the relevant funding matrix. Similarly, in the normative perspective, the effects of the stress scenarios on the LCR are calculated and compared to the regulatory requirements.

The results of the macroeconomic stress tests in relation to liquidity adequacy, too, are determined quarterly, assessed by the Stress Testing Committee and reported to the Board of Management, the Risk and Credit Committee, and the Administrative Board.

Reporting

Appropriate and high-quality aggregation of risk data and reporting based on this provide the foundations for effectively monitoring and managing risk appetite within the framework of the risk strategy. Key instruments for risk reporting include the quarterly risk report in accordance with MaRisk to the Board of Management and the Risk and Credit Committee of the Administrative Board, as well as the monthly reporting on the economic risk situation and financial ratios to the Board of Management. The Board of Management also receives more extensive reports for individual risk types, which contain key information on the current risk situation. The Administrative Board receives a three-part quarterly report on the development of earnings, value drivers and risks at the Deka Group and in the individual business divisions.

Risk concentrations in relation to individual counterparties (cluster risks and analysis of shadow banking entities) are reported on monthly to the Board of Management and the key risk committees as part of the report on the economic risk situation. In addition, a detailed analysis of all individual counterparties classified as clusters and the associated segment concentrations in comparison to the guidelines set by the credit risk strategy is conducted on a quarterly basis as part of the quarterly risk report. If necessary, adjustments are made to the number and volume of the relevant counterparties.

Further overall reports also include quarterly reporting on macroeconomic stress tests, which examine key indicators material to the risk appetite under alternative scenario conditions. In this respect, stress tests perform a crucial early warning function.

Besides these overall reports, there are also corresponding reports for every type of operational limit that is set. These reports are used to monitor compliance with the respective guidelines on a daily basis. Any breach is immediately brought to the attention of the authorised decision maker – and in the event of material breaches, also the Board of Management. If the liquidity balance exceeds the limit, the Board of Management is notified immediately. Moreover, the LCR is prepared daily in the reporting system of the Finance corporate centre and provided to monitoring units.

Capital adequacy in financial year 2020

The year 2020 was defined in large part by the coronavirus pandemic. This had a considerable impact on economic activity around the globe and heavily affected the performance of financial markets. At the same time, the previous years' economic issues took something of a back seat. On the capital markets, the trend seen in 2019 continued into the first two months of the reporting year. This was followed in March by nosediving stock prices, falling interest rates and exploding credit spreads, triggered by the start of the global pandemic. There was also a sharp rise in volatilities in all asset classes. The markets were calmed again as soon as April by the massive intervention of governments and central banks in industrialised countries.

In the subsequent months, market developments largely decoupled from the COVID-19 pandemic. Stock markets rose significantly again, for example, to reach new highs by as early as the fourth quarter. By the end of 2020, credit spreads fell back to the level at which they had started the year. Only swap market yields remained at historic lows, aside from a few fluctuations. Both the EONIA curve and the three- and six-month swap curves were negative across all maturity ranges for a time.

The reforms to interest rate benchmarks (reference rates) initiated by the Financial Stability Board continued to gather pace in the reporting year. Following the introduction of a new USD reference rate in April 2019 – the Secured Overnight Financing Rate (SOFR) – the ECB began publishing the Euro Short-Term Rate (€STR) as a successor to the EONIA in October 2019. This means that, in the key global interest rate markets, new interest rates are now in place that meet the requirements of the Benchmark Regulation and can therefore be used long-term as reference rates in financial instruments. Significant work is still required, however, to switch all contracts and products to the new rates. These efforts are taking place against the backdrop of the still-developing market in the new interest rates and a deadline of the end of 2021 for phasing out the old benchmarks such as the LIBOR family.

The COVID-19 pandemic certainly contributed to the fact that the markets for the new reference rates in 2020 were less dynamic than the central banks in particular and financial supervisory authorities would have liked. However, the switch by the major central counterparties such as LCH and Eurex from the old overnight rates to the new benchmark reform-compatible rates such as €STR, SOFR and SONIA shows that the transition is making steady progress.

DekaBank has created a cross-divisional governance structure for this transition. This involves every step of the process chain, from front office units to the corporate centres. The necessary adjustments to internal systems, processes and methods are being managed through the new product process. The management committees such as the MKR and MKAP are regularly updated on the progress of these activities, as is the Board of Management.

Despite these enormous changes in the global market, the general effects so far, and especially those at DekaBank, have been very modest. Neither the launch of €STR, nor the resulting changes to the quotation of the EONIA rate, nor the first transactions with SOFR and €STR as the reference rates have caused any issues in day-to-day business along the process chain.

The changeover process for transactions with LCH and Eurex in the middle of the pandemic presented the Bank with major challenges. The changeover was nevertheless achieved successfully and without any disruptions at the end of July.

Looking ahead, we expect further developments in 2021 in relation to the use of the new reference rates. In particular, the first alternative term rates (new term benchmarks beyond overnight rates) are beginning to emerge and may be introduced in 2021.

At DekaBank, market developments in 2020 were particularly associated with high credit spread volatility, for which there is only very limited scope for risk management and which is a key driver of market price risk. In this context, DekaBank initiated measures to optimise portfolios as part of its active risk management, resulting in a reduction in securities in the banking book. In share price, interest rate and currency risk, the largely neutral risk position meant that even the coronavirus crisis had little impact. The markets stabilised noticeably in the second half of the year, contributing to a decline in risk level. Risks from Riester products and pension obligations were an exception to this. Here, there were significant changes to risk levels over the course of the year. Particularly with interest rates persisting at their lowest levels, however, there was barely any decline in risk in the second half of 2020.

The Deka Group held adequate capital throughout the reporting period. In particular, the Common Equity Tier 1 capital ratio and utilisation of risk capacity and of the risk appetite remained at non-critical levels throughout.

Economic perspective (current situation)

During the reporting year, the models employed by the Deka Group for economic risk management continued to reflect the corporate and market situation in an appropriate and timely manner, taking into account the changes applied. The Deka Group’s total risk exposure (value-at-risk, confidence level 99.9%, holding period of one year) at the 2020 reporting date was €2,821m, a significant increase of €426m on the 2019 reporting date (€2,395m). Market price and business risks increased significantly, and there was a moderate rise in operational risk. However, there was a significant reduction in counterparty risk and a sharp reduction in investment risk (which is not a material risk category overall).

The increased total risk exposure was accompanied by an equally significant increase in risk capacity to €5,236m (year-end 2019: €4,726m), which was mainly attributable to risk-bearing capacity moving into a stress phase (i.e. the eligibility of AT1 capital). The positive developments in retained earnings and earnings components also increased risk capacity. There were negative effects from the change in the deduction for risks on pension obligations as well as in the other correction and deduction items and the revaluation reserve.

Particularly as a result of the changes and developments described above, the utilisation of risk capacity (53.9%) was only slightly higher than at the end of 2019 (50.7%) and remains at a non-critical level.

Utilisation of allocated risk capital was non-critical both at Deka Group level and in all business divisions. The risk appetite of €4,000m (compared to the end of 2019) was 70.5% utilised as at the 2020 reporting date (year-end 2019: 63.9%).

Change in Deka Group risk over the course of the year *€m (Fig. 22)*

	31 Dec 2020	31 Dec 2019	Change	
Counterparty risk	1,157	1,354	– 197	– 14.6 %
Investment risk	20	44	– 23	– 53.2 %
Market price risk	825	363	462	127.5 %
Operational risk	279	259	19	7.4 %
Business risk	541	375	165	44.0 %
Total risk	**2,821**	**2,395**	426	17.8 %

Normative perspective (current situation)
Capital adequacy is determined in accordance with the CRR/CRD IV. Alongside credit risk, market risk and operational risk, the credit valuation adjustment (CVA) risk is also taken into account.

The Deka Group's regulatory own funds as of 31 December 2020 stood at €5,753m (year-end 2019: €5,828m).

The slight decline in Common Equity Tier 1 capital by €142m to €4,437m was mainly due to a larger shortfall of provisions and to the neutralisation of valuation effects for own issues dating from the 2019 financial year. Meanwhile, there was a positive effect on Tier 1 capital from the retention of parts of the annual profit from the 2019 annual financial statements.

Compared with the previous year, Tier 2 capital rose by €67m to €842m. The issue of new subordinated debt had a positive effect on Tier 2 capital, while the reduced eligibility of Tier 2 capital under the CRR in the last five years before maturity had a negative effect.

RWAs declined by €923 m from the year-end 2019 figure of €32,229m to €31,307m. Credit risk was down by €1,542m to €17,605m, which was mainly attributable to the portfolio optimisation measures introduced as part of active risk management and the associated reduction in securities in the banking book. Market risk increased by €309m to €9,578m. There was a significant decrease in general market risk, due among other things to lower spread risks despite increased spread volatilities. However, there was a significant increase in market risk measured using the standardised approach. This resulted from a changed interpretation of the use of options for offsetting in specific interest rate risk. RWAs from operational risk increased by €242m to €3,485m. CVA risk came to €638m (2019: €570m).

At 31 December 2020, the Common Equity Tier 1 capital ratio stood at 14.2% (year-end 2019: 14.2%). The Tier 1 capital ratio as of the reporting date was 15.7% (year-end 2019: 15.7%). The total capital ratio increased from 18.1% as of 31 December 2019 to 18.4%.

Taking account of the requirements of the SREP (Supervisory Review and Evaluation Process), DekaBank had to comply at Group level with a Common Equity Tier 1 capital ratio of at least 8.42% as at 31 December 2020. This capital requirement is made up of the Pillar 1 minimum requirement (4.5%) plus the Pillar 2 requirement (1.5%, reduced to 1.125 % for the Tier 1 capital ratio and Common Equity Tier 1 capital ratio, taking into account partial coverage of P2R by Tier 2 capital), the capital conservation buffer (2.5%), the countercyclical capital buffer (approximately 0.049% as at year-end 2020) and the capital buffer for other systemically important banks (0.25%). The P2R was partially covered by Tier 2 capital for the first time due to a change in regulatory requirements. The capital requirement for the Tier 1 capital ratio (phase-in) was 9.92%. For the total capital ratio with transitional provisions (phase-in), it was 12.30%. These requirements were clearly exceeded at all times.

Deka Group own funds *in €m (Fig. 23)*

	31 Dec 2020		31 Dec 2019	
	CRR/CRD IV (without transitional provisions)	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Common Equity Tier 1 (CET 1) capital	4,437	4,437	4,579	4,579
Additional Tier 1 (AT 1) capital	474	484	474	489
Tier 1 capital	**4,911**	**4,921**	**5,053**	**5,069**
Tier 2 (T2) capital	842	842	775	775
Own funds	**5,753**	**5,763**	**5,828**	**5,844**
Credit risk	17,605	17,605	19,147	19,147
Market risk	9,578	9,578	9,269	9,269
Operational risk	3,485	3,485	3,243	3,243
CVA risk	638	638	570	570
Risk-weighted assets	**31,307**	**31,307**	**32,229**	**32,229**
%				
Common Equity Tier 1 capital ratio	**14.2**	**14.2**	**14.2**	**14.2**
Tier 1 capital ratio	**15.7**	**15.7**	**15.7**	**15.7**
Total capital ratio	**18.4**	**18.4**	**18.1**	**18.1**

The leverage ratio, i.e. the ratio of Tier 1 capital to total assets adjusted in line with regulatory requirements (leverage ratio exposure), stood at 5.6% as at 31 December 2020 (year-end 2019: 4.9 %). Taking account of the phase-in provisions, the leverage ratio for the Deka Group was 5.6% (year-end 2019: 4.9%). This was largely attributable to a significantly reduced leverage ratio exposure (€–14,607 m; decline in line with the development of total assets) to €88,039m, while Tier 1 capital was down by €142m to €4,911m. The leverage ratio was at all times substantially above the minimum of 3.0% to be adhered to from June 2021 onwards.

The MREL ratio as at the reporting date increased by 3.2 percentage points year-on-year to 25.2% (year-end 2019: 22.0%), considerably above the statutory minimum. The balance sheet-based approach calculates the ratio of own funds and MREL-eligible liabilities to total liabilities and own funds (TLOF). Compared against 31 December 2019, there was a slight reduction of €0.6bn in own funds and MREL-eligible liabilities to €19.2bn. As of the reporting date, this figure was composed of own funds of €5.8bn, senior non-preferred issues of €9.6bn, senior preferred issues of €3.7bn and unsecured subordinated liabilities of €0.1bn. Own funds and total liabilities saw a significant fall of €13.8bn over the same period to €75.9bn.

Institutions and entities should meet the MREL with own funds and other subordinated liabilities to the extent necessary to prevent their creditors from incurring greater losses in the event of resolution than they would incur under normal insolvency proceedings (subordinated MREL requirements). The subordinated MREL requirements are calculated using a balance sheet-based approach. The total of eligible own funds (own funds less the combined capital buffer requirement (percentage of RWAs)) and all subordinated liabilities eligible based on statutory requirements is expressed in relation to total liabilities and own funds (TLOF). The subordinated MREL requirements as at the reporting date were 19.2% and thus significantly above the minimum required.

Macroeconomic stress tests

The in-depth analysis of the results of the macroeconomic stress scenarios in both perspectives also takes into account their probability of occurrence and lead time, as well as the possible mitigation measures available if necessary. Under this approach, the internal thresholds were complied with at all times during the reporting period and at the reporting date in all the scenarios examined, and no immediate action was required in relation to capital adequacy.

Liquidity adequacy in financial year 2020

The Deka Group continued to have ample liquidity, measured using the liquidity balances and LCR, throughout the reporting period. No internal limits or emergency triggers were breached at any time, despite the stress on money and capital markets caused by the coronavirus pandemic from March 2020 onwards. There were also no infringements of the minimum LCR (external requirement).

On the liquidity side, the effects of the pandemic were manifested in a significant €0.8bn increase in the provision of collateral for collateralised derivatives, taking the total to €4.6bn as of year-end 2020. At one point during the acute stress phase between March and May, as stock markets plummeted and interest rates fell, the volume of collateral provided for collateralised derivatives stood at approximately €7.7bn. The coronavirus crisis also resulted in a change in the refinancing profile. With borrowing using commercial paper proving unstable amid the market stress caused by the coronavirus, refinancing via funds, alliance partners and ECB tenders increased. Refinancing from other banks via commercial paper was almost completely eliminated. The Bank has continued to reduce the volume of evergreen financing to improve its ability to manage its liquidity risk position.

Economic perspective

There were clear positive liquidity balances in all relevant maturity bands of the "combined stress scenario" funding matrix for periods of up to 20 years. This was also the case for the alternative stress scenarios. Limits were complied with throughout the 2020 financial year, at both Deka Group and liquidity subgroup level.

As at 31 December 2020, 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 €5.2bn (year-end 2019: €5.5bn). In the maturity band of up to one month, the liquidity surplus totalled €8.2bn (year-end 2019: €11.8bn), and in the medium-term range (three months) it amounted to €12.0bn (year-end 2019: €12.7bn). As in previous years, a substantial part of the Group's liquidity generation and provision was attributable to business with savings banks and funds.

In relation to the net cash flows of approximately €–5.8bn on day 1, the Deka Group has a high liquidity potential (around €9.9bn) that is readily convertible at short notice. The Group has access to a large portfolio of liquid securities which are eligible as collateral for central bank borrowings, as well as to available surplus cover in the cover pool and corresponding repo transactions. The strict requirements concerning the liquidity potential ensure that the securities used for this purpose can generate liquidity even in a stressed market environment.

"Combined stress scenario" funding matrix of Deka Group as at 31 December 2020 *€m (Fig. 24)*

	D1	>D1 to D5	>D5 to 1M	>1M to 3M	>3M to 12M	>12M to 5Y	>5Y to 20Y	>20Y
Liquidity potential (accumulated)	9,928	9,818	9,298	7,391	1,379	−402	−28	61
Net cash flows from derivatives (accumulated)[1]	−287	63	1,353	2,923	4,697	3,261	2,736	2,692
Net cash flows from other products (accumulated)	−5,553	−4,708	−2,437	1,700	8,341	8,718	721	−3,013
Liquidity balance (accumulated)	**4,088**	**5,172**	**8,214**	**12,014**	**14,417**	**11,577**	**3,429**	**−260**
For information purposes:								
Net cash flows from derivatives by legal maturity (accumulated)[1]	−287	−345	−411	−519	−684	−2,104	−1,049	2,693
Net cash flows from other products by legal maturity (accumulated)	−8,218	−8,058	−9,411	−10,397	−14,899	−4,541	−5,169	−3,938
Net cash flows by legal maturity (accumulated)	**−8,506**	**−8,403**	**−9,823**	**−10,917**	**−15,583**	**−6,644**	**−6,218**	**−1,245**

[1] Including lending substitute transactions and issued CLNs

As at 31 December 2020, 52.2 % (year-end 2019: 58.6 %) of total refinancing related to repo transactions, overnight and time deposits and other money market products. The remainder of the refinancing concerned capital market products, primarily with longer maturity profiles. Structured issues made up 66% of total capital market issues. In particular, the volume of commercial paper issued was reduced from €10.7bn in 2019 to €0.3bn. The refinancing profile for lending business was well balanced, given the maturity structure.

Money market refinancing remained broadly diversified across a range of investor groups. Most of the investors in money market refinancing are financial service providers such as clearing houses, stock exchanges and funds, or large banks and savings banks. The reduction in the issue of commercial paper meant that the proportion of money market refinancing attributable to the savings banks increased to 19.2% (year-end 2019: 11.7%). Funds accounted for 36.7% (year-end 2019: 27.0%) and central banks for 8.7% (year-end 2019: 4.1%).

Some 59.9% of total refinancing was obtained in Germany and other eurozone countries. Approximately 34.9% of total refinancing was accounted for by issues of bearer securities that cannot be attributed to any buyer country.

Normative perspective

The liquidity and funding position remained comfortable, as expressed in a liquidity coverage ratio (LCR) for the Deka Group of 185.6 % as of 31 December 2020. This was an increase of 15 percentage points from year-end 2019. In percentage terms, the decline in net cash outflows was greater than the decline in holdings of high-quality liquid assets.

The average for the reporting year was 180.4% (previous year: 146.1%). The LCR fluctuated within a range from 138.7% to 219.2%. The change in the LCR over the course of the year was due to measures to ensure liquidity during the COVID-19 crisis. The LCR was always substantially above the minimum of 100% applicable in 2020.

The regulatory requirements and internal thresholds in relation to the LCR were met throughout the period under review. No use was made of the ECB's temporary easing of the LCR rules during the coronavirus crisis.

Both perspectives (macroeconomic stress tests)

The internal thresholds were complied with in both perspectives at all times, even in the macroeconomic stress testing.

Individual risk types

Counterparty risk

Strategic framework and responsibilities

The credit risk strategy stipulates the parameters for all Deka Group transactions that involve counterparty risk. It is based on the Deka Group's business strategy and risk strategy and applies across the board to all the Deka Group's organisational units. The Deka Group is committed to sustainable corporate governance and organises its lending business accordingly. The credit risk strategy serves in particular as the foundation for the Group's counterparty risk principles for loans as defined by section 19 (1) of the German Banking Act (KWG) and describes the business divisions and segments that are the focus of lending activities – including the specific risk determinants and minimum standards for new business. Furthermore, the credit risk strategy serves to distinguish between the individual risk segments and governs the handling of intra-risk concentrations, cluster risks and exposures to shadow banking entities under the EBA guidelines. All lending decisions that deviate from the credit risk strategy are classified as significant and must be reported in the credit risk report in accordance with MaRisk. Counterparty risks are monitored and managed in accordance with standard principles, regardless of whether the risks stem from trading or non-trading transactions.

The credit risk strategy outlines the Deka Group's risk culture. It aims to ensure that loans are only issued to borrowers who are able to fulfil the terms of the credit agreement and that lending is secured as required by adequate and appropriate collateral and in line with DekaBank's risk appetite. Adherence to the overall objectives, risk determinants and minimum standards for lending ensures that lending decisions are taken in accordance with the risk culture.

In the context of risk-bearing capacity, counterparty risks are limited by allocating risk capital (risk appetite) both overall and at business division level. For individual counterparties, risk is restricted using a limit system based on factors such as creditworthiness, collateral, duration and country and sector considerations. Management and monitoring of risk concentrations (cluster risks and risks from exposures to shadow banking entities) also takes place at individual counterparty level. In addition, strict lending standards apply depending on the risk segment. These concern, for instance, lending structure and adequate risk sharing by the borrower. In addition, a blacklist is used in line with the credit risk strategy to avoid undesirable lending business that could involve reputational risks or an increased level of risk, or which does not meet the high sustainability requirements.

In accordance with MaRisk, there must be a functional separation in the lending business between the "front office" and the "back office" that extends to the responsible members of the Board of Management . The responsibilities performed by the "front office" particularly include monitoring risks at borrower and portfolio level, reviewing specific items of collateral, early risk identification (administrative office), managing non-performing and troubled loans 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 front office function, as is reporting.

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

The Management Committee for Assets and Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP) and the Risk Management Committee (*Managementkomitee Risiko* – MKR) are responsible for strategically managing and monitoring counterparty risks and their risk concentrations across all risk types. Further sub-committees have been assigned to the MKR to deal with counterparty risk. The Rating Committee regularly analyses and assesses the internal rating procedures employed for measuring risk and, where relevant, their inclusion in the pooling system developed in joint projects with Rating Service Unit GmbH (RSU) and S-Rating und Risikosysteme GmbH (SR). The Monitoring Committee is responsible for regularly analysing and discussing matters in connection with the methods and procedures employed for early risk identification as well as for monitoring and managing exposures with increased counterparty risk (non-performing loans and those on the watch list). The duties of the Risk Provisioning Committee include regularly analysing and discussing matters in connection with the planning, monitoring and management of risk provisions for loan losses, and also monitoring and managing defaulted exposures (restructuring and liquidation cases) in the lending business as well as in the securities portfolios not recognised at fair value through profit or loss.

Responsibilities for the assessment and monitoring of country risks are consolidated in the Country Risk Committee. Among other things, it is responsible for discussing country ratings on both a regular and ad hoc basis, approving and defining country limits within its scope of authority, identifying countries to be excluded (blacklist for high-risk countries) and determining measures to reduce overruns of country limits as well as other risk-reducing measures.

Managing, limiting and monitoring risk

The Deka Group uses different tools to manage and monitor its counterparty risk: overall analysis at the total portfolio level and a multi-level system of volume-based limits.

Portfolio model

The starting point for the strategic analysis of counterparty risk is the allocation of capital, which is derived from the Deka Group's risk and capital planning. It is the foundation for the limitation and monthly monitoring of counterparty risk at total portfolio level and at the level of individual business divisions, including the Treasury corporate centre. The allocation is quantified based on the Deka Group's credit portfolio model, which is used to determine the portfolio's risk of loss in the form of a credit value-at-risk (CVaR) metric for a one-year holding period and at a confidence level of 99.9%, in line with DekaBank's target rating. Risk concentrations are taken into account directly through this model: portfolios that have a strong concentration on individual groups of counterparties, regions or sectors involve a higher economic capital commitment than those that are more diversified. The individual risk ratios are reviewed on a monthly basis to provide a foundation for overall management decisions.

Operating management limits

The key instrument for daily operational management of counterparty risk is a system of fixed, complementary volume-based limits. In light of the concentration on specific groups of counterparties, regions and sectors that results from the Group's business model, the limitation of both unsecured volume (net limitation) and the total volume (gross limitation) plays a central role in this process. The amount of the limits is primarily oriented towards the internal rating of the corresponding counterparties. In order to limit concentration, additional targets have been set for the maximum permitted amount per counterparty (gross limit €3.5bn/net total limit €1.6bn). Particularly important counterparties from a business policy perspective (clusters) are also subject to additional reporting above a specific amount. Separate limits apply in the case of exposures to shadow banking entities. The Deka Group distinguishes between transparent shadow banking entities (principal approach) and less transparent shadow banking entities (fallback approach). Further minimum requirements for the quality of collateral received apply to particularly significant repo lending transactions. These requirements are contained in the collateral policy. Furthermore, liquidation risks associated with repo lending transactions are further limited by the application of supplementary limits in order to take into account potential fluctuations in the value of the underlying securities.

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

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

In retail customer lending business, counterparty risks are limited by the provision of collateral.

Quantification of counterparty risk
Market prices are always used to determine gross counterparty risk. In the case of products for which there is no observable market value, the net present value is used. The outstanding receivable amount is used for advance performance risk and open items. The adjusted gross position is then calculated by deducting specific insolvency-proof collateral. The overall net position is arrived at by deducting additional collateral and positions that reduce risk, with valuation of collateral following the internal regulations that apply in each case.

In order to achieve consistency between the strategy system, management tools and risk reporting, the concepts of volume used in risk reporting – gross or net loan volume – are closely aligned with the metrics used for limit-setting, namely adjusted gross position and overall net position. Gross and net loan volumes referred to below relate to the adjusted figures.

The assessment of counterparty risks for individual borrowers includes the use of internal rating systems. Borrowers are assigned to an internal rating class with corresponding estimates of the probability of default (PD).

The internal rating systems currently used are tailored to different risk segments, including corporates, banks, governments, funds and specialised financing. The rating systems include conventional scorecard models and models in which the probability of default is estimated using simulated macro and micro scenarios for risk drivers and expected cash flows. The regulator has approved the rating systems for the foundation internal ratings-based approach (IRBA).

When measuring the transfer risk on payment obligations that are denominated in a foreign currency from the borrower's perspective, the borrower rating is influenced by the country rating.

All of the rating modules in use are calibrated to a one-year probability of default. The rating classes are uniformly assigned according to the probability of default based on the master scale of the German Savings Bank and Giro Association (*Deutsche Sparkassen- und Giroverband* – DSGV). This scale serves as a standard reference for a differentiated creditworthiness assessment. The DSGV master scale provides for a total of 21 rating classes for non-defaulting borrowers and three for defaulting borrowers.

Counterparty risks from a portfolio perspective are assessed with the help of an internally developed credit portfolio model. The portfolio model is largely based on a credit metrics approach. In addition to default risks, the risks arising from a change in ratings are also taken into consideration. The probability distribution for changes in the value of the loan portfolio is generated using a Monte Carlo simulation.

The CVaR and, for information purposes, the expected shortfall (ES) are key figures for management decisions and are both determined with a holding period of 250 trading days and a confidence level of 99.9%. Risk concentrations are taken into account by considering the dependency structure of risk factors. In particular, the modelling approach selected considers dependencies between crisis events. In addition to the CVaR from the credit portfolio model, the CVaR for certain guarantee funds and fund units in the Group's own investment portfolio are also taken into account, along with the expected shortfall (ES).

The standard risk costs incorporated into the calculation of the expected return on equity are based on an expected-loss approach and relate to the likelihood of default, the loss rate and the maturity of the transactions. The cost of equity is determined using risk amounts differentiated by individual transaction and corresponding sector and regional allocations. Risk concentrations are included for individual counterparties (clusters), regions and industries by taking into account the cost of equity in the structuring of loan terms.

Management and monitoring of counterparty risks
The Deka Group's counterparty risk, as determined in this way, is directly compared with allocated risk capital. Credit risks are thus monitored based on a redistribution of the CVaR to individual transactions and reaggregation to the business divisions.

Daily management and monitoring of counterparty risk uses a volume-based limitation of the net position and the adjusted gross position.

As a supplement to its volume-based limits, the Deka Group uses thresholds for risk concentrations in connection with individual counterparties, known as clusters. This entails further precautionary procedures for large exposures and monitoring routines for risk concentrations as appropriate. Thresholds for sectors are not meaningful due to the Deka Group's specific business model, and are thus not taken into account.

The Risk Control corporate centre monitors the limits using a centralised limit monitoring system at both the borrower-unit level and the borrower level. A comprehensive and market-based early warning system ensures that the individual counterparties subject to limits are monitored so that, in the event of extraordinary developments, countermeasures can be taken at an early stage. At a portfolio level, an analysis of the most significant borrowers and sectors is also carried out, based on CVaR. Maximum country limits are derived from a limit matrix, which is calculated based on a foreign currency (FC) country rating and the gross domestic product. Individual country limits within the limit matrix are approved by the Country Risk Committee. The Risk Control corporate centre monitors compliance with the respective country limits. Overruns are reported immediately to the members of the Country Risk Committee and to the Capital Markets Credit Risk Management unit. This unit acts as the central administrative office for country limits. An analysis of the most significant countries or regions is also carried out from a portfolio perspective, based on CVaR.

The MKR monitors and assesses risk concentrations for individual counterparties, regions and industries.

In addition to requirements concerning the liquidity of the securities, the additional investment criteria for securities portfolios in the Treasury corporate centre include, in particular, stipulations regarding issuers, credit rating and portfolio diversification. Compliance with these rules is monitored daily by the Risk Management unit, which is independent of trading operations. Any breaches are reported immediately. In addition, reporting takes place monthly to the MKR and MKAP. This includes an analysis of the holdings in the portfolios and the portfolio structure.

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

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

The Group's collateral policy defines the eligibility criteria for securities borrowed by counterparties or received as collateral in repo lending transactions. In addition, risk concentrations are restricted using category-specific concentration limits for equities and bonds, as well as a concentration limit (volume restriction) for each counterparty that applies across all categories.

The Capital Markets business division is responsible for compliance with the requirements of the collateral policy. It is supported operationally in this regard by the Capital Markets Collateral Management unit. An independent review of trading is performed daily by the Risk Management unit. Market- and counterparty-specific matters that could significantly affect the risk profile or profitability of the Capital Markets business division are analysed in the Risk Talk, which takes place every two weeks. 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 for counterparty risk. Scenarios include, for example, the impairment of physical collateral (ineligibility) and a stress event affecting global systemically important banks. The results of the stress tests are determined quarterly and reported to the Stress Testing Committee, the Board of Management, the Risk and Credit Committee and the Administrative Board. They therefore enable the Group to identify areas for action as early as possible if crisis situations start to unfold.

Default monitoring

The Monitoring Committee is operationally responsible for monitoring and managing non-performing loans and those on the watch list. This includes specifying early warning indicators and criteria to allocate exposures to different monitoring levels.

Operational responsibility for monitoring and managing restructuring and liquidation cases lies with the Risk Provisioning Committee. The latter is also responsible for regularly analysing and discussing matters in connection with planning, monitoring and managing loan loss provisions.

DekaBank determines loan loss provisions and provisions for off-balance sheet lending business in accordance with the expected credit loss model under IFRS 9. Details of this methodology can be found in the notes to the consolidated financial statements.

Current risk situation

The counterparty risk determined on the basis of the credit value at risk (CVaR), with a confidence level of 99.9% and a holding period of one year, declined significantly in the reporting year to €1,157m (year-end 2019: €1,354m). Risk capital allocated to counterparty risk stood at €1,630m (year-end 2019: €1,835m) and was 71.0% utilised (year-end 2019: 73.8%). The level of risk capacity utilisation therefore remained non-critical.

An increase in risk was seen in the first half of the year due to widening spreads as a result of the coronavirus crisis and rating downgrades following extensive ad hoc rating adjustments in industries particularly affected by the COVID-19 crisis. In the second half of the year, there was a significant reduction in risk, even compared against year-end 2019. This was due in particular to the portfolio optimisation measures introduced as part of active risk management and the associated reduction in securities in the banking book, as well as to a stabilisation of spread curves.

The risk position of the cluster portfolio was assessed using an expected shortfall redistribution, which resulted in a moderate decrease compared with the previous year. Given the significant reduction in the overall portfolio, however, the cluster portfolio made up a slightly increased relative share of the total portfolio. Risk concentration thus remained in line with the Deka Group's credit risk strategy.

Gross loan volume fell by €21.4bn from the end of 2019 (€141.5bn) to €120.2bn. The financial institutions risk segment, where there was a decline in repo lending volume and bond volume, made the largest contribution to this downward trend. This was compensated to some extent by increased Bundesbank deposits. The reduction in gross loan volume also came partly from reduced money market transactions and promissory note loans in the savings banks risk segment and from a lower risk from both bond and equity volumes in the corporates risk segment. Volume in the lending business was also lower than the prior-year figure. This was due to a variety of financing loans for infrastructure, transport, export and real estate, the vast majority of which were secured. In the funds risk segment, the gross loan volume fell due to fewer securities issued as collateral as part of borrowing transactions and also due to reduced fund shares. The ship portfolio's share of gross loan volume fell slightly to 0.8% (year-end 2019: 1.0%). The aircraft portfolio had a share of 2.4% (year-end 2019: 2.5%). As a result of the difficult market climate, the transport loan portfolio in particular is being closely followed and monitored on an ongoing basis.

Gross loan volume *€m (Fig. 25)*

	31 Dec 2020	31 Dec 2019
Financial institutions	56,700	63,226
Savings banks	7,434	10,548
Corporates	9,010	13,792
Public sector International	4,948	3,953
Public sector Germany	11,690	11,532
Transport and export finance	5,272	6,402
Property risks	10,417	11,492
Funds (transactions and units)	10,721	16,186
Other	3,962	4,416
Total	**120,155**	**141,548**

The net loan volume fell by €4.3bn from €65.3bn at year-end 2019 to €61.0bn. This decline was significantly smaller than the fall in gross loan volume. This was because the decline in business volume resulted in lower deductions for secured lending when converting from gross to net loan volume. This mainly reflected the offsetting of reverse repo transactions, especially as a result of the decreased volume of reverse repos in the financial institutions risk segment, the netting of lending transactions (due to their decreased volume in the funds risk segment) and the offsetting of share transactions (due to their decreased volume in the corporates risk segment). Increased deposits with Deutsche Bundesbank in the financial institutions risk segment had a risk-increasing effect in net loan volume. There was also a decline in volume in the savings bank financing segment, which was also visible after netting. A reduction in eligible collateral for various aircraft and real estate loans in the transport and export financing and real estate risk segments led to an increase in net loan volume. This was mainly due to the coronavirus pandemic.

Net loan volume *€m (Fig. 26)*

	31 Dec 2020	31 Dec 2019
Financial institutions	23,245	20,826
Savings banks	7,232	10,292
Corporates	3,927	6,970
Public sector International	1,294	1,254
Public sector Germany	10,360	9,168
Transport and export finance	682	589
Property risks	2,644	2,600
Funds (transactions and units)	7,660	9,157
Other	3,962	4,416
Total	**61,005**	**65,273**

The gross loan volume in the eurozone fell by a total of €9.2bn. This was due to reduced money market transactions and promissory note loans with savings banks, a reduction in repo transactions with counterparties in Germany and Spain and a reduced lending volume and securities portfolio in Germany and Luxembourg. The eurozone's share of the gross loan volume increased from 68.0% at the end of 2019 to 72.5% as the decline in lending was steeper in other regions.

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

	31 Dec 2020	31 Dec 2019
Eurozone	87,165	96,322
EU excluding eurozone	16,848	23,750
OECD excluding EU	13,096	17,862
International organisations	24	91
Other countries	3,023	3,524
Total	**120,155**	**141,548**

The gross loan volume attributable to Germany fell by €5.7bn to €52.4bn. In the eurozone, €12.1bn of the gross loan volume was attributable to counterparties in Luxembourg. Counterparties in France accounted for 7.9% of the gross loan volume, and counterparties in Belgium accounted for 5.1%. At €16.8bn, gross loan volume in EU countries outside the eurozone was lower than at the end of 2019, primarily due to reduced volumes of repo lending, bond trading and loans with counterparties and borrowers in the UK. In the OECD countries outside the European Union, the decline was due in particular to a lower exposure to bonds and reverse repos with US counterparties and to real estate financing in North America. There was also a reduction in the volume attributable to financial institutions in Switzerland.

Gross loan volume by regional concentration *in €m (Fig. 28)*

	31 Dec 2020	Percentage of Gross loan volume
Germany	52,394	43.6 %
United Kingdom	15,972	13.3 %
Luxembourg	12,071	10.0 %
France	9,524	7.9 %
Belgium	6,160	5.1 %
Spain	2,441	2.0 %
Netherlands	1,580	1.3 %
Italy	831	0.7 %
Other	19,183	16.0 %
Total	**120,155**	**100.0 %**

The gross loan volume relating to borrowers in Spain and Italy fell to €3.3bn, from €4.6bn at the end of 2019. Due to the collateralisation provided by repo/lending transactions, the security provided for the bond portfolio using protection buyer CDS and the securing of loans through, for example, ECA guarantees, the net loan volume attributable to borrowers in Italy, Spain and the UK was lower than the gross loan volume.

Gross loan volume by risk segment for selected countries as at 31 December 2020 *€m (Fig. 29)*

	Italy	Spain	United Kingdom	United States
Financial institutions	326	1,940	11,352	2,111
Corporates	147	291	982	1,425
Public sector International	23	119	1,198	615
Transport and export finance	149	0	229	783
Energy and utility infrastructure	0	90	143	27
Property risks	186	0	1,965	2,322
Funds (transactions and units)				
Other	0	0	103	0
Total	**831**	**2,441**	**15,972**	**7,283**
Change vs. previous year				
Financial institutions	–62	–894	–5,100	–898
Corporates	–14	–71	–941	–695
Public sector International	–163	1	–17	–225
Transport and export finance	–28	0	–33	–77
Energy and utility infrastructure	0	–6	15	–31
Property risks	–5	–1	–409	–704
Funds (transactions and units)	0	–1	–1	0
Other	–8	–37	–26	0
Total	**–279**	**–1,010**	**–6,513**	**–2,629**

The gross loan volume remained focused primarily on the short-term segment at the end of 2020. The proportion of transactions with a time to maturity of less than one year was 41.2% (year-end 2019: 44.4%). The proportion of maturities longer than ten years was 8.9%, compared with 7.5% at 31 December 2019. The average legal residual term of gross lending was 3.9 years (year-end 2019: 3.5 years).

Gross loan volume by maturity *€m (Fig. 30)*

	31 Dec 2020	31 Dec 2019
Up to 1 year	49,538	62,777
1 to 2 years	13,012	15,992
2 to 5 years	16,537	20,547
5 to 10 years	11,258	14,954
10 to 15 years	3,766	4,215
15 to 20 years	1,985	2,270
>20 years	4,937	4,188
No maturity	19,123	16,606
Total	**120,155**	**141,548**

There was no significant change in the level of risk concentration in the loan portfolio during the reporting year. As at 31 December 2020, 19.9% (year-end 2019: 20.9 %) of total gross loan volume was attributable to borrower units with a gross limit of at least €2.5bn or an overall net limit of at least €1.0bn (counterparty clusters). The number of counterparty clusters increased year-on-year from 2 to 28. Of the cluster portfolio, 40.3% related to counterparties in the German public sector, the savings banks and other alliance partners. A total of 20.4% of net loan volume related to counterparty clusters (year-end 2019: 17.9%).

The Deka Group also limits the shadow banking entity portfolio in accordance with EBA requirements. Shadow banking entities include, among others, money market funds, credit funds and inadequately regulated credit institutions. In addition to the overall limits imposed on shadow banking entities, limits are imposed based on the principal and fallback approaches. This does not affect the limits at the level of individual counterparties. As in the previous year, less than 2 % of net loan volume as at 31 December 2020 related to shadow banking entities under the principal approach (limit utilisation of total net risk position: 33 %) and less than 1 % to shadow banking entities under the fallback approach (limit utilisation of total net risk position: 0 %). The levels of utilisation are considered acceptable. This view is backed up by the shadow banking entities' average rating of 2 (principal approach) on the DSGV master scale.

Over the past year, the average rating for the gross loan volume deteriorated by one notch to a rating of 3 on the DSGV master scale. The average probability of default as at 31 December 2020 was 20 basis points (bps) (year-end 2019: 14 bps), which was partly attributable, in the context of the coronavirus, to deteriorating credit ratings for high-volume counterparties in the banking sector and to aircraft, ship and real estate financing. A rating downgrade for ECA-backed export financing in Angola and for a German corporate counterparty were also significant factors in increasing the average probability of default. For the net loan volume, the average rating score remained unchanged at A–. The probability of default remained at 10 bps. 76 % of net loan volume remained in the same grouping (determined by rating class) as at the end of 2019. The target rating under the credit risk strategy was achieved for both the gross and net loan volumes.

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

	Avera ge PD in bps	Average rating 31 Dec 2020	31 Dec 2020	Average PD in bps	Average rating 31 Dec 2019	31 Dec 2019
Financial institutions	6	A	23,245	7	A	20,826
Savings banks	1	AAA	7,232	1	AAA	10,292
Corporates	17	3	3,927	14	2	6,970
Public sector International	3	AA	1,294	7	A	1,254
Public sector Germany	1	AAA	10,360	1	AAA	9,168
Public infrastructure	14	2	936	20	3	1,273
Transport and export finance	159	8	682	79	7	589
Energy and utility infrastructure	46	5	2,822	42	5	2,749
Property risks	11	2	2,644	10	A–	2,600
Retail portfolio	0	0	204	3	AA	394
Funds (transactions and units)	11	2	7,660	11	2	9,157
Total	**10**	**A–**	**61,005**	**9**	**A–**	**65,273**

Market price risk

Strategic framework and responsibilities

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

Market price risks need to be considered in the Asset Management divisions, in the Capital Markets business division and in the Treasury corporate centre. Market price risks in the Financing business division are passed on to the Treasury corporate centre.

The Deka Group's investment management companies are generally not subject to any market price risks beyond those associated with the investment funds. However, market price risks can arise for the Deka Group if products are provided with a guarantee. Market price risks from guarantee products are incorporated into the analysis of risk-bearing capacity and attributed to the Asset Management Securities business division. Market price risk from guarantee products is managed by the Board of Management with the support of the Treasury corporate centre.

Within the risk management organisation, the Board of Management decides the market price risk limits for the Group as a whole, as well as at the level of the business divisions, including the Treasury corporate centre. It also decides on limits for interest rate risk in the banking book using an earnings-based approach. The relevant department heads are responsible, in consultation with the head of Risk Control, for reallocating existing limits below the level of the Capital Markets business division and Treasury where appropriate. The allocation of limits reflects both organisational structure and the distinction between the trading and the banking book.

The MKR and MKAP make recommendations with respect to the definition of the framework for the management of strategic market price risk positions to the Board of Management, which then adopts resolutions accordingly. The MKR issues recommendations on changes to the capital allocation in the economic perspective during the year, on thresholds for the Common Equity Tier 1 capital ratio in the normative perspective and on limiting interest rate risks in the banking book using an earnings-based approach. The MKAP gives recommendations on the operational management of interest rate risks in the banking book using an earnings-based approach. In its capacity as a sub-committee, the Risk Talk supports the MKR and the Board of Management in relation to the Capital Markets business division's operational processes for managing and monitoring market price risk. To do so, it conducts in-depth analysis on a range of issues relating to market and counterparty risks and makes recommendations and binding decisions on matters that might materially influence the Capital Markets business division's risk profile or profitability. These committees make an important contribution to communication between the departments responsible for the control and monitoring of market price risks. In terms of the management of guarantee products, the Board of Management is supported by Treasury and the MKAP, and particularly by a special central sub-committee of the MKAP for guarantee products. The aim of this sub-committee is to ensure a comprehensive overall picture of the guarantee products at the Deka Group.

Execution of transactions and recording exposures are the responsibility of the operating units. In terms of market price risks, they are solely responsible for the implementation of strategic guidelines and operational management within the prescribed risk limits.

Managing, limiting and monitoring risk

In the economic market price risk calculation, risk ratios are calculated on a net-present-value basis using the value-at-risk approach and with scenario analyses. The basis for daily market price risk monitoring (including interest rate risk in the banking book) is a system of operational limits that is consistent with the Group's overall risk-bearing capacity. This system defines limits in line with the business model for the various portfolio levels and risk categories. It also takes into account the focal areas of the portfolio determined by the business model. In addition, limits are set based on operating metrics such as sensitivities. These are primarily used for operational management of the capital markets business in order to monitor adherence to the risk strategies on an ongoing basis. In addition to the net-present-value approach, interest rate risks in the banking book are also calculated and limited using an earnings-based approach. Stop-loss limits are another management tool for limiting losses. In the event that a limit is exceeded, the MKAP formulates recommendations for the Board of Management on mitigation measures, while the MKR is responsible, if required, for recommending measures in relation to risk appetite.

Value-at-Risk (VaR)

VaR is calculated with a confidence level of 99.9% and a holding period of one year when analysing risk-bearing capacity; when determining the utilisation of operating limits, DekaBank calculates VaR for a holding period of ten days and a confidence level of 99.0%.

The operating VaR therefore corresponds to the maximum loss on a position held over a period of ten trading days, with a probability of 99.0%.

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

To determine VaR, a sensitivity-based Monte Carlo simulation is used across all portfolios. This simulation ensures that all market price risks are identified in an integrated manner. The selection of risk factors is closely based on business activities and on the focal areas of the portfolio determined by the business model. Issuer-specific curves for spread risk are of particular importance. Appropriate consideration is given to spread risks, using the relevant spread curves, and basis risk.

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

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

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

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

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

Scenario considerations and stress analyses
The limit system is supplemented with regular market price risk-specific stress tests. Using these tests, the sensitivity of the portfolio is constantly tested with regard to a wide variety of trends in the various risk factors. Once again, the focus is on risks that are particularly relevant, using separate, portfolio-specific analyses.

Market price risk-specific stress tests take place at both overall portfolio level and for the banking book in isolation.

Market price risks are also an important component of the analysis of significant macroeconomic scenarios across all risk types.

Interest rate risk in the banking book using the earnings-based approach
Under the earnings-based approach, interest rate risk in the banking book is measured using the net interest income from changes in interest rates. In the EaR approach, net interest income is simulated using various hypothetical shifts in the reference yield curve for each currency and compared to a reference scenario (using a reference yield curve applicable at the measurement date).

The scenarios used to measure interest rate risk in the banking book under the earnings-based approach are also part of the net present value scenarios for the banking book. The various hypothetical shifts in the reference yield curve for each currency are used consistently in both approaches.

Interest rate risk in the banking book under the earnings-based approach is calculated each quarter and monitored. The scenarios look at the three years following the date on which the calculation is based. The results of the change in net interest income at Group level are limited for each stress scenario and annual tranche. A dedicated escalation process must be adhered to in the event of any limit breaches.

Backtesting of VaR risk ratios and validation
Various steps are taken to test the quality of the VaR forecast, including regular backtesting for various portfolio levels. In this process, the daily results that are theoretically achieved assuming unchanged positions on the basis of the market developments observed on the following day are compared with the forecast value-at-risk figures for the previous day. In addition, dirty backtesting regarding the actual change in value is also carried out, taking trading activities into account. The backtesting findings are also used to enhance the risk model. The results are reported on a quarterly basis. Overall, the backtesting results confirm the suitability of the market price risk measurement at both the bank level and at the level of subordinate organisational units. In addition, the approximation error of the delta-gamma approximation is reviewed on a monthly basis by carrying out a full valuation of the portfolio.

Risk models are validated on both a regular and ad hoc basis, and the results play an important role in assessing whether the models are adequate. Accordingly, any requirements for further development that arise from the validation procedure are then integrated into the process for identifying and quantifying risks. Overall, the validation exercises carried out confirm that the market risk model is appropriate.

Current risk situation
In the context of risk-bearing capacity, market price risk at the Deka Group (value-at-risk, confidence level 99.9%, holding period of one year) as at the reporting date stood at €825m. The increase versus the end of 2019 (€363m) was primarily attributable to a higher risk from guarantee products. This was due to the COVID-19 crisis, which caused nosediving stock markets (especially in the first quarter) along with falling interest rates and increased volatilities in the second quarter.

With a confidence level of 99 % and a holding period of ten days, market price risk (value-at-risk), excluding guarantee risks, stood at €51.9m as at the reporting date (year-end 2019: €41.8m). The significant jump in the first half of the year was due to the developments on financial markets triggered by the coronavirus pandemic, which led to a sharp increase in spread risk in all business divisions and in the Treasury corporate centre. To avoid further procyclical effects in risk management, the observation period for historical volatilities was extended from one to three years. At the end of the second quarter, DekaBank also initiated measures to optimise portfolios as part of active risk management, resulting in a reduction in securities in the banking book. These measures are still in place, meaning that only a moderate increase in risk is expected in the event of a renewed crisis situation Utilisation of the operational management limit at Deka Group level (excluding guarantees) stood at €91.0m (year-end 2019: €76.5m). This represented an utilisation level of 57 % and was therefore non-critical.

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

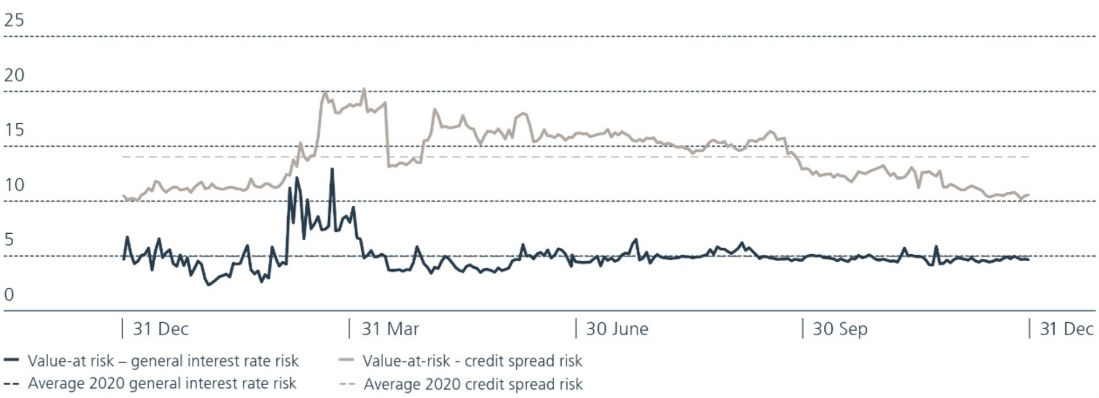
	31.12.2020						
Category	**Asset Management Securities business division**	**Asset Management Real Estate business division**	**Asset Management Services business division**	**Capital Markets business division**	**Treasury**	**Deka Group excluding guarantees**	Change in risk
Interest rate risk	4.5	0.0	4.7	38.5	15.3	52.6	22.6 %
Interest rate – general	0.5	0.0	4.2	4.3	7.8	11.4	–17.4 %
Credit Spread	4.4	0.0	2.3	39.1	14.4	53.8	11.4 %
Share price risk	2.1	0.5	0.4	7.2	0.0	6.4	25.5 %
Currency risk	0.6	0.0	0.0	1.2	4.8	5.3	39.5 %
Total risk	**5.5**	**0.5**	**4.7**	**37.2**	**15.6**	**51.9**	24.2 %

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

At the end of 2020, the VaR for spread risk totalled €53.8m, which was higher than the level seen at year-end 2019 (€48.3m). This was attributable to the market shocks in the first half of the year due to the coronavirus crisis. In line with the business model, risk concentration in terms of spread risk was mainly attributable to German, western European and US bonds issued by the public sector, financial institutions and corporates. Risk concentration for spread risk at the end of 2020 was consistent with the Deka Group's market price risk strategy.

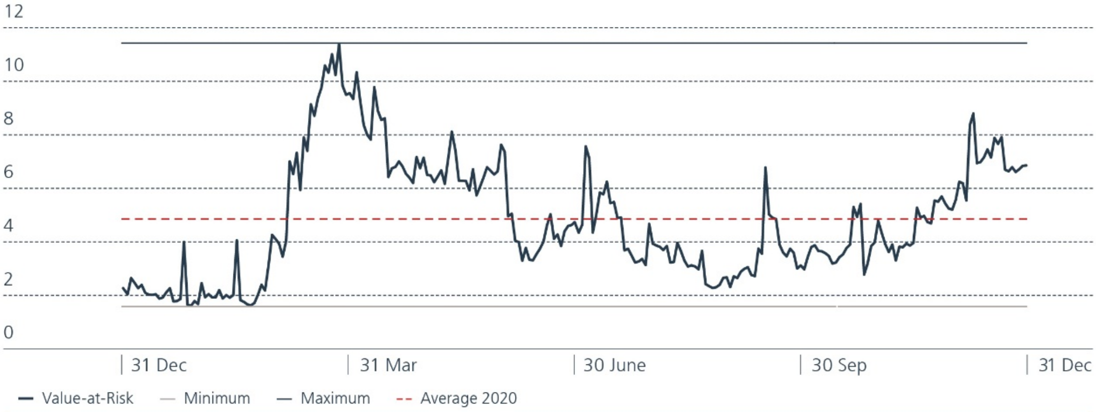
The VaR for general interest rate risk (excluding risks on guarantee products) decreased from €13.8m at year-end 2019 to €11.4m. The reduction began in the first quarter with a tighter management of risk (adjustments to hedges).

Value-at-risk – General interest rate risk and credit spread risk in the Capital Markets trading book over the course of 2020 *€m (Fig. 33)*



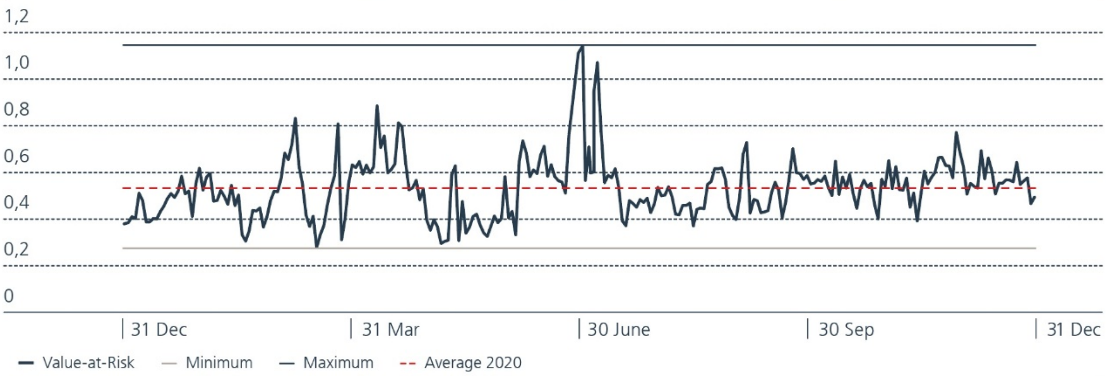
Share price risk rose compared with the year-end figure for 2019 (€5.1m) to €6.4m. The increase in this risk position was attributable to higher equity volatilities in the wake of the market shocks triggered by the COVID-19 pandemic. In terms of its amount, share price risk remained of little significance. Share price risk in the Capital Markets business division trading book totalled €6.8m (year-end 2019: €2.3m).

Value-at-risk – Share price risk in the Capital Markets trading book over the course of 2020 *€m (Fig. 34)*



As in the previous year, currency risk resulted mostly from positions in US dollars and British pounds. It stood at €5.3m (year-end 2019: €3.8m) and continued to be of minor significance. The increase resulted mainly from changes in holdings of US dollars in the Treasury corporate centre. Currency risk in the Capital Markets business division trading book stood at €0.5m (year-end 2019: €0.4m).

Value-at-risk – Currency risk in the Capital Markets trading book over the course of 2020 *€m (Fig. 35)*



Operational risk

Strategic framework and responsibilities

The strategy for dealing with operational risks (OR strategy) is based on the Deka Group's overarching risk strategy. It sets out guidelines for managing and controlling operational risks. It defines the framework for the Group-wide establishment and operation of a standard system for identifying, assessing, managing and monitoring all operational risks. The OR strategy applies to all organisational units 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 identifying, measuring and managing them, which contrasts with the approach taken for conventional financial risks. This approach to operational risks is based on coordinated collaboration between the units set out below.

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

The Operational Risk unit is responsible for central components of standardised operational risk management, especially the methodological approach, independent OR reporting, and provision of quality assurance and specialist support for local units implementing the management methods. It is also responsible for designing and enhancing the model used to quantify operational risks, while the model risk management and validation unit is responsible for regular independent validation of the model.

Various roles are performed locally within the individual Deka Group units as they implement the common tools for identifying, measuring and managing operational risks. 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 relevant methods, 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.

Specialist functions for significant risk sub-types

For selected sub-types of operational risk that are classified as significant for the Deka Group in the results of the annual risk inventory, the units described below perform a specialist function in the second line of defence. They set requirements for the design of processes and controls, monitor adherence to these and assist the units in the first line of defence with methods of identifying, measuring and managing the specific risk type.

Compliance is responsible for the risk-oriented monitoring of compliance with the legal, regulatory and/or internal rules material to the Deka Group in relation to

- requirements under capital markets and investment law (by the Capital Market & Real Estate Compliance department),
- requirements for the prevention of money laundering, terrorist financing and other criminal activities and relevant financial sanctions/embargoes (in Germany by the Central Office for financial crime),
- requirements for the compliance function under the German Minimum Requirements for Risk Management (by Corporate Compliance).

The Data Protection Officer informs and advises DekaBank's Board of Management, the senior management of Deka Group companies and the employees specifically involved in data processing with regard to their obligations under the General Data Protection Regulation (GDPR) and other data protection rules and regulations of the European Union and other jurisdictions. In the event of changes to legislation, the officer also initiates changes to organisational structures, IT systems or business processes. The officer monitors compliance with all data protection requirements in the event of changes to IT systems or changes in structures and workflows, conducts regular control procedures and reports directly to the Board of Management and the senior management of Deka Group companies at least once a year.

The Information Security Management department advises the DekaBank Board of Management, the senior management of Deka Group companies and the units providing security in the first line of defence (e.g. IT, HR, facility management) on all issues relating to information security. It also provides a catalogue of security measures within this context, which, depending on requirements, provide an adequate level of protection for the Deka Group's information. It reviews compliance with these security measures on a regular basis. Defined procedures are used to identify and evaluate information security risks and make them transparent to risk owners so as to follow up on implementation of risk-mitigation measures and incorporate them into risk reporting. The unit also has a leading supportive role in defining and implementing Business Continuity Management (BCM) across the Deka Group. BCM also looks after all the emergency precautions to protect the Deka Group from damage caused by interruptions to business processes in the event of emergencies and crises. Among other things, the aim is to reduce the likelihood of occurrence of risks that could interrupt business operations.

Outsourcing management at the Deka Group is laid down in the outsourcing strategy and is built on a two-tier model, consisting of a central Outsourcing Management section and local outsourcing units (hybrid vendor management). The Deka Group's Central Outsourcing Management (ZAMD) section lays down overarching governance rules for outsourcing, assists with their implementation and checks compliance with requirements. ZAMD also acts as the link between the Board of Management and the senior management of Deka Group companies on the one hand, and the contacts responsible for outsourcing on the other.

Methods used

The Deka Group uses various methods for the management and control of operational risk. These complement each other and, taken together, enable a comprehensive management process for these risks.

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 based on Group-wide loss documentation. Alongside the common methods described below, the specialist functions in the second line of defence also use their own methods to monitor selected non-financial risks.

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 potentially serious loss events from operational risks, which, due to their cross-unit nature and extremely high maximum loss potential, cannot be adequately identified or quantified via the self-assessment process. As part of this process, regularly updated risk factors related to both the Group's internal controls and its business environment are incorporated into the assessment of scenarios. These factors therefore increase the sensitivity of the scenarios to risk and help to identify developments and determine management actions in a timely manner.

OR loss events are recorded in a structured manner with the help of a central loss database starting from a minimum gross limit of €5,000 at the Deka Group level. As well as providing a description of the loss, the database includes documentation that covers the causes of the loss and suitable measures to avoid similar cases in the future. The results of the loss documentation are also used to support the ex-post validation of the risk assessments in the course of the self-assessment.

To determine the economic capital requirement for operational risks, the Deka Group uses an advanced measurement approach (AMA) that has been approved by regulatory authorities. This approach quantifies the Bank's operational risk based on a loss distribution approach, using 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.

In addition to the macroeconomic stress tests, which cover all types of risk, specific stress scenarios are examined for operational risk. These involve, for example, a sharp deterioration in the reliability of IT infrastructure, the occurrence of serious fraud involving an internal employee or the failure of critical control processes due to a shortage of staff. Sensitivity to isolated stress factors is also analysed and the OR scenarios with the highest contribution to risk examined. The results of the stress tests are determined quarterly and reported to the Stress Testing Committee, the Board of Management, the Risk and Credit Committee and the Administrative Board.

Current risk situation

The VaR for operational risk (confidence level of 99.9%, holding period of one year) increased moderately from €259m at year-end 2019 to €279m. This increase resulted both from a higher level of estimated risk associated with various loss scenarios as well as a relatively large number of actually incurred losses.

In the ex-post perspective, the costs incurred in connection with the COVID-19 pandemic for adapting IT infrastructure to cope with wholesale remote working and for disinfection and protective measures were recorded as particularly significant losses. There were also losses enabled by the new situation with remote working or exacerbated by the sometimes extreme market movements. On the ex-ante side, these effects were reflected in higher estimates of the frequency of occurrence for processing errors, for example, as well as in factors such as market volatilities or settlement volumes, which are related to both the Group's internal controls and its business environment and feed into the scenario analyses. Looking ahead, however, the Deka Group does not expect any permanent increase in the occurrence of loss events or in its risk profile, as it has now fully adapted to the new ways of working through the measures taken and has factored the changes in cost structure into its planning. Moreover, there have been no major changes in the allocation of VaR to the business divisions and the Treasury corporate centre for internal management purposes.

Risk capital allocated to operational risk stood unchanged at €335m. Utilisation increased to 83.2% as of year-end 2020 but remained at a non-critical level.

Value-at-Risk *€m (Fig. 36)*

	2018	2019	2020
Asset Management Securities business division	104	100	102
Asset Management Real Estate business division	50	47	51
Asset Management Services business division	56	55	62
Capital Markets business division	38	39	42
Financing business division	14	12	15
Treasury Corporate Centre	7	7	7
Total	**269**	**259**	**279**

At €66m, the OR loss potential identified in the Group-wide risk inventory was also noticeably up on the figure for year-end 2019 (€56m). This partly reflects the effects of the coronavirus pandemic in the form of an increased likelihood of occurrence of problems such as business interruptions due to unavailability of staff, poor asset allocation in asset management or poor performance of service providers. In addition, it reflects the fact that the maximum losses estimated for various risk scenarios (e.g. breach of investment limits) were initially adjusted conservatively to actually observed losses as well as positive loss events. Other significant effects arose from, among other things, the results of the annual self-assessment on information security risks and the widening of the assessment's scope from IT applications to infrastructure, buildings and service providers. In contrast to VaR, which is an upper limit for losses with a specific probability that the limit will not be exceeded, loss potential is an expected value that results from the estimated frequency of occurrence and scale of losses of all OR scenarios in the Deka Group.

Loss potential *€m (Fig. 37)*

	2018	2019	2020
Asset Management Securities business division	7	7	10
Asset Management Real Estate business division	8	8	9
Asset Management Services business division	5	4	5
Capital Markets business division	6	6	7
Financing business division	5	4	4
Treasury Corporate Centre	1	1	1
Savings Banks Sales & Marketing	2	2	2
Corporate Centres	22	24	28
Total	**56**	**56**	**66**

In the loss documentation, 12 major loss events (> €100 thousand) were newly recorded for the reporting period in 2020 and two were recorded retrospectively for previous periods. This compared to seven events newly or retrospectively recorded in the prior-year period. In addition to the loss components triggered by the COVID-19 pandemic and described above in relation to VaR, reimbursements to investment funds due to process-related errors in the Asset Management business divisions made up the largest share of the total losses.

Based on the Federal Ministry of Finance (BMF) circular of 17 July 2017 on the tax treatment of cum/cum transactions, tax risks exist in connection with relief from capital yields tax (*Kapitalertragsteuer*) on share transactions made around the dividend record date in the years 2013 to 2015. All matters are reported in the consolidated financial statements as at 31 December 2020 in accordance with DekaBank's interpretation of the relevant tax regulations and accounting standards. Consultation between the Federal Ministry of Finance (BMF) and the finance ministries of the German federal states regarding a potential revision of the BMF circular of 17 July 2017 was still ongoing at the time of preparing the annual financial statements (26 February 2021). Depending on the outcome, publication of an amended BMF circular could tighten up the legal rules applied by the tax authority on relief from capital yields tax (*Kapitalertragsteuer*) on share transactions made around the dividend record date.

In addition, DekaBank has begun voluntary investigations to ascertain whether its involvement enabled third parties to conduct share trades around the dividend record date and make use of abusive tax structures or whether it was otherwise involved in such structures. Based on the findings available to it, DekaBank considers it unlikely that the tax authority will be able to make a claim in relation to these matters beyond what has been recognised in the financial statements as at 31 December 2020.

Business risk

The business risk strategy set 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. A variety of complementary instruments are employed to identify, assess and manage business risks.

Key risk factors for the investment fund business (including the depositary in the Asset Management Services business division) are the planned and actual commission income and expenses and the assets under management (total customer assets). Both assets under management and net commission income depend on the behaviour of customers or sales partners as well as changes in market conditions, legal requirements or competitive conditions. Account is taken of fund price movements and net inflows and outflows when determining fund volatility. For banking activities, margins on commission business are taken into account as an additional risk factor. There are currently no business risks to be considered in the Treasury corporate centre.

In addition to regular risk measurement, risk type-specific stress tests are performed for business risk to examine its sensitivity in relation to changes in the behaviour of customers or sales partners, the economic and regulatory environment and competitive conditions. Net commission income, which is taken into account in business risk, is the major risk driver. Sensitivity analyses examine, for example, the effect of a stock market shock or a decline in net inflows. The effects of hypothetical scenarios are also analysed, such as reputational damage or equity stress (exceeding that already observed during the crisis), introduced due to the coronavirus pandemic. Alongside the sensitivity analyses and hypothetical scenarios, the stress tests also involve historical scenarios including market crashes akin to those seen after the terrorist attacks in 2001 or during the financial crisis in 2008. The results of the stress tests are determined quarterly and the impacts examined. They serve primarily to identify areas for action.

In the year under review, the VaR for business risk increased significantly to €541m (year-end 2019: €375m). The increase in risk was primarily attributable to significantly increased volatility as a result of the coronavirus crisis and, to a lesser extent, to deviations from planned net commission income, which is taken into account in business risk. The Asset Management Securities, Asset Management Services and Capital Markets business divisions were particularly affected. Risk capital allocated to business risk was increased to €750m (year-end 2019: €440m). Utilisation was 72.1 % and thus at a non-critical level. The development of business risk has been closely observed since the outbreak of the pandemic. Due to the use of an approximation, the increase in volatilities during the COVID-19 pandemic appears very conservative. As it is also possible to calculate volatilities exactly so as to achieve more appropriate results, the methodology was changed as of 31 December 2020. Given the high uncertainty that remains due to the COVID-19 pandemic, there is a possibility of further increases in business risk, particularly due to renewed market turbulence and related increases in volatility. The future handling of business risk is currently under discussion.

Other risks

Investment risk

Equity investments include all direct and indirect holdings of the Deka Group in other companies, regardless of their legal form. Equity investments held as credit substitute transactions fall under counterparty risk. In principle, the Deka Group pursues strategic interests when taking an equity interest. There is no intention to achieve short-term profit.

The basis for determining the investment risk position is the IFRS book value of the (unconsolidated) equity investment. The risk is measured on the basis of the volatility of a benchmark index from the equity market.

The VaR of investment risk was €20m at year-end 2020, down significantly on the level of €44m at the end of the previous year. The significant reduction in risk was due to the sale of shares in one of the Group's investments in July 2020. On this basis, the risk capital allocated to investment risks was reduced to €30m (year-end 2019: €70m). Utilisation of this amount at year-end 2020 was 67.9%. Large-scale impacts of the coronavirus pandemic on investment risk have not been observed to date. However, negative effects cannot be completely ruled out in the current uncertain situation.

Consolidated financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They comprise the statement of profit or loss and other comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and the notes. The economic result is the key in-house management indicator within the meaning of the requirements of IFRS 8 (Operating Segments) and is based on the figures according to IFRS accounting standards.

Consolidated financial statements

Statement of profit or loss and other comprehensive income
for the period from 1 January to 31 December 2020

€m	Notes	2020	2019	Change
Interest income		924.6	1,100.2	–16.0%
(thereof calculated using the effective interest method)		465.5	599.3	–22.3%
Interest expenses		768.0	930.6	–17.5%
Net interest income	[32]	**156.6**	**169.6**	–7.7%
Risk provisions in the lending and securities business	[17], [33]	**–178.0**	**–10.6**	(<–300%)
Net interest income after provisions		**–21.4**	**159.0**	–113.5%
Commission income		2,697.5	2,606.9	3.5%
Commission expenses		1,388.6	1,263.2	9.9%
Net commission income	[34]	**1,308.9**	**1,343.7**	–2.6%
Net income from the derecognition of financial assets measured at amortised cost	[35]	**78.1**	**12.7**	(> 300%)
Trading profit or loss	[36]	**152.1**	**46.3**	228.5%
Profit or loss on financial assets mandatorily measured at fair value	[37]	**–13.5**	**88.1**	–115.3%
Profit or loss on financial instruments designated at fair value	[38]	**25.2**	**32.3**	–22.0%
Profit or loss from fair value hedges	[39]	**–0.5**	**–11.2**	95.5%
Profit or loss on financial investments	[40]	**–0.1**	**3.9**	–102.6%
Administrative expenses	[41]	**1,098.7**	**1,085.7**	1.2%
(thereof expenses for the bank levy and deposit guarantee scheme)		72.8	57.7	26.2%
Other operating profit	[42]	**–44.6**	**–178.4**	75.0%
Total of profit or loss before tax		**385.5**	**410.7**	–6.1%
Income taxes	[43]	**139.6**	**155.1**	–10.0%
Interest expenses for atypical silent capital contributions		**33.6**	**46.3**	–27.4%
Total of profit or loss		**212.3**	**209.3**	1.4%
Thereof:				
Attributable to non-controlling interests		–	–	n/a
Attributable to the shareholders of DekaBank		212.3	209.3	1.4%
Changes not recognised in profit or loss	[31], [66]			
Items reclassified to profit or loss				
Change in reserve for financial assets measured at fair value through other comprehensive income		–3.6	–16.2	77.8%
Change of the foreign currency basis spread of hedging derivatives		–16.1	2.5	(<–300%)
Change in currency translation reserve		–0.4	0.1	(<–300%)
Deferred taxes on items reclassified to profit or loss	[53], [62]	6.3	4.3	46.5%
Items not reclassified to profit or loss				
Revaluation gains/losses on defined benefit pension obligations		–50.4	–38.6	–30.6%
Change in valuation reserve for own credit risk of financial liabilities designated at fair value		1.5	5.2	–71.2%
Deferred taxes on items not reclassified to profit or loss	[53], [62]	12.0	19.0	–36.8%
Other comprehensive income		**–50.7**	**–23.7**	–113.9%
Comprehensive income for the period under IFRS		**161.6**	**185.6**	–12.9%
Thereof:				
Attributable to non-controlling interests		–	–	n/a
Attributable to the shareholders of DekaBank		161.6	185.6	–12.9%

Statement of financial position as at 31 December 2020

€m	Notes	31 Dec 2020	31 Dec 2019	Change
Assets				
Cash reserves	[44]	**9,206.7**	**3,826.9**	140.6%
Due from banks	[16], [45]	**16,350.2**	**22,581.2**	–27.6%
Due from customers	[16], [46]	**24,616.4**	**28,368.5**	–13.2%
Financial assets at fair value	[18], [48]	**22,981.9**	**30,442.2**	–24.5%
a) Trading portfolio		21,388.7	23,225.1	–7.9%
b) Financial assets mandatorily measured at fair value		1,593.2	7,217.1	–77.9%
(of which deposited as collateral)	[77]	(5,172.4)	(8,783.0)	–41.1%
Positive market values of derivative hedging instruments	[10], [19], [49]	**638.7**	**132.7**	(> 300%)
Financial investments	[20], [50]	**10,567.2**	**10,747.6**	–1.7%
a) Financial assets measured at amortised cost		5,162.1	5,395.1	–4.3%
b) Financial assets measured at fair value through other comprehensive income		5,388.7	5,336.1	1.0%
c) Shares in at-equity accounted companies		16.4	16.4	–0.0%
(of which deposited as collateral)	[77]	(875.9)	(1,840.1)	–52.4%
Intangible assets	[21], [51]	**182.0**	**183.7**	–0.9%
Property, plant and equipment	[22], [52]	**141.9**	**179.0**	–20.7%
Current income tax assets	[24], [53]	**195.1**	**171.6**	13.7%
Deferred income tax assets	[24], [53]	**289.2**	**300.4**	–3.7%
Other assets	[23], [54]	**339.8**	**348.2**	–2.4%
Total assets		**85,509.1**	**97,282.0**	–12.1%
Liabilities				
Due to banks	[25], [55]	**17,140.6**	**17,548.8**	–2.3%
Due to customers	[25], [56]	**21,660.2**	**23,699.6**	–8.6%
Securitised liabilities	[25], [57]	**7,656.2**	**17,752.1**	–56.9%
Financial liabilities at fair value	[18], [58]	**30,549.6**	**29,902.9**	2.2%
a) Trading portfolio		29,884.4	28,993.0	3.1%
b) Financial liabilities designated at fair value		665.2	909.9	–26.9%
Negative market values of derivative hedging instruments	[10], [19], [59]	**107.1**	**368.5**	–70.9%
Provisions	[26], [27], [60], [61]	**620.3**	**527.9**	17.5%
Current income tax liabilities	[24], [62]	**67.3**	**75.5**	–10.9%
Deferred income tax liabilities	[24], [62]	**9.1**	**4.4**	106.8%
Other liabilities	[28], [63]	**1,042.1**	**1,014.1**	2.8%
Subordinated capital	[29], [64]	**959.4**	**824.3**	16.4%
Atypical silent capital contributions	[30], [65]	**52.4**	**52.4**	0.0%
Equity	[31], [66]	**5,644.8**	**5,511.5**	2.4%
a) Subscribed capital		191.7	191.7	0.0%
b) Additional capital components		473.6	473.6	0.0%
c) Capital reserve		190.3	190.3	0.0%
d) Retained earnings		4,877.1	4,733.3	3.0%
e) Revaluation reserve[1]		–183.2	–132.5	–38.3%
f) Accumulated profit/loss (consolidated profit)		95.3	55.1	73.0%
g) Minority interest		–	–	n/a
Total liabilities		**85,509.1**	**97,282.0**	–12.1%

[1] With the implementation of the new ESEF requirements, the currency translation reserve is reported within the revaluation reserve. The previous year's values were adjusted accordingly.

Statement of changes in equity for the period from 1 January to 31 December 2020

€m	Subscribed capital	Additional capital components	Capital reserve	Retained earnings	Consolidated profit/loss	Provisions for pensions[1]	Change of the foreign currency basis spread of hedging derivatives
Equity as at 1 January 2019	**191.7**	**473.6**	**190.3**	**4,614.1**	**63.3**	**–184.8**	**–**
Total of profit or loss	–	–	–	–	209.3	–	–
Other comprehensive income	–	–	–	–	–	–38.6	2.5
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**209.3**	**–38.6**	**2.5**
Changes in the scope of consolidation[2]	–	–	–	–	–	–	–
Other changes[2][3]	–	–	–	–35.0	–	–	–
Allocation to reserves from retained earnings	–	–	–	154.2	–154.2	–	–
Distribution	–	–	–	–	–63.3	–	–
Equity as at 31 December 2019	**191.7**	**473.6**	**190.3**	**4,733.3**	**55.1**	**–223.4**	**2.5**
Total of profit or loss	–	–	–	–	212.3	–	–
Other comprehensive income	–	–	–	–	–	–50.4	–16.1
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**212.3**	**–50.4**	**–16.1**
Changes in the scope of consolidation[2]	–	–	–	–	–	–	–
Other changes[2][3]	–	–	–	–28.3	–	–	–
Allocation to reserves from retained earnings	–	–	–	172.1	–172.1	–	–
Distribution	–	–	–	–	–	–	–
Equity as at 31 December 2020	**191.7**	**473.6**	**190.3**	**4,877.1**	**95.3**	**–273.8**	**–13.6**

[1] Revaluation gains/losses on defined benefit obligations
[2] With the implementation of the new ESEF requirements, changes in the scope of consolidation and other changes are shown as two separate lines. The previous year's figures were adjusted accordingly.
[3] Comprises the payment of interest of the Additional Tier 1 bond, which is classified as equity capital under IFRS.
[4] With the implementation of the new ESEF requirements, the currency translation reserve is reported within the revaluation reserve.

Revaluation reserve					Total before minority interest	Minority interest	Equity
Equity-accounted companies	Financial assets measured at fair value through other comprehensive income	Own credit risk of financial liabilities designated at fair value	Currency translation reserve[4)]	Deferred taxes			
−6.6	**28.7**	**−8.8**	**0.0**	**56.1**	**5,417.6**	**–**	**5,417.6**
–	–	–	–	–	209.3	–	209.3
–	−16.2	5.2	0.1	23.3	−23.7	–	−23.7
–	**−16.2**	**5.2**	**0.1**	**23.3**	**185.6**	**–**	**185.6**
–	–	–	–	–	–	–	–
6.6	–	–	–	–	−28.4	–	−28.4
–	–	–	–	–	–	–	–
–	–	–	–	–	−63.3	–	−63.3
–	**12.5**	**−3.6**	**0.1**	**79.4**	**5,511.5**	**–**	**5,511.5**
–	–	–	–	–	212.3	–	212.3
–	−3.6	1.5	−0.4	18.3	−50.7	–	−50.7
–	**−3.6**	**1.5**	**−0.4**	**18.3**	**161.6**	**–**	**161.6**
–	–	–	–	–	–	–	–
–	–	–	–	–	−28.3	–	−28.3
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	**8.9**	**−2.1**	**−0.3**	**97.7**	**5,644.8**	**–**	**5,644.8**

Statement of cash flows for the period from 1 January to 31 December 2020

€m	31 Dec 2020	31 Dec 2019
Total of profit or loss	**212.3**	**209.3**
Non-cash items in net income and adjustments to reconcile net profit with cash flow from operating activities		
+/– Write-downs and write-backs		
on receivables and financial investments	173.4	11.5
on intangible assets and property, plant and equipment	55.6	54.0
+/– Allocation to/reversal of provisions	107.9	204.0
+/– Profit or loss from fair value hedges	0.5	11.2
+/– Other non-cash items	–268.7	–449.2
+/– Profit or loss on the disposal of property, plant and equipment[1]	0.4	0.5
+/– Profit or loss on the disposal of financial investments[1]	–13.4	0.0
+/– Other adjustments	224.9	303.9
= **Sub-total**	**492.9**	**345.2**
Change to assets and liabilities arising from operating activities		
+/– Due from banks	6,461.8	1,561.7
+/– Due from customers	3,573.9	–3,940.2
+/– Financial assets at fair value	4,449.3	9,622.1
+/– Financial investments	192.6	64.4
+/– Other assets arising from operating activities	–761.5	–542.8
+/– Due to banks	–404.9	–5,392.5
+/– Due to customers	–2,049.8	–2,005.0
+/– Securitised liabilities	–10,131.1	2,967.9
+/– Financial liabilities at fair value	3,898.1	–13,979.9
+/– Other liabilities arising from operating activities	–326.1	373.2
+ Interest paid	823.1	509.0
+ Dividends received	7.6	10.5
– Interest paid	–815.1	–572.3
– Income tax payments	–137.2	–222.0
Cash flow from operating activities	**5,273.6**	**–11,200.7**
+ Proceeds from the disposal or redemption of		
equity investments	50.7	–
– Disbursements for the purchase of		
Equity investments	–	–5.1
intangible assets	–11.5	–7.4
property, plant and equipment	–1.6	–1.3
– Disbursements for the acquisition of shares in affiliated, non-consolidated companies	–	–0.0
+ Dividends received	0.9	2.6
Cash flow from investing activities	**38.5**	**–11.2**
– Payments to company owners and minority interests	–62.9	–124.8
– Dividends paid	–	–63.3
+ Inflow of funds from subordinated capital	131.0	–
– Outflow of funds from subordinated capital	–	–75.6
+/– Changes in scope of consolidation[1]	–0.4	0.0
+/– Other changes[1]	–	–
Cash flow from financing activities	**67.7**	**–263.7**
= Changes to cash and cash equivalents	5,379.8	–11,475.6
+ Cash and cash equivalents at the start of the period	3,826.9	15,302.5
Cash and cash equivalents at the end of the period	**9,206.7**	**3,826.9**

[1] With the implementation of the new ESEF requirements, profit or loss on the disposal of financial investments and property, plant and equipment as well as changes in the scope of consolidation and other changes are presented as separate lines in the statement of cash flows.

The statement of cash flows shows the change in the Deka Group's cash balance during the financial year. The item cash and cash equivalents corresponds to the balance sheet item cash reserves (see note [44] "Cash reserves").

Cash flow from operating activities was determined using the indirect method. In other words, the total of profit or loss was adjusted to eliminate non-cash items such as measurement results and additions to provisions. The item other adjustments mainly includes the reclassification of interest and dividends received as cash and interest and income tax payments made during the financial year which have to be reported separately in accordance with IAS 7. In addition to the disbursements relating to short-term leases and leases of low-value assets reported under administrative expenses, disbursements for payments of principal and interest pursuant to IFRS 16 were also reported under cash flow from operating activities within the Deka Group. In the year under review, €1.2m (previous year: €1.4m) of this amount related to interest payments and €39.4m (previous year: €38.6m) to payments of principal.

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

Financing activities include equity as well as cash flows from atypical silent capital contributions and from subordinated capital. The table below provides an overview of movements in financing liabilities.

		Cash changes	Non-cash changes			
€m	**2019**		**Acquisition**	**Exchange rate movements**	**Fair value changes**	**2020**
Subordinated liabilities	824.3	131.0	–	–	4.1	959.4
Total subordinated capital	**824.3**	**131.0**	**–**	**–**	**4.1**	**959.4**
Atypical silent capital contributions	52.4	–	–	–	–	52.4

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

Notes

Accounting standards

1 Accounting principles

These financial statements are the consolidated financial statements of DekaBank Deutsche Girozentrale (parent company). DekaBank is a German institution incorporated under public law with registered offices in Frankfurt/Main and Berlin (Germany) and is entered in Commercial Register A of the Local Court (*Amtsgericht*) of Frankfurt am Main under the number HRA 16068.

The Deka Group is the securities service provider (the *Wertpapierhaus*) for the savings banks. With its asset Management and banking activities, the Deka Group acts as a service provider for the investment, administration and management of assets. It supports savings banks, their customers and institutional investors at every stage in the investment and advisory process within the securities business. It also offers comprehensive advice and solutions to the savings banks, their customers and to institutional customers on investing, liquidity and risk management, as well as refinancing. The Deka Group's business is managed from the head office in Frankfurt/Main, Mainzer Landstraße 16, 60325 Frankfurt/Main).

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

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

2 Accounting standards applied for the first time and to be applied in future

The following new or amended standards and interpretations that have a material impact on the consolidated financial statements were applied for the first time in the reporting year. A number of other standards and interpretations were also adopted. These, however, are not expected to have a material impact on the consolidated financial statements.

IFRS 3

The amendments to IFRS 3 "Business Combinations" were applied within the Deka Group for the first time as of 1 January 2020. The amendments relate to the definition of a business and include clearer guidance on how to distinguish a business from a group of assets when applying IFRS 3. The amended definition is to be applied to acquisition transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The amendments had no effect on the consolidated financial statements.

IFRS 9, IAS 39 and IFRS 7

On 26 September 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7 – reform of LIBOR and other benchmark interest rates (IBOR reform, phase 1). The amendments to the standard feature relief provisions in connection with hedge accounting. The relief means that the hedges concerned do not generally need to be terminated. Any ineffectiveness, however, still has to be recognised in the income statement. In addition, the amendment to IFRS 7 requires the disclosure of the nominal amount of hedging instruments to which the relief is applied, and the disclosure of any significant assumptions or judgements the entity made in applying the relief. Qualitative information also has to be provided about how the Deka Group is impacted by IBOR reform and how it is managing the transition process. The amendments came into effect on 1 January 2020 and were endorsed by the European Commission on 15 January 2020. DekaBank applies these amendments when accounting for hedges that are directly affected by the reform. When measuring effectiveness, DekaBank assumes that the (contractually or non-contractually specified) benchmark interest rate on which the hedged risk is based, or the benchmark interest rate on which the cash flows of the hedging instrument are based, does not change as a result of the interest rate benchmark reform. This relates primarily to interest rate fair value hedges in a foreign currency for which the LIBOR swap curve is defined as the hedged risk. Fair value hedges denominated in euros do not fall within the scope of the standard amendments referred to above, as EURIBOR reference rates are not affected by the reform. With regard to the new disclosures in the notes and explanatory information on the implementation of the IBOR reform at DekaBank, we refer to the comments on phase 2 set out in this note and to note [73] "Further information on hedge accounting".

European Single Electronic Format (ESEF)

In the 2020 reporting year, the Deka Group implemented the German Transparency Directive Implementation Act (*Gesetz zur weiteren Umsetzung der Transparenzrichtlinie-Änderungsrichtlinie*) for the first time. The legislation, passed by the German Bundestag (lower house of parliament) on 18 June 2020, concerns a single electronic format for annual financial reports. The Act serves to provide further details regarding the regulatory technical standards published in the Official Journal of the European Union on 29 May 2019 as Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 ("ESEF Regulation"). This requires companies that issue securities in the EU to publish their annual financial reports in an EU-wide standardised digital format (the European Single Electronic Format, or "ESEF" for short), i.e. using Extensible Hypertext Markup Language (XHTML). For IFRS consolidated financial statements, additional XBRL tags also have to be embedded in the XHTML format. The markup must use the ESEF taxonomy (based on the IFRS taxonomy). The scope of the markup obligation is phased. As of 1 January 2020, the primary financial statement components and ten basic company information disclosures have to be tagged (phase 1). From 1 January 2022 onwards, other disclosures in the notes have to be marked up as a mandatory requirement (phase 2). Within the Deka Group, tagging was based on the ESEF taxonomy published by the European Commission in December 2019.

In December 2020, the European Parliament and the Council approved an amendment to the Transparency Directive giving EU member states the option of postponing the date of first-time application by one year. At the time these consolidated financial statements were prepared, Germany had not yet decided whether to exercise the member state option. Implementation of the new ESEF requirements has required minor changes to be made in the presentation of the statement of financial position, statement of changes in equity and statement of cash flows compared to the previous year.

New standards and interpretations and amendments to existing standards and interpretations published by the IASB and IFRIC which do not have to be applied until subsequent financial years were not applied early. Changes relevant to the Deka Group are presented below.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The European Commission adopted the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 published by the IASB on 27 August 2020 regarding phase 2 of the IBOR project for implementation in European law on 13 January 2021. The amendments relate to accounting for certain modifications to contractual cash flows that are required as a direct result of the IBOR reform. The amendments also provide for a series of exemptions that allow hedge accounting to continue subject to certain conditions. The changes are mandatory for reporting periods beginning on or after 1 January 2021.

DekaBank has opted for a project-based approach to implementing the IBOR reform, involving all affected areas at every step of the process chain, from front office units to the corporate centres. The necessary adjustments to internal systems, processes and methods are being managed through the new product process. Management is regularly updated on the progress of these activities through the established committees.

The adjustments made to date at DekaBank have proceeded according to plan. Neither the launch of €STR, nor the resulting changes to the quotation of the EONIA rate, nor the first transactions with SOFR and €STR as the reference rates have caused any issues in day-to-day business along the process chain. The changeover process for CCP transactions with LCH and Eurex in the middle of the pandemic presented the Bank with major challenges. The changeover was nevertheless achieved successfully and without any disruptions at the end of July. The bilateral agreements are being adjusted on a step-by-step basis. Most of these agreements are linked to the LIBOR. New agreements include corresponding fallback clauses if this is not covered by the framework agreements. Significant work is still required, however, to switch all contracts and products, which mainly include derivatives, loans, securities and money market transactions, to the new benchmark interest rates. These efforts are taking place against the backdrop of the still-developing market in the new interest rates and a deadline of the end of 2021 for phasing out the old benchmarks. Looking ahead, we expect to see more products based on the new interest rates, or more liquidity in such products, in 2021. Particularly with regard to the definition of new interest rates alongside the overnight rates, known as term rates, the first prototypes are starting to emerge and will be launched on the market in 2021.

Standards and interpretations not yet adopted into European law

Annual Improvements

On 14 May 2020, the IASB published amendments to four standards (IFRS 1, IFRS 9, IFRS 16 and IAS 41) as part of its Annual Improvements Project for 2018-2020. The amendment to IFRS 9 clarifies which fees should be included in the "10% test" when determining whether to derecognise a financial liability. Only fees paid or received between the lender and borrower or paid or received by the lender or borrower on the other's behalf should be included in the test. The amendment to IFRS 16 involves the deletion of an illustrative example of the recognition of lease incentives in the form of a reimbursement by the lessor for leasehold improvements. Application of the new rules is mandatory for financial years beginning on or after 1 January 2022. Voluntary early adoption is permitted. The amendments have no effect on the consolidated financial statements.

Amendment to IAS 1

On 23 January and 15 July 2020, the IASB published amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The amendments clarify that the classification of liabilities as current or non-current must be based on the rights that exist as of the reporting date. The classification therefore does not depend on the entity's expectations about whether it will exercise its right to defer settlement of the liability. The changes come into effect for financial years beginning on or after 1 January 2023. The original date on which the amendments were to be applied for the first time was postponed by one year. Voluntary early adoption is permitted. Implementation of these amendments will have no effect on the consolidated financial statements.

Segment reporting

3 Segmentation by operating business divisions

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

As total of profit or loss before tax is of limited suitability for the internal management of the business divisions, the economic result has been defined as the key management indicator. Due to the requirements of IFRS 8, the economic result has also been included in external reporting as material segment information.

In addition to the total of profit or loss before tax, the economic result includes changes in the revaluation reserve (before tax) as well as the interest- and currency-related valuation result from financial instruments recognised at amortised cost. This allows economic hedges that do not meet the IFRS criteria for hedge accounting to be fully reflected for internal management purposes. The economic result also includes the interest expense on Additional Tier 1 bonds, which is reported directly within equity, as well as effects relevant for management. The latter relate to a provision for potential charges where the probability of such charges arising in the future is assessed as possible, and which are taken into account within corporate management activities as a result of the use of the economic result for management purposes, but which may not yet be reported under IFRS because they are not sufficiently substantiated. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in the reconciliation to the Group's total profit or loss before tax in the "reconciliation" column in the segment reporting.

Another key indicator for the operating segments, in addition to the economic result, is total customer assets. Total customer assets primarily comprise the income-relevant assets of the mutual and special funds under management (including ETFs) in the Asset Management Securities and Asset Management Real Estate business divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner, third-party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and master funds. Total customer assets also include fund units of €0.9bn held as part of the proprietary portfolio (previous year: €1.7bn). These mainly relate to start-up financing for investment funds.

Based on the definition of section 19 (1) of the German Banking Act (*Kreditwesengesetz* – KWG), gross loan volume includes additional risk exposures such as underlying risks from equity derivative transactions and transactions for the purposes of covering guarantee payments on guarantee funds, as well as the volume of off-balance sheet counterparty risks.

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

Asset Management Securities

The Asset Management Securities reporting segment focuses on the active fundamental and quantitative management of mutual securities funds and special funds, advisory mandates and asset management concepts, passive exchange-traded funds and combinations of these forms of investment, such as ETF-based asset management products for private investors and institutional customers alike. This offering is rounded off by services covering all aspects of the fund value chain. These include, in particular, asset servicing, which is used by institutional investors to pool their investments in master funds. In addition to investment funds and asset management concepts, the product range also includes products from selected international cooperation partners. The Deka Group's investment funds cover all major asset classes: equity, bond, money market and mixed funds, capital protected funds and combinations of these funds. One particular focal point is the gradual expansion of the existing range of sustainability products and services, as well as even greater emphasis on sustainability aspects in the fund and investment processes.

Asset Management Real Estate

The Asset Management Real Estate reporting segment provides fund products relating to real estate or real estate financing for the savings banks' and other institutional investors' customer and proprietary business. The product range includes open-ended mutual property funds, special property funds with either an open-ended or closed-ended structure, real estate funds of funds, credit funds that invest in real estate, infrastructure or transport financing, and residential property funds offered together with external partners that are experienced in this segment. In order to meet environmental and social criteria and to respond to investor requirements, sustainability aspects are taken into account in the fund and investment processes. In addition to fund portfolio management, fund risk management and development of property-related products, the segment also covers the purchase and sale of real estate and the management of such assets, including all other property- and fund-related services (property and fund management).

Asset Management Services

The Asset Management Services reporting segment provides banking and other services that complement the offerings of the asset management divisions. These range from supporting the sales departments with multichannel solutions to managing custody accounts for customers and providing custodial services for investment funds.

Capital Markets

The Capital Markets reporting segment is the central product, solution and infrastructure provider and service provider in the Deka Group's customer-focused capital markets business. It offers investment solutions to both retail and institutional customers and helps them to put their asset and risk management decisions into practice. With its range of services relating to securities repurchase transactions, securities lending and foreign exchange trading, the segment also acts as the central securities and collateral platform for the Savings Banks Association. In addition to its function as a commission agent for all relevant asset classes, it serves as a centre of competence for trading and structuring capital market products as well as for DekaBank's certificate issuance business. Institutional customers are provided with clearing services and support with the efficient fulfilment of regulatory requirements. The Capital Markets reporting segment was also responsible, up until 31 December 2020, for the Deka Group's strategic investments, which comprise the securities in the Deka Group's proprietary portfolio that are not held for liquidity management purposes, but rather to invest surplus refinancing funds and, in doing so, to balance out a varied maturity structure.

Financing

The Financing reporting segment is made up of real estate financing and specialised financing, including financing of the savings banks. Lending is taken onto our own statement of financial position via the banking book, as well as being packaged as an investment product for other banks and savings banks or other institutional investors via club deals or syndications. Priority is given to placements within the *Sparkassen-Finanzgruppe*. The specialised financing business concentrates on selected core segments, such as infrastructure financing, transport financing, financing covered by ECAs, public sector financing and savings bank financing. Specialised financing loans that were made before the credit risk strategy was revised in 2010 and do not conform to the current strategy are combined in a separate legacy portfolio. These continue to be wound down while safeguarding assets. Real estate financing relates mainly to commercial real estate and is focused on marketable properties in the office, logistics, retail and hotel segments in liquid markets in Europe and North America.

Other

The Other segment primarily comprises income and expenses that are not attributable to the reporting segments. These essentially comprise overheads, actuarial gains and losses resulting from the measurement of pension obligations, and a general provision for potential losses that are not directly allocable to any operating segment. The income and expenses of the Treasury function are allocated to the other segments on a source-specific basis and are therefore shown in the presentation of the economic result of the respective segments.

	Asset Management Securities		Asset Management Real Estate		Asset Management Services		Capital Markets	
	Economic result							
€m	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Net interest income	3.9	8.3	1.8	0.8	2.8	5.2	37.6	56.4
Risk provisions	–	–	–	–	–1.0	0.0	–12.2	–1.7
Net commission income	741.8	787.2	294.4	286.0	205.5	183.3	58.3	55.7
Net financial income[1]	–0.4	6.2	–5.6	–0.6	3.2	2.5	181.5	197.4
Other operating profit[2]	–4.5	–7.2	2.2	0.9	–0.4	3.0	2.2	3.5
Total income without income distribution from Treasury function	**740.8**	**794.5**	**292.8**	**287.1**	**210.2**	**193.9**	**267.4**	**311.4**
Administrative expenses (including depreciation and amortisation)[3]	355.7	369.5	141.7	139.8	175.7	182.4	177.5	175.5
Restructuring expense[2]	1.5	3.7	0.0	–	–	–	–	–
Total expenses[3]	**357.2**	**373.2**	**141.7**	**139.8**	**175.7**	**182.4**	**177.5**	**175.5**
(Economic) result before tax excluding income distribution Treasury function	**383.6**	**421.3**	**151.1**	**147.3**	**34.6**	**11.5**	**89.9**	**135.9**
Income distribution of Treasury function[3]	–17.8	–4.6	–1.2	–0.9	–1.2	–1.1	–35.3	–28.9
(Economic) result before tax	**365.8**	**416.7**	**149.9**	**146.4**	**33.4**	**10.3**	**54.6**	**107.1**
Cost/income ratio[4]	0.48	0.47	0.48	0.49	0.83	0.94	0.63	0.56
Group risk (value-at-risk)[7]	1,216	666	89	100	185	143	770	861
Total customer assets	269,716	248,520	45,732	42,222	–	–	23,712	22,670
Gross loan volume	6,912	6,823	84	252	765	749	66,644	86,765

[1] This includes the result from assets held for trading (trading book portfolio), the result from non-trading assets (banking book portfolio), the result from other financial investments as well as the result from repurchased own issues.
[2] Restructuring expense are disclosed in the Group financial statements under Other operating profit.
[3] From 2020, the distribution of expenses from the Treasury corporate centre is shown within the line item "administrative expenses (including depreciation and amortisation)". As a result of the change in presentation, the previous year's figures in the line items "administrative expenses (including depreciation and amortisation)", "Total expenses" and "(Economic) result before tax excluding income distribution Treasury function" as well as "Income distribution of Treasury function" changes. The (Economic) result of the business segments does not change as a result of this shift. The cost/income ratio was also adjusted.
[4] Calculation of the cost/income ratio does not take into account the restructuring expense or risk provisions.
[5] Value-at-risk for risk capacity with confidence level of 99.9% and holding period of one year. Due to the diversification within market price risk the risk for the Deka Group are not cumulative.
[6] This includes effects relevant for management purposes of €+40.0m (previous year: €+/–0.0m) related to a provision for potential losses. This is additional information provided on a voluntary basis and does not form part of the IFRS notes.
[7] No cost/income ratio is presented for the segment Other because as this is deemed of limited economic informative value.

Financing		Other[6]		Deka Group		Reconciliation		Deka Group	
		Economic result						Total profit or loss before tax (IFRS)	
31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
137.3	135.1	–18.4	–3.4	165.0	202.5	–8.4	–32.9	156.6	169.6
–164.9	–8.8	0.1	–0.1	–178.0	–10.6	–	–	–178.0	–10.6
12.7	33.7	–3.9	–2.2	1,308.9	1,343.7	–	–	1,308.9	1,343.7
–10.2	–2.4	–3.4[7]	–5.5[7]	164.9	197.5	76.4	–25.4	241.3	172.1
0.3	9.7	–72.9	–182.4	–72.9	–172.5	48.2	35.1	–24.7	–137.4
–24.8	**167.3**	**–98.6**	**–193.6**	**1,387.9**	**1,560.6**	**116.1**	**–23.2**	**1,504.1**	**1,537.4**
64.6	64.8	183.4	153.7	1,098.7	1,085.7	–	–	1,098.7	1,085.7
–	–	18.4	37.3	19.9	41.0	–	–	19.9	41.0
64.6	**64.8**	**201.8**	**190.9**	**1,118.5**	**1,126.7**	**–**	**–**	**1,118.5**	**1,126.7**
–89.4	**102.6**	**–300.4**	**–384.6**	**269.4**	**434.0**	**116.1**	**–23.2**	**385.5**	**410.7**
2.4	–12.3	53.1	47.8	–	–	–	–	–	–
–87.0	**90.3**	**–247.3**	**–336.8**	**269.4**	**434.0**	**116.1**	**–23.2**	**385.5**	**410.7**
0.46	0.37	–	–	0.70	0.69				
480	512	158	178	2,821	2,395				
–	–	–	–	339,160	313,412				
24,824	27,300	20,924	19,659	120,154	141,548				

Reconciliation of segment results to the IFRS result

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

During the financial year, the reporting and measurement differences between internal reporting and the total profit or loss before tax under IFRS amounted to €–116.1m (previous year: €23.2m) and mainly resulted from the circumstances referred to below.

The result not recognised in profit or loss amounted to €–46.9m in the reporting period (previous year: €75.3m). Of this total, €–58.5m (previous year: €103.7m) was attributable to interest- and currency-related valuation results relating to financial instruments recognised at amortised cost. The result not recognised in profit or loss also includes the total interest expense (including accrued interest) of €–28.4m on the AT1 bonds (previous year: €–28.4m). Distributions made in the previous year were recorded directly in equity, in accordance with IAS 32. In addition, a general provision to cover potential risks that could materialise in the coming months was recognised for the first time in the 2012 financial year. In 2020, the provision for these effects in the management accounts amounted to €–130.0m (previous year: €–170.0m). In the 2020 reporting year, there was an effect on the economic result of €40.0m (previous year: €0.0m; reported under Other).

The change of €–68.6m in the revaluation reserve before tax (previous year: €–53.7m) was also included in the economic result. Of this, €–50.4m (previous year: €–38.6m) was attributable to the change in the revaluation reserve for provisions for pensions.

The other amounts shown in the reconciliation column concern differences in presentation between management reporting and the consolidated financial statements. Of these, €–36.9m (previous year: €61.7m) relates to internal transactions that are reported in the economic result. The majority of these are included within net interest income, while the corresponding offsetting income effects are reported under net financial income. There are also reporting differences in net financial income and other operating profit from the different allocation of income effects from the repurchases of own issues.

4 Segmentation by geographical markets

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

	Germany		Luxembourg		Other		Total Group	
€m	2020	2019	2020	2019	2020	2019	2020	2019
Income	1,352.8	1,333.8	147.2	199.7	4.1	3.9	1,504.1	1,537.4
Total of profit or loss before tax	306.2	287.0	76.7	121.3	2.6	2.4	385.5	410.7
Long-term segment assets[1]	290.6	326.9	33.2	35.7	0.0	0.1	323.8	362.7

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

Right-of-use assets under leases are also reported under long-term segment assets (see note [14] "Lease accounting").

Accounting policies

5 General information

The accounting policies described were applied in a uniform and consistent manner to the reporting periods presented, with the exception of the changes referred to in this note and new accounting standards which were applied for the first time in the 2020 reporting year (see note [2] "Accounting standards applied for the first time and to be applied in future").

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

Both discretionary decisions and estimates are necessary as part of IFRS accounting. These are made in accordance with the relevant standard and reviewed on an ongoing basis. They are based on experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances. The 2020 reporting year was characterised by an uncertain global economic environment caused by the COVID-19 crisis. This required considerable use of estimates and discretionary decisions regarding forward-looking assumptions, as is reflected in various parts of these consolidated financial statements. Where discretionary management decisions or estimates have a material impact on items or scenarios, these are explained in detail either in the section on accounting policies or in the notes to the relevant items.

In the case of the scenarios listed below, discretionary decisions or estimates, or a combination of the two, were required for accounting purposes:

- classification of financial assets (see note [8] "Financial instruments");
- recognition of risk provisions in the lending and securities business and provisions for credit risks from off-balance sheet commitments (see notes [17], [33] and [47] "Risk provisions in the lending and securities business");
- fair value measurement of financial instruments (see note [68] "Fair value disclosures");
- recognition of pension obligations (see notes [26] and [60] "Provisions for pensions and similar commitments");
- impairment test for goodwill (see note [51] "Intangible assets");
- recognition of other provisions and other liabilities (see notes [27] and [61] "Other provisions" and note [76] "Contingent and other liabilities");
- lease accounting (see note [14] "Lease accounting"); and
- recognition of deferred taxes (see note [24] "Income taxes").

In addition to the information provided in the Group management report, explanatory information on the impact of the coronavirus crisis can be found primarily in notes [17], [33] and [47] "Risk provisions in the lending and securities business".

Various changes in estimates were made prospectively in the reporting year. These related to the determination of the actuarial interest rate for the measurement of pension obligations (see note [60] "Provisions for pensions and similar commitments"), the procedure for determining provisions for guarantee products (see note [61] "Other provisions") and fair value determination and level classification for financial instruments (see note [68] "Fair value disclosures").

The disclosures in accordance with IFRS 7.31-42 “Financial Instruments: Disclosures” on the nature and extent of risks arising from financial instruments, which also form part of the notes to the consolidated financial statements, are presented in the risk report as part of the Group management report, with the exception of the qualitative and quantitative disclosures on default risk in accordance with IFRS 7.35A-36 and disclosures on the maturity analysis in accordance with IFRS 7.39(a) and (b). Information on default risk is disclosed in the notes to the consolidated financial statements in notes [17] and [47] “Risk provisions in the lending and securities business”, while information on the maturity analysis is provided in note [72] “Breakdown by remaining maturity”.

6 Consolidation principles

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

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

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

Under certain circumstances it is possible for control over another company to exist even when the Group does not hold the majority of the relevant voting rights, for instance, by virtue of one or more contractual arrangements or statutory provisions. In assessing whether or not an entity must be consolidated, it is therefore necessary to take account of all the facts and circumstances involved. This includes considering the purpose and the relevant activities of the entity concerned.

This is particularly true in the case of structured entities designed such that voting rights or comparable contractual rights are not the dominant factor in determining who controls the entity.

For this reason, the Deka Group also includes structured entities (investment funds, loan financing operations and securitisation companies) when considering which entities must be consolidated.

In assessing whether or not control exists, it is also necessary to verify, where appropriate, whether a principal-agent relationship exists. This is where power over the entity is held by an additional contractual party (agent) which exercises it on behalf of a principal, such that the principal has *de facto* control.

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

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

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

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

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

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

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

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

Subsidiaries are consolidated using the acquisition method, whereby all assets and liabilities of the subsidiary are recognised at fair value from the date of acquisition or the date the Group obtains a controlling interest. Any positive difference between the acquisition price and the fair value of the assets and liabilities acquired is reported under intangible assets as goodwill. Goodwill is tested for impairment at least once a year, or more frequently if there are indications of a possible decrease in value. If it is established that goodwill is impaired, the goodwill is written down to the lower value (see note [51] "Intangible assets"). Where third parties hold minority interests in the equity or earnings of subsidiaries of the Bank, these are reported separately as minority interests under equity and as profit attributable to non-controlling interests in the statement of profit or loss and other comprehensive income. Where third parties hold immaterial minority interests in investment funds and partnerships, and those third parties have a right to return their holdings at any time, the minority interests constitute debt capital from the Group's perspective and are thus reported under other liabilities.

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

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

Subsidiaries (affiliated companies and structured entities) included in the consolidated financial statements, subsidiaries (affiliated companies and structured entities) not included in the consolidated financial statements on grounds of immateriality, joint ventures, and associates are shown in the List of Shareholdings (see note [83] "List of shareholdings").

7 Scope of consolidation

The changes in the scope of consolidation in the 2020 reporting year are due to the deconsolidation of three companies (including two structured entities). International Fund Management S.A., Luxembourg was liquidated in the first half of 2020. The Deka Group no longer controls (within the meaning of IFRS 10) the structured entity Treasury Two Shipping Limited, Majuro (Marshall Islands), as the business relationship has been terminated. In addition, the shares in the structured entity A-DGZ 5-FONDS, Frankfurt/Main have been redeemed in full.

DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg was renamed Deka Verwaltungsgesellschaft Luxembourg S.A., Luxembourg during the reporting period.

For detailed information on the composition of the Group, please see note [81] "Information on holdings in subsidiaries" or the List of shareholdings (see note [83]).

8 Financial instruments

Recognition of financial instruments

All financial assets and liabilities, including all derivative financial instruments, are recognised in the statement of financial position in accordance with IFRS 9. Spot purchases and sales (regular way contracts) are recognised on the settlement date. Valuation effects from spot purchases and sales measured at fair value which have a settlement date after the reporting date are recognised in profit or loss and reported under other assets or other liabilities.

Financial assets are derecognised if the contractual rights arising from the asset lapse, have expired or have been transferred to parties outside of the Group, such that the risks and rewards have been substantially transferred.

If an existing asset in the AC and FVOCI categories is modified, a check is performed to determine whether the modification is significant enough to result in the derecognition of the asset. The assessment to determine whether a modification is classed as significant is based on both qualitative and quantitative criteria. Qualitative indicators for a significant modification of the contractual cash flows include a change in the debtor or adjustments to key collateral items. A modification is also classified as significant if the adjustment results in a present value difference between the original and new financial asset of at least 10%. As a result, the original financial asset is deemed to have been disposed of, and the modified financial asset is considered to have been newly acquired. The difference between the two carrying values is recognised in profit or loss. An insignificant modification, on the other hand, merely results in an adjustment to the gross carrying value of the modified financial asset. The difference between the original contractual cash flows and the modified cash flows, discounted at the original effective interest rate, is recognised in profit or loss as a modification gain/loss in the income statement item net interest income or risk provisions in the lending and securities business.

Financial liabilities are derecognised when the principal has been repaid in full.

If an existing financial liability in the AC category is exchanged for a liability with the same borrower subject to fundamentally different contractual conditions, or if a financial liability in the AC category is substantially modified, the original liability is derecognised and a new liability recognised. The difference between the two carrying values is recognised in profit or loss.

Categorisation of financial instruments

Financial instruments are measured at fair value at the date of acquisition. The subsequent measurement of financial assets and liabilities is governed by the IFRS 9 measurement category to which they are allocated at the date of acquisition.

The classification rules under IFRS 9 provide for a classification model for assets that is based on the underlying business model and contractual cash flows.

The business model reflects how financial assets are managed in order to generate cash flows.

For classification purposes in accordance with IFRS 9, the Deka Group makes a distinction between the following business models:

"Held to collect":	Financial assets are held with the aim of collecting the contractual cash flows.
"Held to collect and sell":	Financial assets are held with the aim of both collecting the contractual cash flows and selling the financial assets.
"Residual":	This business model is used for financial assets that cannot be classified as either "held to collect" or "held to collect and sell".

Allocation to a particular business model is based on groups of financial assets (portfolios). The division between business models is based on the actual circumstances at the time of assessment. The factors taken into account include the following:

- the Group-wide business and risk strategy;
- the way in which the performance of the business model in the individual business divisions (and the financial assets held in these divisions) is evaluated and reported to the key management personnel of the Deka Group;
- the frequency, volume and timing of sales in previous periods, the reasons for those sales and expectations regarding future sales activity.

In this respect, it is ultimately the key management personnel of the Deka Group who are responsible for defining the individual business models.

Sales from "Held to collect portfolios" are not considered detrimental to the "Held to collect" business model if they are executed for specific reasons or are infrequent or insignificant (both individually and in the aggregate). Within the Deka Group, checks to ensure that sales from "Held to collect portfolios" are not considered detrimental are performed for each portfolio group. Both qualitative criteria and quantitative thresholds (both portfolio-based and results-based) have been defined for this purpose. In the Deka Group, this means, for example, that a sale of financial instruments due to a deterioration in the debtor's credit risk, or a sale shortly before an instrument reaches maturity (generating proceeds from the sale that are almost equivalent to the outstanding contractual cash flows) is not considered detrimental to an existing intention to hold.

Where a financial asset is allocated to the "held to collect" or "held to collect and to sell" business model, it is necessary to check at initial recognition whether the SPPI (cash flow) condition is met, in order to determine its measurement category under IFRS 9. In determining whether the contractual cash flows relate exclusively to payments of principal and interest, the contractual terms are to be analysed at the time of initial recognition at the level of the individual financial asset. In particular, this involves analysing contractual provisions that can change the timing or amount of contractual cash flows, such as contract renewal and termination options, variable or conditional interest payment agreements and agreements with rights of recourse to certain assets (known as "non-recourse financing").

The cash flow condition for non-recourse financing is reviewed as part of a review process comprising several stages within the Deka Group. The first step involves examining whether the financing arrangement could include a side agreement that is detrimental with regard to SPPI. This check is carried out irrespective of the type of financing. The second step involves identifying non-recourse financing. This category largely comprises financing of special purpose vehicles in which the Deka Group has a right of recourse only to the assets of the special purpose vehicle or cash flows from these assets to satisfy its claim. The cash flow condition is always met for financing arrangements like these if, based on an economic assessment of all of the information available, it is the credit risk, and not the borrower's investment risk, that dominates the financing arrangement in question. Within the Deka Group, factors such as the minimum rating in accordance with the credit risk strategy, the loan-to-value (LTV) ratio, additional collateral furnished and the borrower's capital resources are usually taken into account in this regard. Financing arrangements where full repayment of the loan is substantially dependent on how the value of the financed asset develops run contrary to the nature of a simple loan agreement, meaning that they are to be measured at fair value through profit or loss.

For the SPPI condition to be met, all contractual cash flows from the financial assets must solely represent payments of principal and interest, where the interest essentially represents consideration for the time value of money and the credit risk. In addition, basic lending arrangements can also include fees for other credit risks (such as liquidity risk), as well as costs associated with holding the financial asset for a specified period of time (such as service fees or administrative costs).

If the cash flow condition is met, the asset is measured at amortised cost if classified in the "held to collect" business model, or at fair value through other comprehensive income if classified in the "held to collect and sell" business model. Financial assets that are held for trading or classified in the "residual" business model are measured at fair value through profit or loss.

Explanation of the individual IFRS 9 measurement categories

Assets measured at amortised cost (AC)

Financial assets are allocated to this category if they belong to a portfolio with a "held to collect" business model and their cash flows solely comprise payments of principal and interest.

Financial assets in this category are measured initially at fair value. In subsequent periods, they are measured at amortised cost using the effective interest method. Interest income, impairments, profits/losses on disposal and currency translation effects are recognised in profit or loss. Impairment losses are calculated using the expected credit loss model under IFRS 9.

In the Deka Group, loans and securities are usually allocated to this category, provided that they are not purchased with the intent to resell or are held for liquidity management purposes and meet the SPPI condition.

Assets measured at fair value through other comprehensive income (FVOCI)

Financial assets are allocated to this category if they belong to a portfolio with a "held to collect and sell" business model and their cash flows solely comprise payments of principal and interest.

Assets in this category are measured at fair value on both initial and subsequent measurement. Changes in value are generally recognised in other comprehensive income (OCI) until the asset is either derecognised or reclassified. Interest income, impairments and currency translation effects, on the other hand, are recognised in profit or loss. Impairments are determined in accordance with the expected credit loss model under IFRS 9, in the same way as for financial assets measured at amortised cost. On derecognition or reclassification, the cumulative gain or loss recognised in other comprehensive income (OCI) is reclassified to profit or loss.

In the Deka Group, securities (debt instruments) held for liquidity management purposes are classified in this category.

In addition, where an equity instrument is not held for trading, an irrevocable election may be made at initial recognition to measure it at fair value through other comprehensive income. This option is currently not exercised in the Deka Group. Equity instruments are thus always measured at fair value through profit or loss. Equity instruments that are held for trading must generally be measured at fair value.

Assets measured at fair value through profit or loss (FVTPL)
Financial assets held for trading are classified in this category.

Financial assets are also classified in this category if they are not held for trading but also do not fall under the "held to collect" or "held to collect and sell" business models. In addition, financial assets not held for trading are also measured at fair value through profit or loss as a mandatory requirement if they are held within the "held to collect" or "held to collect and sell" business model but do not meet the SPPI condition.

It is also possible to assign financial assets (excluding debt instruments) irrevocably to this category upon acquisition if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an "accounting mismatch"). The Deka Group does not currently make use of this option under IFRS 9.

Such assets are measured at fair value through profit or loss both on initial recognition and in subsequent periods.

In the Deka Group, securities, receivables and all derivatives (which are not designated as hedges), holdings in unconsolidated subsidiaries, joint ventures and associated companies, as well as other equity investments are normally allocated to this category.

Liabilities measured at fair value through profit or loss (LFV)
Within this category, a distinction is made between financial liabilities in the trading portfolio and those which are irrevocably designated at fair value (provided that certain conditions are met) upon acquisition (fair value option). Financial liabilities in this category are generally measured at fair value through profit or loss.

Financial liabilities are classified as part of the trading portfolio if their focus is on generating a profit in the short term combined with customer-oriented product design.

Liabilities designated at fair value arise through the exercise of the fair value option under IFRS 9. Financial liabilities are designated at fair value if they are managed as a unit on a fair value basis in accordance with the Bank's documented risk management strategy. Both the risk and the results thereof are determined on the basis of fair values and reported to the Board of Management. Exercising the fair value option results in this case in the harmonisation of economic management with the presentation of the financial position and financial performance. In addition, the fair value option is exercised for financial liabilities in order to avoid the potential obligation to separate embedded derivatives and to eliminate or significantly reduce measurement or recognition inconsistencies (accounting mismatches).

Changes in the fair value of designated liabilities that result from changes in own credit risk are not to be recognised in profit or loss but should instead be recognised in other comprehensive income (OCI). However, this will not be the case if a measurement or recognition inconsistency would be created or enlarged as a result. Upon disposal, the cumulative changes in value recognised in other comprehensive income (OCI) cannot be reclassified to profit or loss (known as "recycling"). By contrast, reclassification from other comprehensive income (OCI) to retained earnings is possible. This means that effects from the Deka Group's own credit risk are generally not recognised in profit or loss.

The Bank calculates the change in value arising from changes in creditworthiness – irrespective of whether this is recognised in profit or loss or in other comprehensive income – as the difference between the result based on full fair value measurement and the result from measurement based on swap rates for the relevant issue currency, plus the spread which applied at the time of sale in the market for similar liabilities. The valuation result arising from changes in creditworthiness during the reporting period is calculated as the movement in this difference relative to the nominal value as at the reporting date. This calculation method takes into account all relevant available data for determining the change in value of the designated financial instruments arising from changes in creditworthiness and is therefore appropriate.

Liabilities measured at cost (LAC)
This category comprises those financial liabilities, including securitised liabilities, that are not measured at fair value through profit or loss. They are stated at amortised cost using the effective interest method.

9 Fair value measurement of financial instruments

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

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

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

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

Furthermore, the Bank takes credit valuation adjustments (CVAs) or debit valuation adjustments (DVAs) into consideration when measuring OTC derivatives in order to allow for its own credit risk or that of counterparties, unless these are already included elsewhere in the valuation model. If netting agreements exist for counterparties, the calculation is performed based on the net exposure at counterparty level. In other cases, the calculation is performed on the basis of the individual exposures. The Deka Group takes a funding valuation adjustment (FVA) into account, which represents the implicit market refinancing costs for uncollateralised derivative positions. The maturity structure of funding is thus considered to be an important component of fair value for uncollateralised derivatives.

10 Hedge accounting

The Deka Group enters into derivatives both for trading purposes and hedging purposes. Please refer to the risk report for a description of the overall risk management strategy. Derivatives entered into for hedging purposes can be treated, together with qualifying underlying transactions, as a hedge accounting item (hedge accounting) under certain conditions. With the first-time application of IFRS 9, the IASB has provided the option of applying the previous provisions of IAS 39 Hedge Accounting until further notice, instead of the new provisions on hedge accounting under IFRS 9. The Deka Group initially made use of this option.

In the banking book, in line with its strategic orientation, the Deka Group mainly executes transactions involving interest-related products for which a significant part of the change in market value in the transaction currency results from the interest component. General interest rate risks are systematically hedged against market fluctuations. Interest rate swaps, in particular, are used to manage this risk.

General interest rate risks result from changes in currency-specific benchmark yield curves (usually swap curves) and their volatility. The fixed interest rate on a position may deviate from the relevant market interest rate due to future market developments, resulting in changes in the value of the financial product. For example, the value of a purchased fixed-rate bond decreases when the market interest rate rises. Changes in the risk profile of the banking book are monitored, as part of the risk management system, using sensitivity indicators and are hedged in line with the targeted interest rate position, unless the interest rate risks already offset each other within the primary banking business on the assets and liabilities side. The hedging instrument position used to manage the interest rate risk is continuously adjusted to reflect changes in the interest rate risk. In general, the Deka Group strives to ensure matching parameters such as maturity and repayment structure when using derivative hedging instruments to hedge underlying transactions. The risk of interest-rate induced market price changes for fixed-interest asset items is offset by concluding what are known as payer swaps (the Deka Group pays fixed interest and receives variable interest). In cases involving fixed-rate items on the liabilities side, the Deka Group uses receiver swaps to hedge the risk (the Deka Group pays variable interest and receives fixed interest).

In addition to interest rate risks, the Deka Group's primary banking transactions also give rise to currency risks, namely when the currency transactions in a foreign currency on the assets side and liabilities side do not offset each other in terms of their amount and maturity. In these cases, derivative and primary currency hedging transactions are executed to limit the currency risks and maturity mismatches as part of the Deka Group's macro management activities.

The currency risk arises from potential changes in exchange rates for those foreign currencies in which the Deka Group executes primary banking transactions. If the value of the foreign currency falls against the euro, this reduces the value of the foreign currency asset item in euros. If, in such cases, there are no, or only insufficient, primary financing funds available in the relevant foreign currency, the Deka Group uses cross-currency swaps, for example, in which the Bank receives euros and pays in a foreign currency, for hedging purposes as part of its macro management activities.

Fair value hedges for interest rate risks

In order to be able to reflect the interest rate risk management approach described above on the balance sheet, the Deka Group sets up targeted hedges on the face of the balance sheet. The main objective pursued by setting up and cancelling these hedge accounting relationships is to largely avoid the inconsistent interest-driven measurement of balance sheet assets and liabilities. In order to achieve this objective, there is no need to designate all risk positions as hedge accounting relationships, as some of the transactions offset each other with regard to the measurement of interest rate risk. The hedges to be designated are determined as part of a dynamic process. The hedges designated in the Deka Group as part of this process exclusively comprise micro fair value hedges of the swap curve risk.

Hedge accounting relationships have to be documented individually at the time they are established. The main items documented are the identification of the hedged item and the hedge, as well as the type of risk hedged. In addition, IFRS 9 requires prospective testing of hedge effectiveness on an ongoing basis, i.e. an assessment to determine whether changes in the value of the hedged item and the hedging instrument can be expected to substantially offset each other in the future. The Deka Group uses regression analysis to demonstrate prospective effectiveness. If, at any given point in time, a hedge is no longer classified as effective based on the prospective effectiveness test, it is reversed. Hedges also have to be reversed if the underlying or hedging transaction is derecognised in the balance sheet, if the risk management objective changes or if credit risk begins to dominate the changes in value of the hedged item and hedging instrument.

For interest rate fair value hedges, changes in the value of the underlying transaction that are attributable to the hedged risk are included in the "Profit or loss from fair value hedges" along with the offsetting change in the fair value of the hedge. The hedged interest component of the underlying transactions is calculated, for this purpose, as the change in fair value of the underlying transaction due to a change in the currency-specific 3-month-based swap curve. The valuation spread (compared with the swap rate) on the side of the underlying transaction at the time the hedge is established is kept constant over the entire term of the hedge. The change in value in relation to the hedged interest rate risk (swap curve) – where appropriate together with the gains or losses from currency translation in cases involving foreign currency transactions – generally accounts for the bulk of the change in the value of the underlying transaction due to market price risk.

There is a close economic relationship within the meaning of IFRS 9 between the designated hedged items and the hedging transactions, as the swap rate is both an important component in the pricing of the originally valued hedged items and the underlying of the hedging transactions with matching maturities.

Since the hedging transactions are not associated with a basis risk, within the meaning of IFRS 9, that could be systematically counteracted by rebalancing the hedge ratio, one unit of a designated interest rate fair value hedge generally also hedges one unit of a hedged item.

Within the context of interest rate fair value hedge accounting, medium and long-term lending, securities and issuing transactions are designated as underlying transactions. The financial assets designated as underlying transactions have the measurement categories AC and FVOCI, while financial liabilities designated as underlying transactions have the measurement category LAC. The underlying transactions hedged using fair value hedges are shown in the same balance sheet item as non-hedged transactions. The carrying value of the interest rate-hedged underlying transactions in the AC and LAC measurement categories is adjusted to reflect the change in fair value attributable to the hedged risk (known as a hedge adjustment). The derivatives used in fair value hedges are shown on the balance sheet under "Positive market values of derivative hedging instruments" or "Negative market values of derivative hedging instruments".

Expected ineffectiveness in interest rate fair value hedges mainly results from the difference in the discounting of hedged items and hedges. This arises because the derivative hedging transactions secured by cash collateral are measured on the basis of OIS curves, whereas the underlying transactions are measured on the basis of 3-month-based swap curves (meaning that changes in the tenor basis spread between the 3-month-based swap curve and the OIS curve result in hedge ineffectiveness). Another reason for expected ineffectiveness lies in the potential fair value of the reference interest rate component of the variable sides of the derivative hedging transactions on the reporting date.

Fair value hedges for currency risks

Since the 2019 reporting year, the Deka Group has been recognising the macro currency hedging strategy described above by designating currency fair value hedges using what is known as a bottom layer hedge designation, which is one of the group hedges under IFRS 9. This type of designation involves designating the bottom layer of the underlying transactions as a whole, together with the associated cross-currency swaps, as a currency fair value hedge for each designated currency.

Within the Deka Group, the group of underlying transactions as a whole, in the meaning referred to above, comprises financial assets in the AC and FVOCI measurement categories. On the product side, loan receivables, securities and cash receivables from money market trading activities are included. The cross-currency swaps concluded as part of the Deka Group's macro management activities are designated as hedging transactions, with their currency basis element being excluded in each case from designation as "hedge costs". The changes in the fair value of the cross-currency swaps that are attributable to the currency basis element are recognised in other comprehensive income (or on a cumulative basis in the revaluation reserve for currency fair value hedges, which forms part of cumulative OCI) for as long as hedge accounting continues to apply. The other changes in the value of the designated cross-currency swaps are recognised in the profit or loss from fair value hedges, together with the spot rate-related change in value of the underlying transactions. The changes due to the hedged risk (spot rate-related changes in value) of the underlying transactions – together with any interest-rate-related changes in the present value of fixed-interest transactions – account for the majority of the changes in value of the underlying transactions due to market price risk.

The Deka Group's currency management system does not currently involve hedging any currency using hedges in another, highly correlated currency. This means that the accounting hedges set up all share one feature: the currency of the underlying and hedging transactions are always identical (there are no basis risks within these hedges).

Consequently, there is always a close economic relationship, within the meaning of IFRS 9, between the designated underlying transactions and the hedging transactions. As a result, one hedged currency unit is always hedged by one currency unit derivative. This hedge ratio of 1:1 continues to apply over time, as the lack of basis risk means it does not need to be recalibrated in line with IFRS 9.

Within the Deka Group, the prospective effectiveness of currency fair value hedges is tested both initially and on an ongoing basis using the critical term match method, in which the critical terms of the underlying transaction and the hedging instrument (currency, nominal value and maturity) are compared against each other. As soon as the credit risk begins to dominate the changes in value of a financial asset, the asset is excluded from the group of underlying transactions as a whole. A hedge is to be dissolved on a pro rata basis in the event of overhedging.

Even if the critical terms of the underlying transaction and the hedging transaction match, the currency fair value hedges can be expected to show a certain degree of ineffectiveness over time. This is because, even after separating the currency basis element, the two variable legs of a cross-currency swap used as a hedging instrument show an interest rate valuation result on the reporting date, whereas the underlying transaction is only measured at the spot rate.

The balance sheet presentation of the currency-hedged underlying transaction does not differ from that of non-hedged transactions. The hedging transactions are shown on the balance sheet under "Positive market values of derivative hedging instruments" or "Negative market values of derivative hedging instruments".

Apart from the two types of fair value hedges referred to above, the Deka Group does not use any other form of hedge accounting. Note [39] "Profit or loss from fair value hedges", note [49] "Positive market values of derivative hedging instruments", note [59] "Negative market values of derivative hedging instruments" and note [73] "Further information on hedge accounting" provide detailed quantitative information on fair value hedges for interest rate risks and currency risks.

11 Structured products

Structured products are financial instruments composed of a host contract and one or more derivative financial instruments (embedded derivatives), whereby the embedded derivatives constitute an integral part of the contract and cannot be traded separately. If the host contract is a financial asset under IFRS 9, the embedded derivative must be accounted for together with the host contract under IFRS 9. The assessment of the contractual cash flow characteristics criterion of a structured financial asset is applied accordingly to the entire financial asset, including the embedded derivative.

Embedded derivatives whose host contract is not a financial asset under IFRS 9 must be separated from the host contract subject to the following conditions and accounted for as standalone derivatives:

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

There were no host contracts subject to separation at the reporting date.

12 Currency translation

Currency translation in the Deka Group is carried out in accordance with IAS 21. All monetary foreign currency items and pending spot foreign-exchange transactions are converted using the mean spot rate as at the reporting date. Realised and unrealised gains and losses from currency translation are included in “Trading profit or loss” in the income statement to bring the gains and losses from currency translation into line with the amounts recognised resulting from the related currency-specific transactions (derivatives) that hedge these monetary assets and liabilities.

Non-monetary items are converted in accordance with their applicable valuation standard: Non-monetary items valued at amortised cost are converted at the rate applicable at the time of initial recognition (historical rate). Non-monetary items carried at fair value are converted at the year-end closing rate in the same way as monetary items.

Realised expenses and income are translated at the spot rate that applies at the time they are realised.

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

13 Genuine repurchase agreements and securities lending transactions

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

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

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

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

Income and expenses from repurchase agreements and securities lending transactions in the trading book are reported under trading profit or loss, while income and expenses from banking book portfolios are reported under net interest income.

Forward repos constitute forward contracts as per IFRS 9 and are treated as derivatives from the trading date until the settlement date. Changes in the fair value of forward repos are recognised accordingly in trading profit or loss.

14 Lease accounting

Under IFRS 16, leases are recognised in the lessee’s balance sheet as a lease liability and a right-of-use asset at the time at which the underlying asset is made available to the lessee.

An agreement is, or contains, a lease if it gives Deka Group the right to control the use of an identified asset for a defined period of time in exchange for consideration. The Deka Group is considered to control the use of the asset if it has the power to decide on the nature and purpose of the asset’s use throughout the term of the agreement.

The Deka Group as lessee
Lease liabilities are recognised at the present value of future lease payments. When determining the minimum lease payments, particular consideration must be given to variable lease payments that depend on an index or rate. The amounts expected to be payable under residual value guarantees also have to be estimated. Lease payments are divided into their lease and non-lease components (usage-based ancillary costs or service charges).

Discounting is based on the interest rate implicit in the lease, if this can be determined; otherwise, discounting is based on the lessee's incremental borrowing rate.

The term of the lease is determined by the non-cancellable period of the lease as defined in the contract, taking into account extension options or termination rights that are to be included in the assessment. Purchase options also have to be taken into account. This means that, for accounting purposes, the term of a contract is to be taken into account beyond the non-cancellable term if it is reasonably certain that an extension option will be exercised or that a termination or purchase option will not be exercised.

At the commencement of the lease, the right-of-use asset essentially corresponds to the lease liability. Recognition of the right-of-use asset must take into account directly attributable initial costs and lease payments made prior to the provision of the underlying asset; any lease incentives received must be deducted.

During the term of the lease, the lease liability is calculated as at each reporting date by discounting the outstanding lease payments, and the resulting interest expense is recognised in profit or loss. For the purposes of subsequent measurement within the Deka Group, the right-of-use asset is measured at amortised cost and is depreciated on a straight-line basis, through profit or loss, over the shorter of the useful life or the contractual lease term. Impairment losses in excess of amortised cost are immediately recognised as write-downs.

The right-of-use assets are shown in the balance sheet under property, plant and equipment and the lease liabilities are shown under other liabilities. Within the Deka Group, the interest expense resulting from the lease liability is shown under other operating profit and the depreciation and impairment expenses for the right-of-use asset are shown under administrative expenses.

In the case of short-term leases or leases of low-value assets, the lessee can opt not to recognise the right-of-use asset and the corresponding lease liability on the balance sheet. Lease payments for these contracts are recognised as expenses on a straight-line basis over the lease term as a general rule.

As at the reporting date of 31 December 2020, the Deka Group had rental and lease agreements for office properties, motor vehicles and plant and equipment (e.g. printers). The rental agreements for office properties are generally concluded for fixed terms of five to ten years. The lease term for motor vehicles is three to four years, while plant and equipment are leased for five years on average.

The Deka Group as lessor
As at the reporting date of 31 December 2020, there were no leases in place where companies in the Deka Group acted as lessor.

15 Revenue from contracts with customers

In the Deka Group, revenue is generally realised when the performance obligation is deemed to have been fulfilled. A performance obligation is normally considered to have been fulfilled when the service has been rendered or the service agreement has been concluded.

If a service has already been rendered for which payment has not yet been made, a contract asset is recognised in the balance sheet. Conversely, a contract liability has to be recognised if the customer has already made the payment or if the Bank has an unconditional right to payment before the service has been rendered.

In the Deka Group, a receivable is recognised as and when the service is provided, as this is the point at which consideration becomes unconditional and the only thing standing in the way of performance is the period of time until the payment falls due. Fees and commission that arise over time in Asset Management are generally settled on a monthly or quarterly basis, meaning that the uncertainty with regard to the variable consideration is resolved at the end of each month or quarter. Contract assets and receivables are generally subject to the impairment provisions set out in IFRS 9.

As at the balance sheet date of 31 December 2020, the Deka Group had no contractual assets, contractual liabilities or receivables from contracts with customers in its portfolio.

In the Deka Group, there are no material contracts with customers in which the Deka Group is involved in the provision of services as an agent. As a rule, there are no contracts with more than one performance obligation either.

The contracts concluded with customers within the Deka Group do not contain any significant financing components, as the period between the provision of the service and payment does not generally exceed twelve months.

Costs incurred in initiating a contract are recognised as an immediate expense because the amortisation period does not exceed one year.

In the Deka Group, fees and commission falling within the scope of IFRS 15 arise, in particular, in connection with the asset management of investment funds and in connection with capital market and lending business activities. These are reported under net commission income (see note [34] “Net commission income”).

16 Amounts due from banks and customers

The items due from banks and due from customers principally include loans granted, non-negotiable bearer and registered bonds, demand deposits, call money and time deposits. Paid cash sums and cash collateral from genuine repurchase agreements or securities lending transactions are also reported as receivables. Receivables are generally assigned to the IFRS 9 measurement category “Assets measured at amortised cost” if they meet the necessary classification criteria (see note [8] “Financial instruments”). Receivables in this category are measured at amortised cost using the effective interest rate method. In addition, the amortised cost has to be adjusted to reflect the expected losses calculated using the IFRS 9 expected credit loss model (see note [17] “Risk provisions in the lending and securities business”).

Income from interest payments on amounts due from banks and customers is reported in net interest income. Income from the sale of receivables is recognised in the item “Net income from the derecognition of financial assets measured at amortised cost”.

The measurement rules set out in note [10] “Hedge accounting” apply to receivables that are subject to fair value hedges.

17 Risk provisions in the lending and securities business

In the Deka Group, risk provisions are recognised in the amount of the expected losses (expected credit loss model) for financial instruments measured at amortised cost or at fair value in other comprehensive income. These also include loan commitments that fall within the scope of IFRS 9 and financial guarantee contracts, unless they are measured at fair value through profit or loss.

Tiered concept
Under the expected credit loss model, financial instruments have to be allocated to one of three "stages" depending on their credit quality in order to calculate the risk provisions for loan losses. The stage to which an asset is allocated affects the size of the risk provisions to be set up for that asset.

IFRS 9 distinguishes between the following three stages:

Stage 1: Loss allowances are recognised in the amount of the expected loss for the next twelve months, unless the risk of default has significantly increased.
Stage 2: Loss allowances are recognised in the amount of the expected loss over the entire remaining life of the financial instrument if the risk of default has increased significantly.
Stage 3: Loss allowances are recognised based on the recoverable cash flows on the assumption that a loss event has already occurred.

Financial instruments that are not already impaired upon initial recognition are generally allocated to stage 1 and risk provisions are recognised in profit or loss in the amount of the expected loss for the next twelve months. If the default risk has significantly increased since the financial instrument was acquired, it is allocated to stage 2 and the lifetime expected credit loss is recognised in profit or loss. If indications exist that creditworthiness is impaired, the instrument is to be transferred to stage 3 and the expected loss for the remaining lifetime of the instrument is also recognised in profit or loss.

Within the Deka Group, significant increases in default risk since the addition of a financial instrument are assessed on the basis of quantitative and qualitative criteria, as well as based on the assessments performed by the units and committees responsible for early risk identification. A significant risk increase is assumed where the credit rating has dropped by a specified amount relative to the initial rating on the first balance sheet date, or where the exposure has been classified as requiring intensive support. A loan is classified as requiring intensive support, in particular, in cases involving non-compliance with contractual agreements providing concrete indications of an acute threat to debt servicing capabilities in the long term, as well as in the event of certain rating downgrades or repayment deferrals if the circumstances of the individual case call for intensive support.

The 12-month probability of default is used to assess the rating downgrade and adequately reflects the change in the risks expected over the remaining term of the asset.

In addition, for financial instruments where payment is more than 30 days overdue, a check is also made as to whether the presumption of a significant increase in default risk can be rebutted. This involves an analysis of the individual case, which is submitted to the Monitoring Committee so that a decision can be made. If the assumption of a significant increase in default risk cannot be refuted, these transactions are also assigned to stage 2.

For securities measured at fair value through other comprehensive income (FVOCI), the Deka Group makes use of the relief provided under the standard, whereby a test for significant risk increase may be dispensed with for instruments with a low risk of default. These exclusively comprise securities held in the liquidity reserve, which must satisfy strict requirements as to credit quality and liquidity. These securities generally have at least an investment grade rating.

If there is objective evidence that a loss event has already occurred, the financial instrument should be allocated to stage 3. Indications of impaired creditworthiness are:

- significant financial difficulty of the issuer or debtor,
- an actual breach of contract, such as a default or past-due event,
- concessions granted by the lender to the debtor for economic or contractual reasons in connection with the debtor's financial difficulties that the creditor would not otherwise consider,
- a high probability that the borrower will enter bankruptcy or other financial reorganisation,
- the disappearance of an active market for the financial asset because of financial difficulties and
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

In the Deka Group, the definition of default applied for the purposes of allocation to stage 3 is based on the regulatory definition of default. Accordingly, financial assets are deemed to have defaulted if:

- it is considered unlikely that a debtor will settle its liability in full without recourse to the realisation of collateral, or
- a material liability of the debtor is more than 90 days past due.

Separate provisions apply to financial assets that already show indications of an impaired credit rating upon initial recognition (POCI). The classification of a financial instrument as a POCI asset upon initial recognition must be maintained until its disposal, irrespective of how its default risk develops. For these financial assets, risk provisions are not set up at the time of initial recognition, but rather in subsequent periods in the amount of the change in lifetime expected losses. When determining the expected credit losses, the expected cash flows are discounted using the credit risk-adjusted effective interest rate.

Transfers back from stage 2 to stage 1 or from stage 3 to stage 2 or 1 are made if the indicators of a significant increase in default risk or impaired creditworthiness no longer apply on the reporting date.

In stages 1 and 2 of the impairment model, interest income is recognised on the basis of the gross carrying value – i.e. the amortised carrying value before risk provisions. If the asset is transferred to stage 3, interest income is recognised in subsequent periods on the basis of the net carrying value – i.e. the gross carrying value less risk provisions.

If the contractual cash flows of a financial asset have been renegotiated or otherwise modified and that financial asset has not been derecognised because the modification is not significant, the stage allocation is still reviewed on the basis of the initial rating of the original asset on the first balance sheet date and is compared against the current default risk of the adjusted asset.

The derecognition of a financial asset already assigned to stage 3 is effected by utilising the risk provisions. A financial asset is derecognised upon its disposal (in particular due to waivers or sales of receivables) or if there is every likelihood that no further payments will be made. This is assumed to be the case, for example, if the business relationship and loans have been terminated, if all of the collateral has been realised, or if insolvency proceedings have been concluded in respect of the borrower's assets or the opening of insolvency proceedings has been rejected due to insufficient assets. If there is insufficient risk provisioning for a financial instrument, it is written down directly in profit or loss (direct write-down). Recoveries on financial assets that were previously written off are recognised in the income statement under "Risk provisions in the lending and securities business". Receivables that have been written down can still, however, be subject to enforcement measures.

Determining the ECL (Expected Credit Loss)

Under IFRS 9, the ECL is determined in different ways for the different stages of the impairment model. The ECL for stages 1 and 2 is determined on the basis of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

At stage 1, risk provisions are set up in the amount of the 12-month ECL. This corresponds to the expected net present value loss over the remaining life of the instrument resulting from a default event that is expected to occur within the twelve months following the reporting date, weighted by the probability of this default. The current gross carrying value as at the reporting date is thus multiplied by the customer's 12-month probability of default and by the expected loss given default.

12-month ECL = 12-month probability of default (PD) x loss given default (LGD) x gross carrying value EAD

In the Deka Group, a debtor's default risk is measured by the probability of default (PD). The probability of default refers to all transactions entered into with this debtor. It is defined as the average probability that a debtor in a risk class to which it is assigned by means of a rating will default within a period of twelve months. The loss given default (LGD) is defined as the level of economic loss as a percentage of the exposure at the time of default. The EAD corresponds to the gross carrying value on the reporting date when calculating the ECL for stage 1.

For financial assets in stage 2, a provision is made in the amount of the present value of the lifetime expected credit loss, i.e. the total expected credit losses from all potential default events over the remaining lifetime of the financial asset. For each time period, the exposure at default is multiplied by the relevant probability of default and the amortised loss given default and then discounted to the reporting date; the results are then added together.

$$\mathrm{ECL} := \sum_{\mathrm{i \geq Stichtag}} \mathrm{EAD_i} \cdot \mathrm{PD_i} \cdot \mathrm{LGD_i} \cdot \mathrm{DF_i}$$

EC	=	expected credit loss at calculation date
EADi	=	exposure at time i
PDi	=	marginal probability of default during the period from i to i+1
LGDi	=	loss given default at time i
DFi	=	discount factor from time i to the reporting date
i	=	start of the i+1th time period (i = 0 represents the start of the first time period)

The probabilities of default for calculating the ECL at stage 2 are derived from long-term rating histories. The LGD used to calculate the ECL at stage 2 is adjusted as at each potential time of default using models for collateral values over time. The EAD is applied over the remaining life on the basis of the future cash flows associated with the financial instrument.

At stage 3, risk provisions are determined using probability-weighted cash flows in at least three scenarios. The expected cash flows are estimated on a case-by-case basis, taking into account going concern or gone concern assumptions. The amount of the ECL is the difference between the gross carrying value under IFRS 9 and the probability-weighted present value of the expected cash flows, discounted at the effective interest rate.

The ECL is calculated using prospective information, including macroeconomic factors. Macroeconomic forecasts are produced based on the process used by the Macro Research department for the purposes of preparing the official research opinion (baseline scenario) of the Deka Group using a large volume of external information. The statements relate to the analysis and forecasting of fundamental economic data and financial market indicators. The baseline scenario represents the most probable event and is supplemented by a positive and a negative scenario, including information on their respective probability of occurrence (probabilities of occurrence for the scenarios used to calculate risk provisions as at 31 December 2020: baseline scenario = 65%, negative scenario = 20% and positive scenario = 15%) to cover a wide range of possible macroeconomic developments. The forecast horizon is three years and the forecast covers those countries in which the Deka Group is primarily active.

Eight predefined macroeconomic factors are taken into account for each country and scenario over the forecast period. The factors for Germany for the forecast period (2021-2023) are shown in the table below:

Inputs	Baseline scenario	Negative scenario	Positive scenario
Unemployment rate (%)	6.1 to 6.6	6.6 to 7.5	5.0 to 6.6
Annual rate of change in GDP (%)	1.4 to 3.6	0.1 to 1.6	1.4 to 6.1
Annual rate of change Consumer Price Index (%)	1.4 to 1.6	0.5 to 1.0	1.6 to 2.3
Annual rate of change Leading Share Index (%)	6.0 to 12.8	−0.8 to 0.7	12.6 to 22.8
Short-term interest rates (%)	−0.5	−0.6	−0.3 to −0.1
Long-term interest rates (%)	−0.5 to −0.2	−1.0 to −0.9	−0.1 to 0.5
Annual rate of change in the exchange rate EUR/USD (%)	1.6 to 4.0	−10.4 to 2.1	6.3 to 10.6
Brent oil price (USD per barrel)	46.0 to 52.0	56.6 to 78.3	33.3 to 41.0

External sources of information include, for example, economic data and forecasts published by government and monetary authorities and by supranational organisations such as the OECD and International Monetary Fund.

The modules and processes employed in the Deka Group allow the PD and LGD to be determined in a manner that is consistent with IFRS 9 while taking account of all of the available and reliable information, including economic aspects. The methods and assumptions, including forecasts, are validated on a regular basis.

The Bank continued to apply its established process for calculating risk provisions as of the reporting date, even against the backdrop of the coronavirus pandemic. In view of the COVID-19 crisis, the key assumptions and parameters used in determining risk provisions have been reviewed and updated as part of the risk management process. In particular, this involved reviewing rating grade assignments (re-ratings) for counterparties that had been hit particularly hard by the coronavirus crisis, checking and adjusting collateral values and using up-to-date macroeconomic forecasts.

In addition, due to the particular impact on the aviation industry, a PD shift was applied to customers in the aircraft financing rating module as at 31 December 2020. This post-model adjustment was applied to reflect the need to consider all available, up-to-date customer and macroeconomic data as at the reporting date.

18 Financial assets and financial liabilities at fair value

This item only includes financial assets and financial liabilities measured at fair value through profit or loss. For the purposes of presenting and recognising the results in the statement of profit or loss and other comprehensive income, this item is further divided into sub-categories. Financial assets include three sub-categories: trading portfolio, financial assets mandatorily measured at fair value and financial assets designated at fair value. Financial liabilities include two sub-categories: trading portfolio and financial liabilities designated at fair value.

Financial assets at fair value mainly comprise bonds and other fixed-interest securities, shares and other non-fixed-interest securities, and receivables. This item also includes the positive market values of derivative financial instruments held for trading and the positive market values of hedging derivatives that are used as hedging instruments but do not meet the requirements of IFRS 9 for hedge accounting (economic hedging derivatives). This item also includes holdings in unconsolidated subsidiaries, joint ventures and associated companies, as well as other equity investments.

Financial liabilities at fair value largely comprise trading issues and liabilities designated at fair value. This item also includes the negative market values of derivative financial instruments held for trading and the negative market values of hedging derivatives that are used as hedging instruments but do not meet the requirements of IFRS 9 for hedge accounting (economic hedging derivatives). Securities short portfolios are also reported in this line item.

Financial instruments reported under financial assets/liabilities are measured at fair value through profit or loss both on initial recognition and in subsequent periods.

19 Positive and negative market values of derivative hedging instruments

This item comprises hedging derivatives as defined in IFRS 9 (hedge accounting), with positive market values recorded as assets and negative market values recorded as liabilities on the balance sheet.

The hedging derivatives are measured at fair value. The valuation results for fair value hedges under hedge accounting rules are generally recorded through profit or loss under the item profit or loss from fair value hedges. Changes in the value of the foreign currency basis spread of currency fair value hedges, on the other hand, are recognised in other comprehensive income (OCI).

Current interest payments (payment and accrual) from derivatives recognised in line with the rules on hedge accounting are reported under net interest income.

A detailed description of the hedge accounting rules applied in the Deka Group is provided in note [10] “Hedge accounting”.

20 Financial investments

Financial investments mainly comprise negotiable bonds and other fixed-interest securities. The “Financial investments” item comprises both financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income.

Financial investments are generally reported at fair value upon initial recognition. They are subsequently measured either at amortised cost, using the effective interest rate method, or at fair value in other comprehensive income, in accordance with the rules that apply to the measurement category concerned.

In accordance with IFRS 9, risk provisions are set up for all securities allocated to financial investments (see note [17] “Risk provisions in the lending and securities business”). Impairment losses are recognised in the income statement under the item “Risk provisions in the lending and securities business”. Risk provisions set up for securities measured at amortised cost are reported as a deduction under financial investments. By contrast, risk provisions set up for securities measured at fair value in other comprehensive income are reported under other comprehensive income (OCI) until the security is derecognised or reclassified. On derecognition or reclassification, the cumulative gain or loss recognised in other comprehensive income (OCI) is reclassified to profit or loss. Realised gains and losses are recognised in the item “Net income from the derecognition of financial assets measured at amortised cost” or in “Profit or loss on financial investments”.

The measurement rules set out in note [10] “Hedge accounting” apply to securities that are subject to fair value hedges.

Current interest income from bonds and other fixed-interest securities, including unwound premiums and discounts, is included in net interest income.

Shares in associated companies and joint ventures accounted for using the equity method are also reported under financial investments. These are recognised in the consolidated balance sheet at historical cost at the date of establishment or when significant influence was acquired. In subsequent years, the equity value shown in the balance sheet is adjusted by the proportionate changes in equity of the associated company.

The Group's share of the annual profit of the associate is reported in profit or loss on financial investments. Gains and losses on transactions with companies valued under the equity method are eliminated pro rata, based on the percentage shareholding, as part of the elimination of intercompany profits or losses. In the event of downstream delivery, i.e. if an asset ceases to be fully consolidated, the adjustment is carried out against the carrying value of the equity investment under the equity method.

If there are indications of an impairment to a holding in a company valued in accordance with the equity method, an impairment test is performed and, if necessary, the carrying value of the holding is written down. Impairment losses are reversed if the reasons for impairment no longer apply. In such a case, the carrying value is written back up to the recoverable amount, but capped at the amount of the carrying value that would have been applicable had the impairment losses not occurred in the previous periods. Impairment write-downs and write-backs are recognised through profit or loss under profit or loss on financial investments.

21 Intangible assets

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

Goodwill arises on the acquisition of subsidiaries if the cost of acquisition exceeds the Group's share of the acquired entity's net assets. Goodwill is recognised at cost at the date of acquisition and is not subject to regular amortisation. In subsequent years, it is valued at cost less all accumulated impairment losses. Goodwill is subject to an impairment test each year, or more frequently if there are indications of a possible loss of value. For the purposes of impairment testing, goodwill is allocated to a cash-generating unit. If an impairment is identified during the test, the goodwill is written down.

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

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

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

22 Property, plant and equipment

In addition to plant and equipment, the property, plant and equipment line item includes technical equipment and machinery. Property, plant and equipment are stated at amortised cost. Subsequent expenditure on property, plant and equipment is capitalised if an increase in the future potential benefit can be assumed. All other subsequent expenditure is recorded as an expense.

Items of property, plant and equipment (excluding leasing) are depreciated on a straight-line basis over the following periods in accordance with their estimated useful economic lives:

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

For materiality reasons, capital assets coming under section 6 (2) of the German Income Tax Act (*Einkommensteuergesetz* – EStG) are written off in the year of acquisition in accordance with tax regulations.

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

Since 1 January 2019, this item has also included right-of-use assets under leases. The accounting policies for right-of-use assets from leases reported under property, plant and equipment are presented in note [14] "Lease accounting".

23 Other assets

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

24 Income taxes

As DekaBank is treated for tax purposes as an atypical silent partnership, DekaBank only incurs corporation tax to the extent that taxable income is not allocated to atypical silent partners. Taking into account the Bank's existing own shares in subscribed capital (acquired in the first half of 2011), the proportion of taxable income attributable to atypical silent partners is 45.6%. This results in a combined tax rate of 24.68% for the companies in the DekaBank fiscal group. However, in return for the allocation of the tax base, atypical silent partners are entitled to reclaim from Deka Bank the corporation tax expense attributable to them (45.6% of 15.0% corporation tax plus solidarity surcharge of 5.5% thereon, in total 7.22%). This means that DekaBank pays the atypical silent partners an amount equal to the tax expense and effectively 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 31.90%.

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

The income tax assessment is generally considered at the level of the individual circumstances, taking into account any existing interactions. If it is probable that the tax treatment used will be accepted, current and deferred taxes should be recognised on this basis. If, by contrast, there is uncertainty regarding the acceptance of a tax treatment (not probable), the most likely amount to be accepted is generally used, unless the expected value of various scenarios provides better predictions. It is always assumed that the tax authority has full knowledge of the matter concerned. Finally, the assumptions and decisions made are reviewed at each reporting date and adjusted, if necessary, on the basis of new information.

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

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

25 Liabilities

Financial liabilities – unless they are measured at fair value through profit or loss – must be allocated to the measurement category "Financial liabilities measured at amortised cost" and must be measured accordingly at amortised cost using the effective interest rate method.

The valuation guidelines described in note [10] "Hedge accounting" apply to liabilities which have been designated as hedges in the context of hedge accounting.

Interest expenses for liabilities are recognised in net interest income. The result from premature repayment, however, is shown under other operating profit.

26 Provisions for pensions and similar commitments

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

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

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

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

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

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

27 Other provisions

Provisions represent liabilities that are uncertain in terms of their amount or maturity. They are recognised for present obligations arising from past events, provided that an outflow of resources embodying economic benefits is probable and the amount of the obligation can be estimated reliably.

Provisions are recognised on a best estimate basis in the amount of the net present value of the expected utilisation. Risks and uncertainties are taken into account when determining these provisions, as well as all relevant knowledge relating to the liability. The assumptions and discretionary decisions made in producing the best estimates are reviewed at every future balance sheet date and, if necessary are adjusted based on more recent information.

This is also relevant to the sundry other provisions, which have been measured based on the most likely scenario. Accordingly, other scenarios could lead to a lower provision value.

If the interest effect has a material impact, long-term provisions are discounted using a market rate appropriate to the residual term and stated at the present value of the liability. A pre-tax discount rate is used that reflects current market expectations relating to the interest effect and the risks specific to the liability.

Allocations and reversals are carried out via the line item in the statement of profit or loss and other comprehensive income that corresponds to the provision in terms of content. Provisions for creditworthiness risks in off-balance sheet lending business are charged to risk provisions in the lending business and reversed in the same line item.

28 Other liabilities

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

29 Subordinated capital

Subordinated capital generally comprises subordinated liabilities, profit-participation instruments and typical silent capital contributions. In the event that DekaBank becomes insolvent or is liquidated, subordinated capital may only be repaid after all non-subordinated creditors have been repaid. In accordance with the provisions of IAS 32, subordinated capital must be recognised as debt because of the contractual termination right associated with it, regardless of the likelihood that this right will be exercised. Subordinated capital is in principle shown at amortised cost.

For subordinated liabilities that are hedged against interest rate risks by a fair value hedge, changes in fair value attributable to interest rate risks must also be taken into consideration (see note [10] "Hedge accounting").

Interest expenses for subordinated capital are recognised in net interest income. The result from premature repayment, however, is shown under other operating profit.

30 Atypical silent capital contributions

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

Atypical silent capital contributions are stated on the balance sheet at nominal value. The dividend distribution on subscribed capital is used as the basis for calculating the distribution to atypical silent partners. There is also an entitlement to reclaim amounts in respect of taxation. The distribution is disclosed as a separate line item – interest expenses for atypical silent capital contributions – below the total of profit or loss before tax. The amount that may be drawn in respect of tax is disclosed as a component of the tax expense (see note [24] "Income taxes").

31 Equity

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

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

Retained earnings are broken down into statutory reserves and other reserves from retained earnings. Other reserves from retained earnings include retained profits from previous years. In addition, the effects of applying IFRS for the first time are also shown in other reserves from retained earnings, with the exception of valuation effects for financial assets measured at fair value through other comprehensive income.

Revaluations of net liabilities (net assets) arising from defined benefit obligations are shown within the revaluation reserve. Revaluations consist mainly of actuarial gains and losses, and income from plan assets (excluding interest). The Deka Group does not exercise the option of transferring the cumulative gains or losses recognised in other comprehensive income to retained earnings.

The revaluation reserve also includes changes in the value of the currency basis element of derivatives designated as hedging instruments in currency fair value hedges. Upon the de-designation of a hedging derivative, the cumulative gains or losses on the derivative in OCI are transferred to the income statement.

The effects of fair value measurement, recognised in other comprehensive income, on financial instruments assigned to the "financial assets measured at fair value through other comprehensive income" category are also recognised in the revaluation reserve. Cumulative gains or losses are not recorded through profit or loss until the asset is sold or written down due to impairment.

The revaluation reserve also includes creditworthiness-related fair value changes to the financial obligations designated at fair value that result from the Group's own credit risk. The cumulative gains or losses recognised in other comprehensive income are only reclassified to retained earnings when the liability is disposed of.

Differences arising on the conversion of the financial statements of foreign subsidiaries prepared in a foreign currency are also posted to the revaluation reserve.

All items in the revaluation reserve are reported before allowing for any related tax effects. Instead, the total income tax amount relating to all items in the revaluation reserve is disclosed as a combined amount in the revaluation reserve.

Minority interests, if any, are disclosed as a separate sub-item under equity.

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

32 Net interest income

In addition to interest income and expenses, this item includes the pro-rata unwinding of premiums and discounts on financial instruments. This item also includes net interest income from economic hedging derivatives and net interest income from hedging derivatives that qualify for hedge accounting. Net interest income from items in the trading book and the associated refinancing expenses are not included as they are reported in trading profit or loss.

€m	2020	2019	Change
Interest income from			
Financial assets measured at amortised cost	**569.1**	**682.7**	– 113.6
thereof: lending and money market transactions	477.2	582.8	– 105.6
thereof: fixed-interest securities	91.9	99.9	– 8.0
Financial assets measured at fair value through other comprehensive income	**10.8**	**20.5**	– 9.7
thereof: fixed-interest securities	10.8	20.5	– 9.7
Financial assets measured at fair value through profit or loss	**182.8**	**246.5**	– 63.7
Trading portfolio			
thereof: lending and money market transactions	23.1	38.6	– 15.5
thereof: interest rate derivatives (economic hedges)	123.1	136.0	– 12.9
Financial assets mandatorily measured at fair value through profit or loss			
thereof: lending and money market transactions	10.9	22.9	– 12.0
thereof: fixed-interest securities	17.2	35.8	– 18.6
thereof: current income from shares and other non-fixed-interest securities	7.6	10.6	– 3.0
thereof: current income from equity investments	0.9	2.6	– 1.7
Hedge derivatives (hedge accounting)	**25.3**	**21.9**	3.3
Negative interest from liabilities	**136.6**	**128.6**	8.0
Total interest income	**924.6**	**1,100.2**	– 175.7
Interest expenses for			
Financial liabilities measured at amortised cost	**218.0**	**325.6**	– 107.6
thereof: lending and money market transactions	112.6	151.9	– 39.3
thereof: securitised liabilities	74.0	139.7	– 65.7
thereof: subordinated liabilities	31.4	34.0	– 2.6
Financial liabilities measured at fair value through profit or loss	**298.9**	**418.2**	– 119.3
Trading portfolio			
thereof: lending and money market transactions	24.4	– 37.5	61.9
thereof: interest rate derivatives (economic hedges)	243.5	408.0	– 164.5
Financial liabilities designated at fair value			
thereof: lending and money market transactions	31.0	42.1	– 11.1
thereof: securitised liabilities	–	5.6	– 5.6
Hedge derivatives (hedge accounting)	**133.6**	**81.4**	52.2
Negative interest on money-market transactions and fixed-interest securities	**117.5**	**105.4**	12.1
Total interest expenses	**768.0**	**930.6**	– 162.6
Net interest income	**156.6**	**169.6**	– 13.0

33 Risk provisions in the lending and securities business

This item primarily includes expenses and income from changes in risk provisions for financial instruments in the measurement categories "Financial assets measured at amortised cost" (AC) and "Financial assets measured at fair value through other comprehensive income" (FVOCI), as well as the expenses and income resulting from the change in provisions for credit risks for loan commitments and financial guarantee contracts, insofar as they fall within the scope of the impairment rules set out in IFRS 9. Risk provisions in the lending and securities business are recognised in the statement of profit or loss and other comprehensive income as follows:

€m	2020	2019	Change
Allocation to risk provisions/provisions for credit risks	– 172.8	– 25.7	– 147.1
Reversal of risk provisions/provisions for credit risks	9.9	16.1	– 6.2
Direct write-downs on receivables	– 0.2	– 0.1	– 0.1
Income on written-down receivables	0.7	1.0	– 0.3
Net income from modifications in the lending business (stage 3 or POCI)	0.2	–	0.2
Risk provisions in the lending business	**– 162.1**	**– 8.7**	– 153.4
Allocation to risk provisions	– 16.7	– 2.6	– 14.1
Reversal of risk provisions	0.8	0.7	0.1
Direct write-downs on securities	–	–	–
Net income from modifications in the securities business (stage 3 or POCI)	–	–	–
Risk provisions in the securities business	**– 15.8**	**– 1.9**	– 13.9
Risk provisions in the lending and securities business	**– 178.0**	**– 10.6**	– 167.4

The net addition to risk provisions in the lending and securities business increased to €– 178.0m in the 2020 reporting year (previous year: €– 10.6m), primarily as a result of the transport and export finance and property risks risk segments, which were hit particularly hard by the COVID-19 crisis (see the table "Risk provisions by risk segment" in note [47] "Risk provisions in the lending and securities business"). The need for additions is mainly due to the review of the rating classification and collateral values, as well as the adjusted macroeconomic forecasts that are taken into account when calculating the expected losses.

34 Net commission income

Net commission income by type of service is as follows:

€m	2020	2019	Change
Commission income from			
Investment fund business	2,478.7	2,392.4	86.3
Securities business	179.2	155.3	23.9
Lending business	17.1	37.8	– 20.7
Other	22.5	21.4	1.1
Total commission income	**2,697.5**	**2,606.9**	90.6
Commission expenses for			
Investment fund business	1,308.0	1,185.2	122.8
Securities business	71.9	68.0	3.9
Lending business	4.5	5.1	– 0.6
Other	4.2	4.9	– 0.7
Total commission expenses	**1,388.6**	**1,263.2**	125.4
Net commission income	**1,308.9**	**1,343.7**	– 34.8

As part of its activities as an asset manager, the Deka Group receives commission from contracts with customers which varies according to product category (e.g. mutual or special funds) and asset category (e.g. shares, bonds or real estate). The income is calculated and collected as described in the corresponding sales prospectuses and investment conditions of the investment funds concerned. The main types of income are explained in more detail below.

Commission income from investment fund business arises in the Asset Management Securities and Asset Management Real Estate business divisions.

In the Asset Management Securities business division, the Deka Group generates income from management and administrative activities and from the asset management of fund-based products. For this service, the Deka Group receives (asset) management fees, sales commission, performance-related remuneration and income from lump-sum cost allowances. Additional commission income arises in the investment fund business as a result of brokerage services provided during the reporting period. The performance obligation is fulfilled on an ongoing basis and the consideration is settled on a monthly basis in the vast majority of cases. In addition to portfolio-related commission, the Deka Group also earns sales-related commission (front-end loads) when issuing certain units in investment funds, where appropriate. The amount of the front-end load is based on the unit value at the time of issue.

In the Asset Management Real Estate business division, management fees are collected for ongoing management activities in relation to the average investment fund holdings. In the case of retail products, the amount of the management fee varies, within specified ranges, depending on the performance of the investment fund's unit value over the fund financial year. These fees are settled on a monthly basis. Fees resulting from the management of the properties held in the real estate funds are collected to cover the ongoing management of these real estate funds. These fees are settled on a monthly basis. In addition, the Asset Management Real Estate business division collects front-end loads in cases involving the issue of certain units in investment funds. The Deka Group also collects purchase and sales fees from investment funds that invest in real estate. The service is deemed to have been rendered when the property in question is added to, or removed from, the investment fund. This is a one-time payment which is usually calculated based on the underlying transaction volume.

Part of the commission income from the investment fund business is passed on to the sales partners in accordance with the regulatory requirements. The corresponding expense is reported under commission expenses for the investment fund business.

In the Asset Management Services business division, the Deka Group provides various services for which income is reported under commission income from the securities business. These include, for example, the assumption of the role of custodian and the safekeeping of securities in securities accounts. As a custodian, the Deka Group receives a custodian fee for its ongoing activities and a securities account fee for the safekeeping of securities. The custodian fee is paid and collected monthly as a general rule and is based on the average values of the fund assets. The securities account fee also relates to a specific period. The annual fee to be paid is a fixed fee per securities account.

In the context of asset management for savings banks and institutional customers, the Deka Group receives commission fees for support services relating to the procurement and settlement of securities and financial derivatives. The fee is calculated for securities as a percentage of the transaction price, while for financial derivatives it is calculated depending on the number of contracts. Services are rendered and settled based on a point in time. These fees are allocated to the Capital Markets business division and are also reported under commission income from the securities business.

Commission income from the lending business relates almost exclusively to services in connection with the administration of loans and is not directly related to the origination of the loans. The fees are levied irrespective of the term and generally fall due at the beginning of the credit relationship (one-off amount). Commission income from the lending business is allocated to the Financing business division.

Of the net commission income of €1,308.9m (previous year: €1,343.7m), €741.8m (previous year: €787.2m) is attributable to the Asset Management Securities business segment, €294.4m (previous year: €286.0m) to the Asset Management Real Estate business division, €205.5m (previous year: €183.3m) to the Asset Management Services business division, €58.3m (previous year: €55.7m) to the Capital Markets business division and €12.7m (previous year: €33.7m) to the Financing business division.

35 Net income from the derecognition of financial assets measured at amortised cost

This item comprises the net income from the early disposal of financial assets measured at amortised cost. The net income from derecognition is mainly due to sales of registered and bearer bonds with no detrimental impact on the business model, as well as to the unscheduled repayment of loans.

€m	**2020**	**2019**	Change
Gains arising from the derecognition of financial assets measured at amortised costs	78.4	13.5	64.9
Losses arising from the derecognition of financial assets measured at amortised costs	0.3	0.8	–0.5
Profit or loss arising from the derecognition of financial assets measured at amortised costs	**78.1**	**12.7**	65.4

36 Trading profit or loss

This item comprises sale and valuation results, dividends as well as commission from financial instruments in the trading portfolio sub-category. It also includes all results from the currency translation of financial assets and liabilities, regardless of their measurement category. In general, the net interest income from derivative and non-derivative financial instruments in this sub-category, together with any related refinancing expenses, is also reported under this item. However, net interest income from economic hedging derivatives (banking book portfolios) is reported under net interest income.

€m	2020	2019	Change
Sale and valuation results	366.8	252.5	114.3
Net interest income and current income from trading transactions	–209.6	–200.4	–9.2
Foreign exchange profit or loss	12.6	11.3	1.3
Commission	–17.7	–17.1	–0.6
Trading profit or loss	**152.1**	**46.3**	105.8

The main change in trading profit or loss compared to the previous year resulted from the hedging derivatives for banking book portfolios due to the interest rate development.

37 Profit or loss on financial assets mandatorily measured at fair value

This item mainly comprises gains or losses on the disposal and measurement of financial instruments in the "financial assets mandatorily measured at fair value" sub-category. However, net interest income and dividend income from financial instruments in this sub-category are disclosed under net interest income.

€m	2020	2019	Change
Sale and valuation results	–14.0	87.4	–101.4
Commission	0.5	0.7	–0.2
Profit or loss on financial assets mandatorily measured at fair value	**–13.5**	**88.1**	–101.6

The main change resulted from an interest rate-induced market data effect in connection with the interest rate development. There were also credit rating-induced market data effects, with significant holdings being sold.

38 Profit or loss on financial instruments designated at fair value

This item mainly comprises gains or losses on the disposal and measurement of financial instruments in the "financial instruments designated at fair value" sub-category. By contrast, interest expenses and income on financial instruments in this sub-category are disclosed under net interest income.

€m	2020	2019	Change
Sale and valuation results	25.2	32.3	–7.1
Commission	–	–	–
Profit or loss on financial instruments designated at fair value	**25.2**	**32.3**	–7.1

39 Profit or loss from fair value hedges

The profit or loss from fair value hedges shows the ineffectiveness of interest rate fair value hedges and currency fair value hedges. In interest rate fair value hedge accounting, changes in the value of the underlying hedged transactions that are attributable to the hedged risk, together with changes in the fair value of the hedges, are shown as the net valuation result. In the case of currency fair value hedges, the changes in the fair value of the hedging transactions attributable to the currency basis element are recognised in other comprehensive income over the period in which the hedge accounting continues to apply. The other changes in value of the designated hedging transactions are shown as the net valuation result together with the spot rate-related change in the value of the underlying transactions.

The net valuation result is composed as follows, grouped by the type of risk hedged:

€m	**2020**	**2019**	Change
Interest rate fair value hedges			
Net valuation result from hedging financial assets	13.5	–12.4	25.9
Net valuation result from hedging financial liabilities	–4.3	2.0	–6.3
Currency fair value hedges			
Net valuation result from hedging financial assets	–9.7	–0.8	–8.9
Profit or loss from fair value hedges	**–0.5**	**–11.2**	10.7

40 Profit or loss on financial investments

This item primarily comprises the gains or losses on the disposal of financial assets measured at fair value through other comprehensive income and the pro rata annual profit or loss from shares in associated companies and joint ventures accounted for using the equity method.

€m	**2020**	**2019**	Change
Sale results	–0.1	3.9	–4.0
Commission	–	–	–
Net income from equity-accounted companies	–0.0	–0.0	0.0
Profit or loss on financial investments	**–0.1**	**3.9**	–4.0

41 Administrative expenses

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

€m	2020	2019	Change
Personnel expenses			
Wages and salaries	433.2	438.0	–4.8
Social security contributions	56.6	55.0	1.6
Allocation to/reversals of provisions for pensions and similar commitments	36.9	34.5	2.4
Expenses for defined contribution plans	5.5	4.8	0.7
Other expenses for retirement pensions and benefits	2.5	3.1	–0.6
Total personnel expenses	**534.7**	**535.4**	–0.7
Other administrative expenses			
Consultancy expenses	134.3	127.3	7.0
Computer equipment and machinery	93.3	83.2	10.1
Bank levy and deposit guarantee scheme	72.8	57.7	15.1
IT information services	43.9	44.2	–0.3
Marketing and sales expenses	37.6	39.1	–1.5
Subscriptions and fees	33.4	31.2	2.2
Lump sum fees for fund administration services	24.7	28.7	–4.0
Rentals and expenses for buildings	16.9	17.6	–0.7
Postage/telephone/office supplies	16.5	17.3	–0.8
Other administrative expenses	34.9	50.0	–15.1
Total other administrative expenses	**508.4**	**496.3**	12.1
Depreciation and amortisation of property, plant and equipment	42.4	42.7	–0.3
Depreciation and amortisation of intangible assets	13.2	11.3	1.9
Total depreciation and amortisation	**55.6**	**54.0**	1.6
Administrative expenses	**1,098.7**	**1,085.7**	13.0

Other administrative expenses primarily include expenses for outsourced services, expenses for the annual accounts and auditing, and leasing costs for motor vehicles.

Administrative expenses include expenses of €2.7m (previous year: €2.8m) from leases of low-value assets in non-short-term leases. No expenses from short-term leases were incurred in the 2020 reporting year (previous year: €0.9m).

42 Other operating profit

The breakdown of other operating profit is as follows:

€m	2020	2019	Change
Income from repurchased debt instruments	**–2.1**	**–3.2**	1.1
Other operating income			
Reversal of other provisions	0.5	4.0	–3.5
Reversal of provisions for restructuring	0.1	4.4	–4.3
Rental income	1.1	1.4	–0.3
Other income	16.0	37.5	–21.5
Total other operating income	**17.7**	**47.3**	–29.6
Other operating expenses			
Expenses for restructuring	20.0	45.4	–25.4
VAT on provision of intra-Group services	13.8	14.3	–0.5
Other taxes	0.3	0.2	0.1
Other expenses	26.1	162.6	–136.5
Total other operating expenses	**60.2**	**222.5**	–162.3
Other operating profit	**–44.6**	**–178.4**	133.8

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

The drop in other operating profit is largely due to a one-off effect of €140.0m in the 2019 reporting year in connection with measures to strengthen the capital of a company in the equity investment portfolio. A sundry other provision was set up for this in the previous year.

In the 2020 reporting year, other expenses included interest expenses from lease liabilities amounting to €1.2m (previous year: €1.4m).

43 Income taxes

This item includes all domestic and foreign taxes levied on the basis of the total profit for the year. Income tax expenses comprise the following:

€m	2020	2019	Change
Current tax expense in financial year	121.2	266.7	– 145.5
Current tax expense/income (–) in previous years	– 15.8	– 7.8	– 8.0
Current tax expense	**105.4**	**258.9**	– 153.5
Effect of origination and reversal of temporary differences	9.6	– 95.1	104.7
Effect of origination and reversal of permanent differences	10.0	–	10.0
Effects of changes in tax legislation and/or tax rate	–	– 0.6	0.6
Prior-year deferred tax income	14.6	– 8.1	22.7
Deferred tax expense	**34.2**	**– 103.8**	138.0
Total income tax expense	**139.6**	**155.1**	– 15.5

The rate of tax that applies in Germany comprises a corporation tax rate of 15.0% plus a solidarity surcharge on this of 5.5% and the applicable rate of trade tax. As DekaBank is treated for tax purposes as an atypical silent partnership, this results in a combined tax rate of 24.68% (previous year: 24.68%) for the companies in the DekaBank tax group. Furthermore, atypical silent partners have a right to withdraw the portion of corporation tax expense attributable to them, which is equal to 7.22%. A tax rate of 31.90% (previous year: 31.90%) is therefore applied for the measurement of deferred taxes (see note [24] "Income taxes"). This tax rate is assumed as the expected tax rate in the reconciliation statement below. The other domestic companies determine their deferred taxes using tax rates of between 31.7% and 32.0%.

The foreign companies determine deferred taxes using the tax rate for the country in question. In the Deka Verwaltungsgesellschaft Luxembourg S.A. (formerly: DekaBank Deutsche Girozentrale Luxembourg S.A.) tax group, this tax rate remains unchanged at 24.94%.

The origination or reversal of temporary differences led to deferred tax expenses of €9.6m (previous year: €95.1m in deferred tax income). The current tax income for previous years (€15.8m) is almost exclusively attributable to DekaBank (previous year: €7.8m in tax income for previous years, also almost exclusively attributable to DekaBank). This was due to a change in the allocation of indirect refinancing expenses, which led to tax reductions in 2011 and 2012 in particular. Following a ruling by the German Federal Fiscal Court (BFH), the tax audit recognised the deductibility in principle and agreed an amendment to the relevant tax assessment notices. Furthermore, tax provisions for 2019 were partially reversed due to a different assessment of particular tax circumstances. A change in deferred taxes of equal extent had the opposite effect (deferred tax expenses of €9.0m). Other changes resulted, among other things, from a correction of gains from shares (*Aktiengewinne*) at the level of two special funds in connection with a tax audit. In the previous year, deferred tax income of €8.1m was reported.

The following statement reconciles the result before tax with the tax expense:

€m	2020	2019	Change
Total of profit or loss before tax	385.5	410.7	–25.3
x income tax rate	31.90%	31.90%	0.0
= Anticipated income tax expense in financial year	**123.0**	**131.0**	–8.1
Increase from taxes due to non-deductible expenses	32.0	60.5	–28.5
Decrease from taxes on tax-exempt income	1.6	4.7	–3.1
Withholding tax	0.1	0.2	–0.1
Tax effect of special funds	–0.0	0.1	–0.1
Effects of tax rate changes	–	–0.6	0.6
Tax effect of holdings accounted for under the equity method	0.0	0.0	–0.0
Tax effects from past periods	–1.1	–15.9	14.8
Effect of the distribution of the AT1 bond	–9.1	–9.1	0.0
Effects of differing effective tax rates	–5.3	–8.3	3.0
Other	1.6	1.9	–0.3
Tax expenses according to IFRS	**139.6**	**155.1**	–15.5

The increase in the taxes due to non-deductible expenses item is largely due to the bank levy, which was higher in the reporting year than in the previous year. Furthermore, an intra-Group dividend payment was made by Deka Verwaltungsgesellschaft Luxembourg S.A., 5.0% of which is taxable, and – as a result of the return of the banking licence – a deferred tax liability has already been taken into account for future capital repayments. In the previous year, in addition to the bank levy, a measure to strengthen the capital of a company in the equity investment portfolio was another factor.

The tax-free income was mainly due to the sale of an affiliated company. In the previous year, a write-back had already been recognised for the same company.

Notes to the statement of financial position

44 Cash reserves

The breakdown in cash reserves is as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Cash on hand	3.5	3.4	0.1
Balances with central banks	9,203.2	3,823.5	5,379.7
Total	**9,206.7**	**3,826.9**	5,379.8

The required minimum reserve was maintained at all times during the reporting year and amounted to €231.5m at the reporting date (previous year: €361.6m).

45 Due from banks

Amounts due from banks can be broken down by business type as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Current accounts	377.2	303.3	73.9
Daily and time deposits	5,010.1	8,188.5	–3,178.4
Lending business	2,553.0	3,219.6	–666.6
Genuine repurchase agreements and collateralised securities lending transactions	8,410.2	10,870.0	–2,459.8
Due from banks before risk provisions	**16,350.5**	**22,581.4**	–6,230.9
Risk provisions in the lending business	–0.3	–0.2	–0.1
Total	**16,350.2**	**22,581.2**	–6,231.0

The breakdown of amounts due from banks by region is as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Domestic banks	6,214.4	10,380.9	–4,166.5
Foreign banks	10,136.1	12,200.5	–2,064.4
Due from banks before risk provisions	**16,350.5**	**22,581.4**	–6,230.9
Risk provisions in the lending business	–0.3	–0.2	0.1
Total	**16,350.2**	**22,581.2**	–6,231.0

46 Due from customers

Amounts due from customers can be broken down by business type as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Current accounts	242.8	411.4	–168.6
Daily and time deposits	1,224.3	1,188.8	35.5
Lending business	21,134.3	22,334.5	–1,200.2
Genuine repurchase agreements and collateralised securities lending transactions	2,200.4	4,523.1	–2,322.7
Due from customers before risk provisions	**24,801.8**	**28,457.8**	–3,656.0
Risk provisions in the lending business	–185.4	–89.3	96.1
Total	**24,616.4**	**28,368.5**	–3,752.1

The breakdown of amounts due from customers by region is as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Domestic borrowers	7,144.9	7,902.2	–757.3
Foreign borrowers	17,656.9	20,555.6	–2,898.7
Due from customers before risk provisions	**24,801.8**	**28,457.8**	–3,656.0
Risk provisions in the lending business	–185.4	–89.3	96.1
Total	**24,616.4**	**28,368.5**	–3,752.1

47 Risk provisions in the lending and securities business

Default risks in lending and securities business are recognised through provisions, including provisions for credit risks from off-balance sheet commitments. Risk provisions in 2020 were as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Risk provisions in the lending business	**191.1**	**90.4**	100.7
Risk provisions for loan losses – due from banks	0.3	0.2	0.1
Risk provisions for loan losses – due from customers	185.4	89.3	96.1
Provisions for credit risks from off-balance sheet commitments	5.4	0.9	4.5
Risk provisions in the securities business	**24.5**	**8.8**	15.7
Risk provisions for securities[1)]	24.5	8.8	15.7
Total	**215.6**	**99.2**	116.4

[1)] Including risk provisions for financial assets measured at fair value through other comprehensive income

Movements in risk provisions in 2020 were as follows:

Risk provisions for financial assets measured at amortised cost

€m	Stage 1	Stage 2	Stage 3	Total
Due from banks				
Position as at 1 January 2020	**0.2**	**0.0**	**–**	**0.2**
Transfer to other stages	–0.0	–	–	–0.0
Transfer from other stages	–	0.0	–	0.0
Change in position including new business	0.1	–0.0	–	0.1
Allocation	0.1	0.0	–	0.1
Reversal	–0.1	–0.0	–	–0.1
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–0.0	0.0	–	–0.0
Position as at 31 December 2020	**0.3**	**0.0**	**–**	**0.3**
Due from customers				
Position as at 1 January 2020	**9.3**	**8.0**	**72.0**	**89.3**
Transfer to other stages	–2.2	–1.9	–	–4.1
Transfer from other stages	0.1	2.0	2.0	4.1
Change in position including new business	–0.4	–0.8	–2.3	–3.5
Allocation	3.3	47.4	115.4	166.1
Reversal	0.6	–2.7	–4.1	–6.2
Utilisation	–	–	–52.5	–52.5
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–0.0	1.2	0.9	2.1
Changes in the scope of consolidation	–	–	–	–
Exchange rate-related and other changes	–0.2	–1.3	–8.4	–9.9
Position as at 31 December 2020	**10.5**	**51.9**	**123.0**	**185.4**
Financial investments				
Position as at 1 January 2020	**2.9**	**5.0**	**–**	**7.9**
Transfer to other stages	–1.0	–0.0	–	–1.0
Transfer from other stages	0.0	1.0	–	1.0
Change in position including new business	–0.1	–0.3	–	–0.4
Allocation	1.2	15.8	–	17.0
Reversal	–0.0	–0.4	–	–0.4
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–0.1	–0.1	–	–0.2
Position as at 31 December 2020	**2.9**	**21.0**	**–**	**23.9**

The allocation to risk provisions for assets measured at amortised cost results from the review of the rating grade assignment (re-rating) and the review and adjustment of collateral values, as well as the adjustment of macroeconomic forecasts when calculating expected losses in connection with the COVID-19 pandemic.

€m	Stage 1	Stage 2	Stage 3	Total
Due from banks				
Position as at 1 January 2019	**0.2**	**0.0**	**–**	**0.2**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	–0.0	0.0	–	–0.0
Allocation	0.0	–	–	0.0
Reversal	–0.0	0.0	–	–0.0
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–0.0	–0.0	–	–0.0
Position as at 31 December 2019	**0.2**	**0.0**	**–**	**0.2**
Due from customers				
Position as at 1 January 2019	**8.7**	**12.0**	**63.3**	**84.0**
Transfer to other stages	–0.7	–0.2	–	–0.9
Transfer from other stages	0.2	0.7	0.0	0.9
Change in position including new business	2.8	–0.1	–2.1	0.6
Allocation	2.4	5.0	17.9	25.3
Reversal	–4.3	–9.7	–1.4	–15.4
Utilisation	–	–	–5.9	–5.9
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Changes in the scope of consolidation	–	–	–	–
Exchange rate-related and other changes	0.2	0.3	0.2	0.7
Position as at 31 December 2019	**9.3**	**8.0**	**72.0**	**89.3**
Financial investments				
Position as at 1 January 2019	**2.5**	**3.4**	**–**	**5.9**
Transfer to other stages	–0.0	–0.0	–	–0.0
Transfer from other stages	0.0	0.0	–	0.0
Change in position including new business	0.2	–0.0	–	0.2
Allocation	0.5	1.6	–	2.1
Reversal	–0.3	–0.0	–	–0.3
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.0	–	–	0.0
Position as at 31 December 2019	**2.9**	**5.0**	**–**	**7.9**

Risk provisions for financial assets measured at fair value through other comprehensive income

€m	Stage 1	Stage 2	Stage 3	Total
Financial investments				
Position as at 1 January 2020	**0.9**	**–**	**–**	**0.9**
Transfer to other stages	–0.1	–	–	–0.1
Transfer from other stages	0.1	–	–	0.1
Change in position including new business	–0.6	–	–	–0.6
Allocation	0.5	–	–	0.5
Reversal	–0.2	–	–	–0.2
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–	–	–	–
Position as at 31 December 2020	**0.6**	**–**	**–**	**0.6**

€m	Stage 1	Stage 2	Stage 3	Total
Financial investments				
Position as at 1 January 2019	**1.0**	**–**	**–**	**1.0**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	–0.1	–	–	–0.1
Allocation	0.2	–	–	0.2
Reversal	–0.2	–	–	–0.2
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–	–	–	–
Position as at 31 December 2019	**0.9**	**–**	**–**	**0.9**

Provisions for credit risks from off-balance sheet commitments

€m	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts				
Position as at 1 January 2020	**0.9**	**0.0**	**0.0**	**0.9**
Transfer to other stages	–0.1	–	–	–0.1
Transfer from other stages	–	0.1	–	0.1
Change in position including new business	–0.3	–0.0	–	–0.3
Allocation	0.3	4.7	0.0	5.0
Reversal	–0.2	–0.0	–	–0.2
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.1	–0.1	–0.0	0.0
Position as at 31 December 2020	**0.7**	**4.7**	**0.0**	**5.4**

€m	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts				
Position as at 1 January 2019	**0.9**	**0.9**	**0.0**	**1.8**
Transfer to other stages	–0.0	–0.1	–	–0.1
Transfer from other stages	0.1	0.0	–	0.1
Change in position including new business	–0.1	–	–	–0.1
Allocation	0.5	0.0	–	0.5
Reversal	–0.5	–0.8	–	–1.3
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.0	0.0	–	–
Position as at 31 December 2019	**0.9**	**0.0**	**0.0**	**0.9**

The calculation of risk provisions is based on three probability-weighted macroeconomic scenarios (see note [17] "Risk provisions in the lending and securities business"). In order to examine the sensitivity of the ECL model to possible future developments, the Bank performed further calculations related to stages 1 and 2 of the impairment model. An extreme weighting of 100% for each of the scenarios on which the ECL calculation is based (baseline, negative and positive scenario) was applied. In the baseline scenario, risk provisions would be approximately 1% lower, while they would be approximately 4% higher in the negative scenario and around 5% lower in the positive scenario.

Movements in the gross carrying values relevant to risk provisions and committed/guaranteed amounts were as follows in 2020:

Gross carrying amount of financial assets measured at amortised cost

€m	Stage 1	Stage 2	Stage 3	Total
Due from banks				
Position as at 1 January 2020	**8,916.2**	**7.1**	**–**	**8,923.3**
Transfer to other stages	–49.5	–5.9	–	–55.4
Transfer from other stages	5.9	49.5	–	55.4
Change in position including new business	–3,438.3	68.1	–	–3,370.2
Derecognition	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Currency effects	–10.7	–	–	–10.7
Position as at 31 December 2020	**5,423.6**	**118.8**	**–**	**5,542.4**
Due from customers				
Position as at 1 January 2020	**21,969.4**	**956.4**	**186.2**	**23,112.0**
Transfer to other stages	–3,956.8	–208.9	–	–4,165.7
Transfer from other stages	94.8	3,642.8	428.1	4,165.7
Change in position including new business	–1,280.5	481.5	–44.0	–843.0
Derecognition	–	–	–52.7	–52.7
Changes due to non-substantial modifications	–1.9	–0.0	0.2	–1.7
Change in the scope of consolidation	–	–	–	–
Currency effects	–818.3	–76.1	–11.6	–906.0
Position as at 31 December 2020	**16,006.7**	**4,795.7**	**506.2**	**21,308.6**
Financial investments				
Position as at 1 January 2020	**5,264.9**	**98.7**	**–**	**5,363.6**
Transfer to other stages	–2,054.9	–4.9	–	–2,059.8
Transfer from other stages	4.9	2,054.9	–	2,059.8
Change in position including new business	–227.4	84.7	–	–142.7
Derecognition	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Currency effects	–119.6	–	–	–119.6
Position as at 31 December 2020	**2,867.9**	**2,233.4**	**–**	**5,101.3**

€m	Stage 1	Stage 2	Stage 3	Total
Due from banks				
Position as at 1 January 2019	**6,667.3**	**21.6**	**–**	**6,688.9**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	2,239.4	–14.7	–	2,224.7
Derecognition	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Currency effects	9.5	0.2	–	9.7
Position as at 31 December 2019	**8,916.2**	**7.1**	**–**	**8,923.3**
Due from customers				
Position as at 1 January 2019	**18,086.4**	**673.8**	**157.5**	**18,917.7**
Transfer to other stages	–906.9	–309.6	–	–1,216.5
Transfer from other stages	302.6	849.5	64.4	1,216.5
Change in position including new business	4,182.5	–266.8	–31.7	3,884.0
Derecognition	–	–	–6.0	–6.0
Changes due to non-substantial modifications	–	–	–	–
Change in the scope of consolidation	–	–	–	–
Currency effects	304.8	9.5	2.0	316.3
Position as at 31 December 2019	**21,969.4**	**956.4**	**186.2**	**23,112.0**
Financial investments				
Position as at 1 January 2019	**4,985.2**	**38.7**	**–**	**5,023.9**
Transfer to other stages	–58.4	–2.0	–	–60.4
Transfer from other stages	2.0	58.4	–	60.4
Change in position including new business	305.2	3.6	–	308.8
Derecognition	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Currency effects	30.9	–	–	30.9
Position as at 31 December 2019	**5,264.9**	**98.7**	**–**	**5,363.6**

Gross carrying amount of financial assets measured at fair value through other comprehensive income

€m	Stage 1	Stage 2	Stage 3	Total
Financial investments				
Position as at 1 January 2020	**5,295.6**	**–**	**–**	**5,295.6**
Transfer to other stages	–58.8	–	–	–58.8
Transfer from other stages	58.8	–	–	58.8
Change in position including new business	61.4	–	–	61.4
Derecognition	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Currency effects	–	–	–	–
Position as at 31 December 2020	**5,357.0**	**–**	**–**	**5,357.0**

€m	Stage 1	Stage 2	Stage 3	Total
Financial investments				
Position as at 1 January 2019	**5,705.5**	**–**	**–**	**5,705.5**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	–409.9	–	–	–409.9
Derecognition	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Currency effects	–	–	–	–
Position as at 31 December 2019	**5,295.6**	**–**	**–**	**5,295.6**

Gross carrying amount of off-balance sheet commitments

€m	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts				
Position as at 1 January 2020	**2,032.2**	**18.4**	**–**	**2,050.6**
Transfer to other stages	–333.5			–333.5
Transfer from other stages		333.5		333.5
Change in position including new business	–612.7	84.8		–527.9
Derecognition				–
Changes due to non-substantial modifications				–
Currency effects	–40.8	–1.6		–42.4
Position as at 31 December 2020	**1,045.2**	**435.1**	**–**	**1,480.3**

€m	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts				
Position as at 1 January 2019	**1,982.0**	**131.3**	**0.0**	**2,113.3**
Transfer to other stages	–21.4	–125.2	–	–146.6
Transfer from other stages	125.2	21.4	–	146.6
Change in position including new business	–72.3	–9.1	–0.0	–81.4
Derecognition	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Currency effects	18.7	0.0	0.0	18.7
Position as at 31 December 2019	**2,032.2**	**18.4**	**–**	**2,050.6**

The coronavirus pandemic resulted in transfers between the impairment model stages for the gross carrying values of amounts due from customers and financial investments measured at amortised cost, as well as for loan commitments and financial guarantee contracts.

In the 2020 reporting year, no contract values of financial assets that are currently subject to enforcement measures were derecognised.

The expected cash flows for stage 3 assets as at the reporting date result primarily from collateral held and are based on expectations from going concern or gone concern scenarios relating to individual cases.

The following table contains information on the credit quality of financial assets, loan commitments and financial guarantees measured at amortised cost or at fair value through other comprehensive income. The amounts stated for financial assets correspond to the gross carrying values. In the case of loan commitments and financial guarantees, the amounts shown in the table represent the committed or guaranteed amounts.

31 Dec 2020	**Rating grades[1]**						
€m	**1**	**2 to 5**	**6 to 8**	**9 to 10**	**11 to 15**	**16 to 18 (Default)**	**Retail portfolio**
Due from banks	**5,512.1**	**29.8**	**0.2**	**0.3**	**–**	**–**	**–**
Stage 1	5,393.3	29.8	0.2	0.3	–	–	–
Stage 2	118.8	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Due from customers	**8,421.2**	**7,125.4**	**3,498.4**	**1,251.2**	**486.1**	**506.2**	**20.1**
Stage 1	8,100.6	5,606.1	1,770.4	495.1	15.4	–	19.1
Stage 2	320.6	1,519.3	1,728.0	756.1	470.7	–	1.0
Stage 3	–	–	–	–	–	506.2	–
Financial investments	**6,858.7**	**3,481.9**	**78.8**	**15.0**	**24.0**	**–**	**–**
Stage 1	5,953.0	2,271.9	–	–	–	–	–
Stage 2	905.7	1,210.0	78.8	15.0	24.0	–	–
Stage 3	–	–	–	–	–	–	–
Off-balance sheet commitments	**333.5**	**734.1**	**98.0**	**124.5**	**174.5**	**–**	**15.7**
Stage 1	304.2	575.4	98.0	5.0	46.9	–	15.7
Stage 2	29.3	158.7	–	119.5	127.6	–	–
Stage 3	–	–	–	–	–	–	–

[1] These are the rating grades according to DSGV master scale.

31 Dec 2019	**Rating grades[1]**						
€m	**1**	**2 to 5**	**6 to 8**	**9 to 10**	**11 to 15**	**16 to 18 (Default)**	**Retail portfolio**
Due from banks	**8,907.8**	**15.4**	**0.1**	**0.0**	**–**	**–**	**–**
Stage 1	8,907.8	8.3	0.1	0.0	–	–	–
Stage 2	–	7.1	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Due from customers	**9,161.8**	**9,296.4**	**3,090.7**	**1,062.1**	**300.8**	**186.2**	**14.0**
Stage 1	9,161.8	9,296.4	2,598.3	743.3	155.6	–	14.0
Stage 2	–	–	492.4	318.8	145.2	–	–
Stage 3	–	–	–	–	–	186.2	–
Financial investments	**7,592.5**	**3,035.6**	**3.1**	**2.8**	**25.2**	**–**	**–**
Stage 1	7,592.5	2,962.1	3.1	2.8	–	–	–
Stage 2	–	73.5	–	–	25.2	–	–
Stage 3	–	–	–	–	–	–	–
Off-balance sheet commitments	**440.8**	**1,038.7**	**301.3**	**25.6**	**224.2**	**–**	**20.0**
Stage 1	440.8	1,038.7	282.9	25.6	224.2	–	20.0
Stage 2	–	–	18.4	–	–	–	–
Stage 3	–	–	–	–	–	–	–

[1] These are the rating grades according to DSGV master scale.

As at the balance sheet date, there were no financial assets in the portfolio that were already purchased or originated credit impaired.

The table below provides an overview of stage 1 and stage 2/3 financial assets to which minor modifications were made in the reporting year.

	2020		2019	
€m	**Stage 1**	**Stage 2/3**	**Stage 1**	**Stage 2/3**
Financial assets modified during the period				
Amortised cost before modification	1,002.4	462.8	–	20.5
Result from modifications	–1.9	0.2	–	–
Financial assets modified since initial recognition				
Gross carrying amount at the end of the reporting period of financial assets for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses.	–	–	–	–

As at 31 December 2020, the portfolio included two financial instruments with a gross carrying value of €51.9m (previous year: no financial instruments) for which no valuation allowance was recognised due to collateral.

Key ratios for provisions for loan losses:

%	**2020**	**2019**
Reversal/allocation ratio as at reporting date[1]		
(Ratio of net allocation/-reversal to gross carrying values relevant for risk provisions)	–0.46	–0.03
Default rate as at reporting date		
(Ratio of defaults to gross carrying values relevant for risk provisions)	0.14	0.01
Average default rate		
(Ratio of defaults on a 5-year average to gross carrying values relevant for risk provisions)	0.30	0.28
Net provisioning ratio as at reporting date		
(Ratio of risk provisions to gross carrying values relevant for risk provisions)	0.56	0.22

[1] Reversal ratio shown without negative leading sign

The calculations of the figures above are based on a gross carrying amount relevant for risk provisioning purposes of €38.8bn (previous year: €44.7bn).

Risk provisions by risk segment:

€m	Valuation allowances and provisions in the lending and securities business		Defaults[1]		Net allocations to[2]/reversals of valuation allowances and provisions for credit risk	
	31 Dec 2020	**31 Dec 2019**	**2020**	**2019**	**2020**	**2019**
Customers						
Transport and export finance	110.8	72.3	52.1	3.4	–100.5	–8.5
Property risks	59.9	7.7	–0.1	–0.1	–52.4	–2.7
Energy and utility infrastructure	12.1	8.5	–	1.7	–3.2	1.8
Corporates	3.3	–	–	–	–3.2	–
Financial institutions	3.0	0.7	–	–	–2.4	–0.0
Public infrastructure	0.8	0.6	–	–	–0.5	0.0
Other	0.9	0.4	–	0.0	–0.7	–0.2
Total customers	**190.8**	**90.2**	**52.0**	**5.0**	**–162.9**	**–9.6**
Banks						
Financial institutions	0.2	0.2	–	–	0.1	–0.0
Other	0.1	0.0	–	–	–0.1	0.0
Total banks	**0.3**	**0.2**	**–**	**–**	**0.0**	**0.0**
Securities						
Financial institutions	10.8	1.3	–	–	–9.7	–0.0
Corporates	6.9	3.6	–	–	–3.3	–0.3
Energy and utility infrastructure	6.7	3.8	–	–	–3.0	–1.6
Other	0.1	0.1	–	–	0.1	0.0
Total securities	**24.5**	**8.8**	**–**	**–**	**–15.8**	**–1.9**
Total	**215.6**	**99.2**	**52.0**	**5.0**	**–178.8**	**–11.5**

[1] Includes utilisation, direct write-downs and income on written-down receivables and securities
[2] Negative in the column

48 Financial assets at fair value

Financial assets at fair value mainly comprise bonds and other fixed-interest securities, shares and other non-fixed-interest securities, and receivables. This item also includes the positive market values of derivative financial instruments held for trading and the positive market values of hedging derivatives that are used as hedging instruments but do not meet the requirements of IFRS 9 for hedge accounting (economic hedging derivatives). This item also includes holdings in unconsolidated subsidiaries, joint ventures and associated companies, as well as other equity investments.

€m	31 Dec 2020	31 Dec 2019	Change
Trading portfolio			
Debt securities and other fixed-interest securities	10,808.7	11,837.5	–1,028.8
Bonds and debt securities	10,808.7	11,836.5	–1,027.8
Money market securities	–	1.0	–1.0
Shares and other non fixed-interest securities	2,049.6	3,923.9	–1,874.3
Shares	981.2	2,265.7	–1,284.5
Units in investment funds	1,068.4	1,658.2	–589.8
Positive market values of derivative financial instruments	8,183.9	6,558.2	1,625.7
Positive market values of derivative financial instruments (trading)	8,091.3	6,487.2	1,604.1
Positive market values of derivative financial instruments (economic hedging derivatives)	92.6	71.0	21.6
Loan receivables	346.5	905.5	–559.1
Total – trading portfolio	**21,388.7**	**23,225.1**	–1,836.5
Financial assets mandatorily measured at fair value through profit or loss			
Debt securities and other fixed-interest securities	782.2	5,227.4	–4,445.2
Bonds and debt securities	764.1	5,227.4	–4,463.3
Money market securities	18.1	–	18.1
Shares and other non fixed-interest securities	428.3	1,354.8	–926.5
Shares	3.8	4.2	–0.4
Units in investment funds	424.5	1,350.6	–926.1
Loan receivables	364.8	573.6	–208.8
Shareholdings	17.9	61.3	–43.4
Equity investments	15.8	58.9	–43.1
Shares in affiliated companies	0.6	0.6	–
Holdings in joint ventures	0.0	0.0	–
Shares in associated companies	1.5	1.8	–0.3
Total – financial assets mandatorily measured at fair value through profit or loss	**1,593.2**	**7,217.1**	–5,623.9
Total	**22,981.9**	**30,442.2**	–7,460.4

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

€m	31 Dec 2020	31 Dec 2019	Change
Debt securities and other fixed-interest securities	8,647.9	15,224.6	–6,576.7
Shares and other non fixed-interest securities	1,467.4	2,718.2	–1,250.8

49 Positive market values of derivative hedging instruments

The positive market values of hedging instruments that meet the criteria for hedge accounting can be broken down by underlying hedged transaction as follows:

	31 Dec 2020			31 Dec 2019		
€m	Nominal of the hedging instruments	Carrying amount of the hedging instruments[1]	Valuation result of the hedging instruments for the reporting period[2]	Nominal of the hedging instruments	Carrying amount of the hedging instruments[1]	Valuation result of the hedging instruments for the reporting period[2]
Interest rate fair value hedges						
Financial assets measured at amortised cost						
Due from banks	447.4	0.0	–0.6	1,576.5	0.2	–20.3
Due from customers	3,199.6	0.8	–72.7	5,613.4	11.2	–103.1
Financial investments	742.6	0.0	0.1	3,163.1	0.2	–11.4
Financial assets measured at fair value through other comprehensive income						
Financial investments	623.4	0.1	–23.5	1,110.0	1.4	–31.4
Financial liabilities measured at amortised cost						
Due to banks	654.0	0.1	6.4	–	–	–
Due to customers	550.6	0.2	11.0	–	–	–
Securitised liabilities	1,537.5	0.3	40.8	10.0	0.0	–0.1
Subordinated capital	250.0	0.0	5.6	20.0	0.0	1.3
Currency fair value hedges						
Bottom layer financial assets	8,974.4	637.2	684.0	2,492.4	119.7	29.7
Total	**16,979.5**	**638.7**	**651.1**	**13,985.4**	**132.7**	**–135.3**

[1] The majority of interest rate swaps designated as hedging instruments are cleared via CCP. The carrying amount of these hedging instruments have been offset against the variation margin received.
[2] Includes the change in fair value of the hedging instruments used for recognising the ineffectiveness for the reporting period.

Only interest rate swaps were designated as hedging instruments for interest rate fair value hedges. Cross-currency swaps are used as hedging instruments for currency fair value hedges.

50 Financial investments

€m	31 Dec 2020	31 Dec 2019	Change
Financial assets measured at amortised cost			
Debt securities and other fixed-interest securities	5,186.0	5,403.0	–217.0
Financial assets measured at fair value through other comprehensive income			
Debt securities and other fixed-interest securities	5,388.7	5,336.1	52.6
Shareholdings			
Shares in equity-accounted companies	16.4	16.4	–0.0
Financial investments before risk provisions	**10,591.1**	**10,755.5**	–164.4
Risk provisions for securities (AC)	–23.9	–7.9	16.0
Total	**10,567.2**	**10,747.6**	–180.4

Out of the bonds and other fixed-interest securities recognised under financial assets measured at amortised cost or at fair value through other comprehensive income, the following are listed on the stock exchange:

€m	31 Dec 2020	31 Dec 2019	Change
Debt securities and other fixed-interest securities	9,133.5	9,212.7	–79.2

51 Intangible assets

€m	31 Dec 2020	31 Dec 2019	Change
Purchased goodwill	148.1	148.1	–
Software	24.9	25.3	–0.4
Purchased	19.4	19.4	–0.0
Developed in-house	5.5	5.9	–0.4
Other intangible assets	9.0	10.3	–1.3
Total	**182.0**	**183.7**	–1.7

Purchased goodwill includes goodwill arising on the acquisition of Deka Vermögensmanagement GmbH (formerly: Landesbank Berlin Investment GmbH) in the amount of €95.0m. For the purposes of the impairment test performed as at 31 December 2020, this goodwill was still allocated to the Asset Management Securities business division as the cash-generating unit. Purchased goodwill also includes goodwill arising on the acquisition of WestInvest Gesellschaft für Investmentfonds mbH (WestInvest) in the amount of €53.1m. The impairment test was carried out at the level of the Asset Management Real Estate business division in the course of normal testing procedures as at 31 December 2020.

The recoverable amount of both cash-generating units, each taken individually, was determined on the basis of the value in use. The discount rate required for the income capitalisation approach used was derived using the capital asset pricing model (CAPM). The expected post-tax cash flows were calculated for a five-year period. Due to the impact of the COVID-19 pandemic, another scenario was calculated as part of the assessment.

The performance of the Asset Management Securities business division's total customer assets under management was identified as a key value driver in its capacity as a cash-generating unit. The forecast was based on national economic data and past empirical values. Business and earnings trends are expected to rise steadily. The values taken for the perpetual annuity represent the forecast for 2025. The long-term growth rate is 0.50% (previous year: 0.50%). The discount rate was 8.91% (previous year: 8.27%).

The value in use established using this approach was higher than the carrying value of the cash-generating unit. As a result, no impairment charge was required. As things currently stand, none of the possible changes in key assumptions used to determine the recoverable amount would result in the carrying value exceeding the value in use of the cash-generating unit.

Internal forecasts based on national economic data and specific competition and market analyses were used for the Asset Management Real Estate business division cash-generating unit. Account was taken of past empirical values, particularly with regard to the material value driver, which is the future development of total customer assets. On the basis of planned net sales, the fund business is expected to see a further increase in total customer assets and to consolidate its successful market position over the next three years. This is contingent on the successful completion of planned transactions in the target segments, in which competition remains intense. For the following years 2024 and 2025, lower net inflows of funds and lower performance are expected due to the cyclical nature of sales as a result, among other things, of regulatory or political and economic uncertainties, such as rising interest rates. A perpetual return based on the forecast for 2025 was also taken into account and a long-term growth rate of 0.50% (previous year: 0.50%) was assumed. The discount rate was 7.13% (previous year: 5.80%). The value in use established using this approach was higher than the carrying value of the cash-generating unit. As a result, no impairment charge was required. As things currently stand, none of the possible changes in key assumptions used to determine the recoverable amount would result in the carrying value exceeding the value in use of the cash-generating unit.

Other intangible assets primarily comprise sales partnerships and customer relationships from the acquisition of Deka Vermögensmanagement GmbH (formerly: Landesbank Berlin Investment GmbH).

The following table shows the movement in intangible assets:

€m	Purchased goodwill	Software purchased	Software developed in-house	Other intangible assets	Total
Historical cost					
As at 1 January 2019	238.7	191.1	81.9	50.6	562.3
Additions	–	4.4	3.0	–	7.4
Disposals	–	–	–	20.8	20.8
Change in scope of consolidation	–	–	–	–	–
As at 31 December 2019	238.7	195.5	84.9	29.8	548.9
Additions	–	9.4	2.5	–	11.9
Disposals	–	0.6	–	–	0.6
Change in scope of consolidation	–	1.7	0.8	–	2.4
As at 31 December 2020	238.7	206.0	88.1	29.8	562.6
Cumulative amortisation/impairment					
As at 1 January 2019	90.6	167.8	77.2	39.1	374.7
Amortisation/impairment	–	8.3	1.8	1.2	11.3
Disposals	–	–	–	20.8	20.8
Change in scope of consolidation	–	–	–	–	–
As at 31 December 2019	90.6	176.1	79.0	19.5	365.2
Amortisation/impairment	–	9.1	2.8	1.3	13.2
Disposals	–	0.3	–	–	0.3
Change in scope of consolidation	–	1.7	0.8	–	2.4
As at 31 December 2020	90.6	186.6	82.6	20.8	380.6
Carrying value as at 31 December 2019	**148.1**	**19.4**	**5.9**	**10.3**	**183.7**
Carrying value as at 31 December 2020	**148.1**	**19.4**	**5.5**	**9.0**	**182.0**

52 Property, plant and equipment

€m	31 Dec 2020	31 Dec 2019	Change
Plant and equipment	16.9	18.3	–1.4
Technical equipment and machines	3.0	4.0	–1.0
Right-of-use assets for leases (leasing assets)	122.0	156.7	–34.7
Total	**141.9**	**179.0**	–37.1

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

	Property, plant and equipment		Property, plant and equipment (leasing assets)			
€m	Plant and equipment	Technical equipment and machines	Office properties	Motor vehicles	Plant and equipment	Total
Historical cost						
As at 1 January 2019	49.6	63.5	185.5	4.6	1.2	304.4
Additions	0.5	0.7	1.7	3.1	0.2	6.2
Disposals	2.7	2.3	1.0	0.1	–	6.1
Change in currency translation	0.0	0.0	–	–	–	0.0
As at 31 December 2019	47.4	61.9	186.2	7.6	1.4	304.5
Additions	0.3	1.0	3.2	2.7	–	7.2
Disposals	0.0	0.1	1.9	0.0	–	2.0
Change in currency translation	–0.0	–0.0	–	–	–	–0.0
As at 31 December 2020	47.7	62.7	187.5	10.3	1.4	309.6
Cumulative amortisation/impairment						
As at 1 January 2019	29.6	57.9	–	–	–	87.5
Amortisation/impairment	1.9	2.2	35.6	2.4	0.5	42.6
Disposals	2.4	2.2	–	–	–	4.6
Change in currency translation	–0.0	–0.0	–	–	–	–0.0
As at 31 December 2019	29.1	57.9	35.6	2.4	0.5	125.5
Amortisation/impairment	1.7	2.0	35.7	2.5	0.5	42.4
Disposals	–	0.1	–	–	–	0.1
Change in currency translation	0.0	0.0	–	–	–	0.0
As at 31 December 2020	30.8	59.7	71.3	4.9	1.0	167.7
Carrying value as at 31 December 2019	**18.3**	**4.0**	**150.6**	**5.2**	**0.9**	**179.0**
Carrying value as at 31 December 2020	**16.9**	**3.0**	**116.2**	**5.4**	**0.4**	**141.9**

53 Income tax assets

€m	31 Dec 2020	31 Dec 2019	Change
Current income tax assets	195.1	171.6	23.5
Deferred income tax assets	289.2	300.4	–11.2
Total	**484.3**	**472.0**	12.3

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

During the year under review, deferred tax assets on tax loss carry-forwards in the amount of €4.4m arose at three Group companies (previous year: €5.4m).

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

€m	31 Dec 2020	31 Dec 2019	Change
Asset items			
Due from customers	0.1	0.0	0.1
Financial assets at fair value	0.2	0.4	–0.2
Intangible assets	61.3	72.2	–10.9
Other assets	1.7	2.2	–0.5
Liability items			
Due to banks	5.5	6.9	–1.4
Due to customers	40.9	41.0	–0.1
Securitised liabilities	10.8	–	10.8
Financial liabilities at fair value	214.1	232.8	–18.7
Negative market values of derivative hedging instruments	183.3	120.1	63.2
Provisions	187.1	175.8	11.3
Other liabilities	41.2	52.2	–11.0
Subordinated capital	2.7	1.9	0.8
Loss carryforwards	**4.4**	**5.4**	–1.0
Sub-total	**753.3**	**710.9**	42.4
Netting	–464.1	–410.5	–53.6
Total	**289.2**	**300.4**	–11.2

Reported deferred tax assets include €177.3m (previous year: €223.7m) that are medium- or long-term in nature.

As at the balance sheet date, four Group companies had unrecognised loss carryforwards of €1.5m (previous year: four companies with unrecognised losses of €1.4m). There were still no other temporary differences for which deferred tax assets have not been recognised.

The netting of deferred tax assets and liabilities relates mainly to short-term deferred taxes arising from temporary differences in connection with financial assets and liabilities at fair value.

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

Deferred income tax assets amounting to €95.5m in connection with provisions for pensions (previous year: €83.0m) were offset against equity. In addition, deferred tax assets of €0.7m for creditworthiness-related fair value changes to financial liabilities designated at fair value were offset against equity (previous year: €1.1m). Finally, deferred tax assets of €4.3m were recognised for currency fair value hedges (previous year: deferred income tax liability of €0.8m).

54 Other assets

€m	31 Dec 2020	31 Dec 2019	Change
Amounts due from investment funds	177.1	163.7	13.4
Amounts due from non-banking business	34.1	11.5	22.6
Amounts due or refunds from other taxes	1.5	0.7	0.8
Other miscellaneous assets	94.4	141.4	–47.0
Prepaid expenses	32.7	31.0	1.7
Total	**339.8**	**348.2**	–8.4

Other assets include €2.6m (previous year: €0.3m) that are of a medium- or long-term nature.

55 Due to banks

Amounts due to banks can be broken down by business type as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Overdrafts	510.7	470.7	40.0
Daily and time deposits	10,958.2	10,386.7	571.5
Promissory note loans and registered bonds	2,617.5	2,882.7	–265.2
Collateralised registered bonds and promissory note loans	112.8	74.0	38.8
Unsecured registered bonds and promissory note loans	2,504.7	2,808.7	–304.0
Genuine repurchase agreements and collateralised securities lending transactions	2,910.7	3,613.3	–702.6
Borrowings	143.5	195.4	–51.9
Total	**17,140.6**	**17,548.8**	–408.2

The regional breakdown of amounts due to banks is as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Domestic banks	13,154.3	10,915.5	2,238.8
Foreign banks	3,986.3	6,633.3	–2,647.0
Total	**17,140.6**	**17,548.8**	–408.2

56 Due to customers

Amounts due to customers can be broken down by business type as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Overdrafts	13,706.9	12,507.6	1,199.3
Daily and time deposits	5,448.1	8,197.1	–2,749.0
Promissory note loans and registered bonds	2,043.0	2,165.6	–122.6
Collateralised registered bonds and promissory note loans	638.0	736.4	–98.4
Unsecured registered bonds and promissory note loans	1,405.0	1,429.2	–24.2
Genuine repurchase agreements and collateralised securities lending transactions	299.8	200.6	99.2
Borrowings	162.4	628.7	–466.3
Total	**21,660.2**	**23,699.6**	–2,039.4

The regional breakdown of amounts due to customers is as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Domestic customers	17,392.6	19,685.2	–2,292.6
Foreign customers	4,267.6	4,014.4	253.2
Total	**21,660.2**	**23,699.6**	–2,039.4

57 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Own bonds held by the Deka Group with a nominal amount of €200.1m (previous year: €219.5m) were deducted from the issued bonds.

€m	31 Dec 2020	31 Dec 2019	Change
Uncovered debt securities issued	5,728.5	5,521.1	207.4
Covered debt securities issued	1,652.8	1,509.1	143.7
Money market securities issued	274.9	10,721.9	–10,447.0
Total	**7,656.2**	**17,752.1**	–10,095.9

The drop in money market securities issued is due to commercial papers maturing.

58 Financial liabilities at fair value

Financial liabilities at fair value comprise trading issues and liabilities designated at fair value. This item also includes the negative market values of derivative financial instruments held for trading and the negative market values of hedging derivatives that are used as hedging instruments but do not meet the requirements of IFRS 9 for hedge accounting (economic hedging derivatives). Securities short portfolios are also reported in this line item.

€m	31 Dec 2020	31 Dec 2019	Change
Trading portfolio			
Trading issues	21,849.7	21,896.6	– 46.9
Securities short portfolios	877.3	1,096.1	– 218.8
Negative market values of derivative financial instruments (trading)	7,114.4	5,885.8	1,228.6
Negative market values of derivative financial instruments (economic hedging derivatives)	43.0	114.5	– 71.5
Total – trading portfolio	**29,884.4**	**28,993.0**	891.4
Financial liabilities designated at fair value			
Issues	665.2	909.9	– 244.7
Total – financial liabilities designated at fair value	**665.2**	**909.9**	– 244.7
Total	**30,549.6**	**29,902.9**	646.7

Issues are broken down by product type as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Trading portfolio			
Uncovered trading issues			
Bearer bonds issued	17,830.8	18,148.6	– 317.8
Registered bonds issued	1,525.9	1,461.7	64.2
Promissory notes raised	2,493.0	2,286.3	206.7
Total	**21,849.7**	**21,896.6**	– 46.9
Financial liabilities designated at fair value			
Uncovered issues			
Registered bonds issued	174.8	200.7	– 25.9
Promissory notes raised	42.4	125.8	– 83.5
Covered issues	448.0	583.4	– 135.4
Total	**665.2**	**909.9**	– 244.7

The fair value of issues in the designated at fair value category (fair value option) includes cumulative creditworthiness-related changes in value amounting to €2.1m (previous year: €3.6m) that are recognised in other comprehensive income.

The carrying amount of liabilities whose creditworthiness-related changes in value are recognised in other comprehensive income is €63.7m (previous year: €94.4m) higher than the repayment amount.

59 Negative market values of derivative hedging instruments

The negative market values of hedging instruments that meet the criteria for hedge accounting can be broken down by underlying hedged transaction as follows:

€m	31 Dec 2020 Nominal of the hedging instruments	31 Dec 2020 Carrying amount of the hedging instruments[1]	31 Dec 2020 Valuation result of the hedging instruments for the reporting period[2]	31 Dec 2019 Nominal of the hedging instruments	31 Dec 2019 Carrying amount of the hedging instruments[1]	31 Dec 2019 Valuation result of the hedging instruments for the reporting period[2]
Interest rate fair value hedges						
Financial assets measured at amortised cost						
Due from banks	952.9	0.0	–6.7	75.0	0.0	–3.7
Due from customers	4,579.5	72.4	–149.1	1,380.9	35.2	–30.0
Financial investments	592.1	0.0	–22.0	27.5	0.0	1.1
Financial assets measured at fair value through other comprehensive income						
Financial investments	1,682.1	0.0	1.0	63.5	0.0	0.3
Financial liabilities measured at amortised cost						
Due to banks	–	–	–	282.6	0.0	–1.5
Due to customers	–	–	–	39.6	0.0	–0.2
Securitised liabilities	193.8	0.0	–0.4	993.8	0.1	–6.6
Subordinated capital	40.0	0.0	0.1	145.0	0.0	–1.5
Currency fair value hedges						
Bottom layer financial assets	1,956.7	34.6	63.4	9,067.0	333.1	112.1
Total	**9,997.1**	**107.1**	**–113.7**	**12,074.9**	**368.5**	**70.0**

[1] The majority of interest rate swaps designated as hedging instruments are cleared via CCP. The carrying amount of these hedging instruments have been offset against the variation margin paid.
[2] Includes the change in fair value of the hedging instruments used for recognising the ineffectiveness for the reporting period.

Only interest rate swaps were designated as hedging instruments for interest rate fair value hedges. Cross-currency swaps are used as hedging instruments for currency fair value hedges.

60 Provisions for pensions and similar commitments

The following table shows the movement in provisions:

€m	Provisions for pensions	Provisions for similar commitments[1]	Total
As at 1 January 2019	**198.3**	**23.9**	**222.2**
Allocation	30.9	3.6	34.5
Utilisation	15.5	5.3	20.8
Reclassifications	–	3.5	3.5
Change in plan assets	–9.2	–1.4	–10.6
Revaluations recognised in other comprehensive income	38.6	–	38.6
Reclassification due to net asset	0.5	–	0.5
As at 31 December 2019	**243.6**	**24.3**	**267.9**
Allocation	32.4	4.5	36.9
Utilisation	16.7	5.3	22.0
Reclassifications	1.2	0.7	1.9
Change in plan assets	–8.7	–1.7	–10.4
Revaluations recognised in other comprehensive income	50.4	–	50.4
Reclassification due to net asset	–0.1	–	–0.1
As at 31 December 2020	**302.1**	**22.5**	**324.6**

[1] Including provision for working hours accounts

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

€m	31 Dec 2020	31 Dec 2019	Change
Present value of fully or partially funded defined benefit obligations	961.3	900.3	61.0
Fair value of plan assets at reporting date	705.7	698.3	7.4
Funding status	**255.6**	**202.0**	53.6
Present value of unfunded defined benefit obligations	68.6	65.4	3.2
Reclassification due to net asset	0.4	0.5	–0.1
Provisions for pensions	**324.6**	**267.9**	56.7

The movement in the net liability was as follows:

€m	Defined benefit obligations 2020	Defined benefit obligations 2019	Fair value of plan assets 2020	Fair value of plan assets 2019	Net obligation/ (net asset) 2020	Net obligation/ (net asset) 2019
As at 1 January	**965.7**	**821.2**	**698.3**	**599.0**	**267.9**	**222.2**
Current service cost	29.6	27.0	–	–	29.6	27.0
Interest expense or income	10.4	15.2	7.6	11.3	2.8	3.9
Other pension expenses	4.5	3.6	–	–	4.5	3.6
Pension expenses (recognised in profit or loss)	**44.5**	**45.8**	**7.6**	**11.3**	**36.9**	**34.5**
Actuarial gains/losses from:						
Financial assumptions	50.1	108.8	–	–	50.1	108.8
Demographic assumptions	–	0.2	–	–	–	0.2
Experience adjustment	–10.3	7.0	–	–	–10.3	7.0
Income from plan assets excluding interest income	–	–	–10.6	77.4	10.6	–77.4
Revaluation gains/losses (recognised in other comprehensive income)	**39.8**	**116.0**	**–10.6**	**77.4**	**50.4**	**38.6**
Transfers	1.9	3.5	–	–	1.9	3.5
Employer contributions	–	–	5.5	5.6	–5.5	–5.6
Employee contributions	–	–	8.0	7.4	–8.0	–7.4
Benefits paid	–22.0	–20.8	–3.1	–2.4	–18.9	–18.4
Other changes	–	–	–	–	–0.1	0.5
As at 31 December	**1,029.9**	**965.7**	**705.7**	**698.3**	**324.6**	**267.9**
Comprising:						
Final salary plans and general contribution schemes	605.5	575.8	395.6	390.5	209.9	185.3
Unit-linked defined contribution plans	390.6	355.9	298.7	298.0	91.9	57.9

The present value of the defined benefit obligation was calculated using the Heubeck 2018 G mortality tables based on the following actuarial parameters:

%	31 Dec 2020	31 Dec 2019	Change
Actuarial interest rate	0.7	1.1	–0.4
Pension trend for adjustments according to Section 16(2) Company Pension Funds Act (BetrAVG)[1]	1.8	1.8	–
Pension adjustment with overall trend updating[1]	2.0	2.3	–0.3
Salary trend[1]	2.5	2.5	–

[1] Not relevant for the valuation of unit-linked pension commitments as these are not dependent on final salary

The actuarial interest rate used to calculate the present value of the defined benefit obligation was revised in the 2020 financial year due to a refinement in the procedure by the independent actuary. The actuarial interest rate used in discounting is determined by reference to market yields at the reporting date for high-quality, fixed-interest corporate bonds with matching maturities. For the eurozone, there was a change in the method for selecting the corporate bonds used to determine the actuarial interest rate. In the refined procedure, corporate bonds with a risk-return profile closer to that of sovereign bonds will not be used when calculating the actuarial interest rate in future. The actuarial interest rate calculated on this new basis as at 31 December 2020 stood at 0.7%. Without the change in procedure, it would have been 20 basis points lower. Using the new procedure, the provision for pension obligations as of 31 December 2020 was €324.6m. A pre-tax revaluation loss of €–50.4m (31 December 2019: a revaluation loss of €–38.6m) was recognised in other comprehensive income. With an actuarial interest rate of 0.5%, pension obligations would have been €33.6m higher.

For non-vested projected benefits, staff turnover profiles published by Heubeck-Richttafeln-GmbH are also used in the calculation with a level parameter of 1.5. The discount factor for similar commitments was –0.55% (previous year: –0.56%). This rate takes account of the shorter time to maturity compared to pension commitments as well as the rate of adjustment in early retirement and transitional payments not shown separately.

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

	Change in actuarial assumptions	**Effect on defined benefit obligations**	
€m		**31 Dec 2020**	**31 Dec 2019**
Actuarial interest rate	Increase of 1.0 percentage points	– 144.6	– 132.8
	Reduction of 1.0 percentage points	186.7	174.0
Salary trend	Increase of 0.25 percentage points	5.7	6.5
	Reduction of 0.25 percentage points	– 5.4	– 6.2
Pension trend	Increase of 0.25 percentage points	21.1	19.7
	Reduction of 0.25 percentage points	– 20.0	– 18.7
Life expectancy	Extended by 1 year	33.5	30.0

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

€m	**31 Dec 2020**	**31 Dec 2019**	Change
Mutual funds	309.7	307.1	2.6
Equity funds	284.7	284.8	– 0.1
Bond funds	2.7	2.2	0.5
Mixed funds	10.9	10.4	0.5
Near-money-market funds	11.4	9.7	1.7
Special funds	395.6	390.7	4.9
Insurance contracts	0.4	0.5	– 0.1
Total	**705.7**	**698.3**	7.4

Apart from insurance contracts, the plan assets consist of assets for which quoted market prices are available on an active market. As at 31 December 2020, the plan assets included €705.3m of the Deka Group's own investment funds (previous year: €697.8m). They did not include properties used by the Deka Group or other assets.

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

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

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

The weighted average maturity of the defined benefit pension obligations was 16.0 years as at the reporting date (previous year: 15.8 years).

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

€m	**31 Dec 2020**	**31 Dec 2019**	Change
Current scheme members	541.2	523.8	17.4
Former scheme members	245.5	207.7	37.8
Pensioners and surviving dependents	243.2	234.2	9.0
Present value of defined benefit obligation	**1,029.9**	**965.7**	64.2

For the 2021 financial year it is expected that contributions amounting to €13.8m (previous year: €13.0m) will have to be allocated to the defined benefit schemes.

61 Other provisions

€m	**31 Dec 2020**	**31 Dec 2019**	Change
Provisions in investment funds business	96.2	58.5	37.7
Provisions for restructuring measures	35.0	42.3	–7.3
Provisions for legal risks	10.0	13.1	–3.1
Provisions for credit risks	5.4	0.9	4.5
Provisions for operational risks	5.2	0.4	4.8
Provisions in human resources	0.1	0.6	–0.5
Sundry other provisions	143.8	144.2	–0.4
Total	**295.7**	**260.0**	35.7

Provisions in investment funds business are created, among other things, for funds with formal guarantees and targeted returns, as described below.

The Deka Group's range of products includes investment funds with guarantees of various types. Upon maturity of the fund or at the end of the investment period, the investment management company guarantees that the investor will receive either the capital originally invested or the unit value at the start of that investment period. The amount of the provision is the forecast shortfall at the guarantee date, which is the difference between the expected unit value and the unit value guaranteed. As at the balance sheet date, provisions of €15.1m (previous year: €11.2m) had been made based on the performance of the relevant funds. As of the reporting date, the guarantees covered a maximum total volume of €1.9bn (previous year: €2.3bn) at the respective guarantee dates. The market value of the relevant funds totalled €2.1bn (previous year: €2.7bn). This includes funds with a forecast return performance, as described below, which had a volume of €0.3bn (previous year: €0.3bn).

Investment funds, whose return is forecast and published on the basis of current money market rates set by the Group, exist in two fund varieties: with or without a capital guarantee. The level of the provision is determined using potential loss scenarios taking account of the risks related to liquidity, interest rate and spreads. As at the reporting date, provisions of €16.9m (previous year: €16.7m) had been created. The underlying total value of the funds was €0.9bn (previous year: €1.5bn), of which €0.3bn (previous year: €0.3bn) related to funds with a capital guarantee and €0.6bn (previous year: €1.2bn) to funds without a capital guarantee.

For the fund-based *Riester* products offered as private pensions, DekaBank provides a capital guarantee at the start of the disbursement phase, for which a provision of €51.7m (previous year: €19.2m) was recognised. Potential obligations from fund-based pension products totalled €4.9bn at the reporting date (previous year: €4.3bn). The market value of the fund-based pension products totalled €6.2bn (previous year: €5.9bn).

The Bank refined its procedure for calculating provisions for the Deka-ZukunftsPlan *Riester* product in the 2020 financial year. The new estimate is based on a Monte Carlo simulation and calculates the expected value of a potential shortfall at the guarantee date at individual contract level. From the second half of the year onwards, the return expected by the economics department was also taken into account in the calculation for both *Riester* products, and the volatilities from time series over the past ten years were calculated. A swap curve on the ECB money market interest rate was used to discount the future shortfall calculated. As at 31 December 2020, this results in a provision for both *Riester* products in the amount of €51.7m. Using the previous estimate would have resulted in a provision of €64.5m as of 31 December 2020.

Restructuring provisions result primarily from the restructuring activities in connection with the strategic cost initiative. The net change in provisions for restructuring measures amounts to €7.3m in the 2020 reporting year. €20.0m was allocated in the reporting period, exclusively in connection with the strategic cost initiative. In addition, €26.4m was utilised, also largely in connection with the strategic cost initiative.

Provisions for legal and operational risks are established for potential losses that could result from the use of inadequate internal processes and systems or their failure, as well as from human error and external events. The provisions mainly relate to human resources-related legal risks. Operational risks can lead to claims from customers, counterparties and supervisory authorities or to legal action.

DekaBank has undertaken voluntary investigations to ascertain whether its involvement enabled third parties to conduct share trades around the dividend record date and make use of abusive tax structures or whether it was otherwise involved in such structures. The possibility of a claim in the amount of €3.8m being asserted against DekaBank in this regard due to its function as custodian cannot be ruled out in all probability. As a result, a provision for operational risks was set up in the corresponding amount as at 31 December 2020.

Provisions for credit risks are provisions set up for expected losses from loan commitments, guarantees and sureties (see note [47] "Risk provisions in the lending and securities business").

The sundry other provisions were established in respect of liabilities arising from a range of issues.

The movement in other provisions is as follows:

€m	Opening balance 1 Jan 2020	Allocation	Utilisations	Reversal	Reclassi-fications	Changes in the scope of consoli-dation	Accrued interest	Closing Balance 31 Dec 2020
Provisions in investment funds business	58.5	46.6	4.0	4.8	–	–	– 0.1	96.2
Provisions for restructuring measures	42.3	20.0	26.4	0.1	– 0.8	–	–	35.0
Provisions for legal risks	13.1	0.5	0.4	1.2	– 1.3	– 0.7	–	10.0
Provisions for credit risks	0.9	4.7	–	0.2	–	–	–	5.4
Provisions for operational risks	0.4	4.8	–	–	–	–	–	5.2
Provisions in human resources	0.6	0.1	0.5	0.1	–	–	–	0.1
Sundry other provisions	144.2	0.3	0.1	0.1	–	– 0.5	–	143.8
Other provisions	**260.0**	**77.0**	**31.4**	**6.5**	**– 2.1**	**– 1.2**	**– 0.1**	**295.7**

Some of the provisions for restructuring measures are reclassified as provisions for pensions and similar commitments in the subsequent year, in accordance with their underlying nature.

Other provisions include €182.3m (previous year: €144.7m) that are of a medium- or long-term nature.

62 Income tax liabilities

€m	31 Dec 2020	31.12.2019	Change
Provisions for income taxes	12.3	3.6	8.7
Current income tax liabilities	55.0	71.9	– 16.9
Deferred income tax liabilities	9.1	4.4	4.7
Total	**76.4**	**79.9**	– 3.5

Provisions for income taxes relate to corporation tax, the solidarity surcharge and trade tax. The provisions for income taxes reported are of a short-term nature (previous year: €3.6m of a short-term nature).

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

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

€m	31 Dec 2020	31 Dec 2019	Change
Asset items			
Due from banks	15.1	10.2	4.9
Due from customers	96.6	49.7	46.9
Financial assets at fair value	218.4	271.2	–52.8
Positive market values of derivative hedging instruments	69.2	11.1	58.1
Financial investments	32.9	20.0	12.9
Shares in equity-accounted companies	1.4	0.1	1.3
Intangible assets	2.7	3.1	–0.4
Property, plant and equipment	36.9	47.8	–10.9
Liability items			
Securitised liabilities	–	1.6	–1.6
Provisions	0.0	0.1	–0.1
Other liabilities	–	–	–
Sub-total	**473.2**	**414.9**	58.3
Netting	–464.1	–410.5	–53.6
Total	**9.1**	**4.4**	4.7

Reported deferred tax liabilities include €0.1m (previous year: €3.5m) that are of a short-term nature.

The netting of deferred tax assets and liabilities relates mainly to short-term deferred taxes arising from temporary differences in connection with financial assets and liabilities at fair value.

As at the reporting date, temporary differences existed in connection with outside basis differences at consolidated subsidiaries amounting to €468.7m (previous year: €673.2m), resulting in imputed deferred tax liabilities of €7.5m (previous year: €10.7m). €7.4m of this amount was recognised as a liability in the reporting year due to the return of the banking licence by Deka Verwaltungsgesellschaft Luxembourg S.A. (formerly: DekaBank Deutsche Girozentrale Luxembourg S.A.). The remainder is attributable to another company and was not recognised as a liability in accordance with IAS 12.39.

In the year under review, deferred income tax liabilities of €2.6m had to be recognised in connection with the fair value measurement of financial assets in other comprehensive income (previous year: €3.7m). A further €0.2m had to be recognised for risk provisions in connection with the fair value measurement of financial assets in other comprehensive income (previous year: €0.3m).

63 Other liabilities

The breakdown of other liabilities is as follows:

€m	31 Dec 2020	31 Dec 2019	Change
Liabilities			
Commissions not yet paid to sales offices	132.4	137.7	–5.3
Liabilities from leasing transactions	128.4	162.1	–33.7
Shares of profit attributable to atypical silent partners	104.9	79.1	25.8
Liabilities from current other taxes	30.2	34.4	–4.2
Debt capital from minority interests	0.7	0.7	–
Other	79.4	75.1	4.3
Accruals			
Sales performance compensation	364.9	327.3	37.6
Personnel costs	130.7	131.0	–0.3
Year-end audit and other audit costs	7.9	7.9	–
Other accruals	62.6	58.7	3.9
Prepaid expenses	–	0.1	–0.1
Total	**1,042.1**	**1,014.1**	28.0

DekaBank offsets the share of profit attributable to atypical silent partners against the taxes already deducted for the benefit of the owners. As at the reporting date, the profit shares were €104.9m (previous year: €79.1m) higher than the taxes paid.

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

Other liabilities (excluding leases) include €3.8m (previous year: €3.9m) that are of a medium- or long-term nature.

Leases are broken down by residual term as follows:

€m	31 Dec 2020	31 Dec 2019
Up to 1 year	40.4	40.2
Between 1 and 5 years	82.4	113.7
More than 5 years	8.5	12.3
Total	**131.3**	**166.2**

64 Subordinated capital

€m	31 Dec 2020	31 Dec 2019	Change
Subordinated bearer bonds	275.3	186.2	89.1
Subordinated promissory note loans	94.7	94.7	–
Other subordinated liabilities	570.9	525.0	45.9
Prorated interest on subordinated liabilities	18.5	18.4	0.1
Total	**959.4**	**824.3**	135.1

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

The increase in subordinated capital is due to new issues in the reporting year in order to strengthen Tier 2 capital.

65 Atypical silent capital contributions

Atypical silent capital contributions amounted to €52.4m (previous year: €52.4m). The interest on atypical silent capital contributions in the year under review came to €33.6m (previous year: €46.3m). The payment of interest requires a corresponding dividend resolution. As no such resolution was passed in the reporting year in line with the ECB's recommendation (see note [88] "Additional miscellaneous information"), no interest has been paid out to date.

66 Equity

€m	31 Dec 2020	31 Dec 2019	Change
Subscribed capital	**286.3**	**286.3**	–
Own shares (deduction)	**94.6**	**94.6**	–
Additional capital components (AT1 bonds)	**473.6**	**473.6**	–
Capital reserve	**190.3**	**190.3**	–
Retained earnings	**4,877.1**	**4,733.3**	143.8
Statutory reserve	6.1	6.4	–0.3
Reserves required by the Bank's statutes	–	–	–
Other reserves from retained earnings	4,871.0	4,726.9	144.1
Revaluation reserve	**–183.2**	**–132.6**	–50.6
For provisions for pensions	–273.8	–223.4	–50.4
For foreign currency basis spreads of hedging derivatives	–13.6	2.5	–16.1
For financial assets measured at fair value through other comprehensive income	8.9	12.5	–3.6
For own credit risk of financial liabilities designated at fair value	–2.1	–3.6	1.5
Currency translation reserve	–0.3	0.1	–0.4
Deferred taxes	97.7	79.4	18.3
Accumulated profit/loss (consolidated profit)	**95.3**	**55.1**	40.2
Total	**5,644.8**	**5,511.5**	133.3

As at the reporting date of 31 December 2020, the consolidated profit of €95.3m consists of the total profit for 2020 of €40.2m (net of allocations to reserves from retained earnings of €172.1m) and the profit brought forward from previous years (consolidated profit for 2019) of €55.1m.

Notes on financial instruments

67 Result by measurement category

The individual measurement categories resulted in the following contributions to net results:

€m	2020	2019	Change
Financial assets and liabilities measured at fair value through profit or loss	**46.2**	**–2.7**	–48.9
Trading portfolio	30.5	–149.6	–180.1
Financial assets mandatorily measured at fair value through profit or loss	20.1	157.1	137.0
Financial assets designated at fair value	–	–	–
Financial liabilities designated at fair value	–4.4	–10.2	–5.8
Thereof amounts recognised in profit or loss	–5.9	–15.4	–9.5
Thereof amounts recognised in other comprehensive income (OCI)	1.5	5.2	3.7
Financial assets measured at fair value through other comprehensive income	**–4.2**	**1.8**	6.0
Thereof amounts transferred to profit or loss due to derecognition	–0.1	3.9	4.0
Thereof amounts recognised in other comprehensive income (OCI)	–3.6	–16.2	–12.6
Financial assets measured at amortised cost	**368.3**	**589.5**	221.2
Financial liabilities measured at amortised cost	**–81.3**	**–200.1**	–118.8
Profit or loss from fair value hedges	**10.6**	**–8.7**	–19.3
Thereof amounts recognised in profit or loss	–0.5	–11.2	–10.7
Thereof amounts recognised in other comprehensive income (OCI)	–16.1	2.5	18.6
Thereof amounts transferred to profit or loss due to derecognition	–	–	–

Income and expense contributions are presented in line with their allocation to measurement categories in accordance with IFRS 9. All earnings components, i.e. sale and valuation results, as well as interest, current income and commission are included. The net income from equity-accounted companies is excluded.

As in the previous year, no reclassifications were made in the year under review.

68 Fair value disclosures

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

	31 Dec 2020		31 Dec 2019	
€m	Fair value	Carrying value	Fair value	Carrying value
Assets				
Financial assets measured at amortised cost				
Cash reserves	9,206.7	9,206.7	3,826.9	3,826.9
Due from banks	16,366.8	16,350.2	22,602.9	22,581.2
Due from customers	24,997.0	24,616.4	28,712.8	28,368.5
Financial investments	5,348.5	5,162.1	5,567.0	5,395.1
Other assets	211.8	211.8	178.4	178.4
Financial assets measured at fair value through other comprehensive income				
Financial investments	5,388.7	5,388.7	5,336.1	5,336.1
Financial assets measured at fair value through profit or loss				
Trading portfolio				
Financial assets at fair value	21,388.7	21,388.7	23,225.1	23,225.1
Financial assets mandatorily measured at fair value through profit or loss				
Financial assets at fair value	1,593.2	1,593.2	7,217.1	7,217.1
Other assets	0.9	0.9	8.8	8.8
Positive market values of derivative hedging instruments	638.7	638.7	132.7	132.7
Total asset items	**85,141.0**	**84,557.4**	**96,807.8**	**96,269.9**
Liabilities				
Financial liabilities measured at amortised cost				
Due to banks	17,271.4	17,140.6	17,623.7	17,548.8
Due to customers	21,832.9	21,660.2	23,890.8	23,699.6
Securitised liabilities	7,749.5	7,656.2	17,800.7	17,752.1
Subordinated capital	1,052.3	959.4	916.5	824.3
Other liabilities	323.1	323.1	359.6	359.6
Financial liabilities measured at fair value through profit or loss				
Trading portfolio				
Financial liabilities at fair value	29,884.4	29,884.4	28,993.0	28,993.0
Other liabilities	0.9	0.9	4.7	4.7
Financial liabilities designated at fair value				
Financial liabilities at fair value	665.2	665.2	909.9	909.9
Negative market values of derivative hedging instruments	107.1	107.1	368.5	368.5
Total liability items	**78,886.8**	**78,397.1**	**90,867.4**	**90,460.5**

For financial instruments due on demand or short-term financial instruments, fair value is the amount payable as at the reporting date. The carrying value therefore represents a reasonable approximation to the fair value. These include, *inter alia*, the cash reserve, overdraft facilities and demand deposits due from or owed to banks and customers, and financial instruments included in other assets or other liabilities. In the following description of the fair value hierarchy, financial assets amounting to €10,059.6m (previous year: €4,753.6m) and financial liabilities amounting to €14,541.4m (previous year: €13,342.8m) are not allocated to any level of the fair value hierarchy.

Fair value hierarchy

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

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

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

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

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

€m	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial assets measured at fair value through profit or loss						
Debt securities, other fixed-interest securities and loan receivables	6,602.9	7,921.7	3,996.7	7,792.0	1,702.6	2,830.3
Shares and other non fixed-interest securities	2,351.4	5,228.6	46.7	50.1	79.8	–
Derivative financial instruments	79.1	119.8	8,006.5	6,077.0	98.4	361.4
Interest-rate-related derivatives	–	0.1	6,988.0	5,440.0	92.1	345.3
Currency-related derivatives	–	–	148.6	200.0	–	–
Share and other price-related derivatives	79.1	119.6	869.9	437.0	6.3	16.1
Shareholdings	–	–	–	–	17.9	61.3
Positive market values of derivative hedging instruments	–	–	638.7	132.6	0.0	0.1
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	1,798.1	2,193.5	3,590.6	3,142.5	–	–
Shares and other non fixed-interest securities	–	–	–	–	–	–
Financial assets measured at amortised cost						
Due from banks	–	–	12,561.6	19,052.1	3,407.3	3,225.1
thereof: assets from genuine repurchase agreements and collateralised securities lending transactions	–	–	5,746.4	10,870.0	2,661.3	–
Due from customers	–	–	2,216.8	6,080.2	22,537.8	22,218.9
thereof: assets from genuine repurchase agreements and collateralised securities lending transactions	–	–	992.6	4,523.1	1,207.2	–
Debt securities and other fixed-interest securities	3,356.6	2,996.7	1,607.3	2,239.8	384.4	330.5
Total	**14,188.1**	**18,460.3**	**32,664.9**	**44,566.3**	**28,228.4**	**29,027.6**

€m	Prices listed on active markets (level 1) 31 Dec 2020	31 Dec 2019	Valuation method based on observable market data (level 2) 31 Dec 2020	31 Dec 2019	Valuation method not based on observable market data (level 3) 31 Dec 2020	31 Dec 2019
Financial liabilities measured at fair value through profit or loss						
Securities short portfolios	740.6	825.6	136.7	270.4	–	–
Derivative financial instruments	123.6	116.4	6,850.3	5,507.8	183.5	376.0
Interest-rate-related derivatives	–	–	5,390.8	4,460.7	120.6	276.7
Currency-related derivatives	–	–	100.7	172.1	–	–
Share and other price-related derivatives	123.6	116.4	1,358.8	875.0	62.9	99.3
Issues	–	–	20,118.4	18,629.5	2,396.5	4,177.0
Negative market values of derivative hedging instruments	–	–	107.1	368.5	–	–
Financial liabilities measured at amortised cost						
Due to banks	–	–	16,281.5	16,952.4	479.3	200.6
thereof: liabilities from genuine repurchase agreements and collateralised securities lending transactions	–	–	2,560.8	3,613.3	330.6	–
Due to customers	–	–	7,865.6	10,644.8	260.5	738.4
thereof: liabilities from genuine repurchase agreements and collateralised securities lending transactions	–	–	204.8	200.6	95.0	–
Securitised liabilities	–	–	7,749.5	17,786.1	–	14.6
Subordinated capital	–	–	–	–	1,052.3	916.5
Total	**864.2**	**942.0**	**59,109.1**	**70,159.5**	**4,372.1**	**6,423.1**

Level reclassifications

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

€m	Reclassifications from level 1 to level 2 2020	2019	Reclassifications from level 2 to level 1 2020	2019
Financial assets measured at fair value through profit or loss				
Debt securities, other fixed-interest securities and loan receivables	400.0	1,636.9	958.5	1,236.1
Derivative financial instruments	39.6	21.0	31.5	25.7
Share and other price-related derivatives	39.6	21.0	31.5	25.7
Financial liabilities measured at fair value through profit or loss				
Securities short portfolios	19.0	25.7	25.3	35.7
Derivative financial instruments	25.6	19.6	58.8	29.0
Interest-rate-related derivatives	–	–	–	0.1
Share and other price-related derivatives	25.6	19.6	58.8	28.9

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

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

Fair value hierarchy level 1

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

The fair value of units in unconsolidated investment funds is generally determined from the redemption price published by the investment management company.

Fair value hierarchy level 2

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

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

Interest rate and interest rate/currency swaps and unlisted interest rate futures are measured on the basis of the discounted cash flow model using the market interest rates applying to the remainder of the term of the financial instruments. The tenor structures of the individual interest rates are taken into account by means of separate forward yield curves. Interest rate swaps are discounted using the currency-specific yield curve. This is used for bootstrapping the forward yield curves. For the foreign currency cash flows in interest rate/currency swaps, discounting is carried out taking into account the cross-currency basis.

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

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

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

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

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

In November 2020, DekaBank changed its procedure for determining the DekaBank credit spread valuation curves for own issues measured at fair value (senior preferred and senior non-preferred). The new procedure is based on the valuation of bond pools that are representative of DekaBank and illiquidity spreads, thus ensuring that the increased requirements for more transparent and comprehensible valuations are met. The adjustment to the valuation curves resulted in a one-off effect in the income statement of €–24.2m in the reporting year. This change in estimates could lead to an increased fluctuation margin in the valuation of own issues measured at fair value in the future.

Fair value hierarchy level 3

Fair values of amounts due from banks or due from customers relating to lending business are determined using the present value method. Future cash flows from receivables are discounted at a risk-adjusted market rate based on the categories of borrower, sector, rating, rank and maturity.

If loan receivables are recognised at fair value, a granular analysis is carried out when determining the first spread component. In particular, side agreements such as the borrower's rights of termination or caps/floors are taken into account. These side agreements are each taken into account using suitable, recognised valuation procedures. Loans are allocated to level 3 irrespective of their IFRS category.

The debt securities, other fixed-interest securities and loan receivables disclosed under financial assets measured at fair value through profit or loss are bonds, promissory note loans and originated loans.

The fair value of the bonds is calculated either using the discounted cash flow model based on credit spreads that cannot be observed on the market or on the basis of indicative quotations that implicitly result in a valuation spread. The promissory note loans are also measured using the discounted cash flow model based on credit spreads that cannot be observed on the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the bonds and promissory note loans could have been €2.0m higher or lower.

Determining the fair value of loan receivables also involves the use of spreads that are not observable in the market. Assuming an average uncertainty of fifty basis points relating to the credit spreads, the fair value of the loan receivables measured at fair value could have been €1.1m higher or lower.

The Bank also allocates to level 3 a limited number of equity, credit and interest rate derivatives or issues with embedded equity, credit and interest rate derivatives, for example if unobservable valuation parameters are used which are significant for their valuation. For equity and interest rate derivatives whose valuation requires correlations, the Bank typically uses historical correlations with the relevant share prices or interest rate fixings, or changes to these. The sensitivity of the equity option positions concerned was around €–2.8m as at 31 December 2020. For interest rate derivatives based on an index spread, the sensitivity in terms of the correlation between the relevant reference indices is mapped via shifts in the model parameters. The resulting change in the correlation is approximately +1.29%, giving rise to a measurement difference of €+0.1m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty as at 31 December 2020 is approximately €–27.7m. For credit default swaps (CDS) and credit linked notes with a longer maturity than CDS spreads quoted on the market, a temporal extrapolation uncertainty of five basis points is assumed. As at 31 December 2020, this results in a value of €0.3m.

There are no publicly quoted market prices for the company shares listed as shareholdings. The fair value of company shares is determined using the dividend discount model, provided that the company pays dividends on a sustained basis. Other company shares are measured on the basis of the net asset value approach.

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

The fair values of liabilities in relation to issuing business are determined using the present value method. The future cash flows of the liabilities are discounted at a risk-adjusted market rate that is based on DekaBank’s credit risk. For the valuation of collateralised issues, the collateral structure is also taken into account. The interest rate for a comparable unsecured issue is adjusted according to the collateralisation category and percentage.

For transactions assigned to fair value hierarchy level 3 on the reporting date, a day-one profit of €0.8m was accrued on the reporting date. This accrual item will be reversed over an average term for the financial instruments concerned over the next two financial years.

As at 31 December 2020, 97.5% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.

Performance of financial instruments in fair value hierarchy level 3
The movement in level 3 assets carried at fair value is shown in the table below.

€m	Debt securities, other fixed-interest securities and loan receivables	Shares and other non fixed-interest securities	Interest-rate-related derivatives	Share and other price-related derivatives	Shareholdings	Positive market values of derivative hedging instruments	Total
As at 1 January 2019	**4,307.6**	**–**	**61.5**	**46.3**	**47.4**	**–**	**4,462.8**
Additions through purchase	1,199.9	–	46.4	2.7	5.5	–	1,254.5
Disposals through sale	1,482.1	–	–	0.6	0.4	–	1,483.1
Maturity/repayments	353.1	–	0.6	22.4	–	–	376.1
Transfers							
To Level 3	118.1	–	3.1	–	–	0.2	121.4
From Level 3	971.7	–	–	1.0	–	–	972.7
Change in scope of consolidation	–	–	–	–	–0.3	–	–0.3
Changes arising from measurement/disposal							
Recognised in profit or loss[1]	11.6	–	234.9	–8.9	9.1	–0.1	246.6
Recognised in other comprehensive income[2]	–	–	–	–	–	–	–
As at 31 December 2019	**2,830.3**	**–**	**345.3**	**16.1**	**61.3**	**0.1**	**3,253.1**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**3.5**	**–**	**234.9**	**–8.9**	**9.1**	**–0.1**	**238.5**
As at 1 January 2020	**2,830.3**	**–**	**345.3**	**16.1**	**61.3**	**0.1**	**3,253.1**
Additions through purchase	469.8	–	–	–	–	–	469.8
Disposals through sale	735.5	–	3.6	4.3	50.8	–	794.2
Maturity/repayments	644.0	–	111.8	7.1	–	–	762.9
Transfers							
To Level 3	118.5	79.8	3.1	–	–	–	201.4
From Level 3	270.4	–	200.5	2.4	–	–	473.3
Changes arising from measurement/disposal							–
Recognised in profit or loss[1]	–66.1	–	59.6	4.0	7.4	–0.1	4.8
Recognised in other comprehensive income[2]	–	–	–	–	–	–	–
As at 31 December 2020	**1,702.6**	**79.8**	**92.1**	**6.3**	**17.9**	**0.0**	**1,898.7**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**–73.0**	**–**	**59.6**	**4.0**	**–6.0**	**–0.1**	**–15.5**

[1] Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.
[2] Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.
[3] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.

The movement in level 3 liabilities carried at fair value is shown in the table below.

€m	Securities short portfolios	Interest-rate-related derivatives	Share and other price-related derivatives	Issues	Total
As at 1 January 2019	**0.6**	**159.0**	**29.7**	**2,334.4**	**2,523.7**
Additions through purchase	1.2	11.2	6.4	28.0	46.8
Disposals through sale	1.5	0.1	0.7	–	2.3
Additions through issues	–	–	–	13,982.0	13,982.0
Maturity/repayments	–	2.9	2.0	12,251.2	12,256.1
Transfers					
To Level 3	–	–	2.3	–	2.3
From Level 3	0.3	1.1	2.3	14.0	17.7
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	–	–110.6	–65.9	–97.8	–274.3
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2019	**–**	**276.7**	**99.3**	**4,177.0**	**4,553.0**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**–110.6**	**–65.9**	**–71.5**	**–248.0**
As at 1 January 2020	**–**	**276.7**	**99.3**	**4,177.0**	**4,553.0**
Additions through purchase	–	12.6	0.1	49.9	62.6
Disposals through sale	–	–	1.9	34.4	36.3
Additions through issues	–	–	–	211.7	211.7
Maturity/repayments	–	67.5	70.5	498.5	636.5
Transfers					
To Level 3	–	2.9	–	–	2.9
From Level 3	–	163.1	13.8	1,498.8	1,675.7
Changes arising from measurement/disposal					–
Recognised in profit or loss[1]	–	–59.0	–49.7	10.4	–98.3
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2020	**–**	**120.6**	**62.9**	**2,396.5**	**2,580.0**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**–59.0**	**–49.7**	**–5.8**	**–114.5**

[1] Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.
[2] Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.
[3] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.

During the reporting period, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €270.4m and of interest-rate-related derivatives amounting to €200.5m were transferred from level 3. Negative market values of interest-rate-related derivatives amounting to €163.1m and of (trading) issues amounting to €1,498.8m were also transferred from level 3. Furthermore, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €118.5m and of shares and other non-fixed-interest securities amounting to €79.8m were migrated to level 3. This was due to a more detailed analysis of the market data used for valuation.

The methodology used in the level classification procedure was refined in the second half of 2020, especially for share certificates. For share certificates allocated to level 3, an additional analysis is performed with regard to the materiality of the underlying level 3 parameter. If the influence of the level 3 parameter is insignificant, this product can be subsequently assigned to level 2. These analyses are based, on the one hand, on the market data available from Eurex and, on the other, on the evaluations made available by Markit Totem with regard to the volatility surfaces used for the valuation. A level 3 limit is calculated for each available underlying based on the Eurex data. Markit's data allows the uncertainty associated with the relevant level 3 parameter to be determined. This is then applied as a shift from the previously defined level 3 limit on the volatility surface. The result is a new (shift) present value for each product. This is expressed in relation to the original present value. If the change in present value is insignificant (<5%), the product can be assigned to level 2. On the reporting date, 645 positions with a market value of €703.5m were transferred from level 3 to level 2.

Measurement processes for financial instruments in fair value hierarchy level 3

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

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

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

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

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

69 Offsetting financial assets and liabilities

The following table contains disclosures concerning the effects of offsetting on the Deka Group's consolidated balance sheet. Offsetting is currently only carried out for receivables and liabilities from genuine repurchase agreements and derivative transactions (see also note [13] "Genuine repurchase agreements and securities lending transactions" and note [71] "Derivative transactions").

31.12.2020				Associated amounts not offset in the statement of financial position		
€m	**Financial assets/ liabilities (gross)**	**Offset financial assets/ liabilities**	**Amount disclosed in the statement of financial position (net)**	**Collateral – securities**	**Cash – collateral**	**Net amount**
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	3,802.4	3,682.9	119.5	119.5	–	–
Receivables arising from securities repurchase agreements (not eligible for offsetting)	10,346.3	–	10,346.3	10,346.3	–	–
Derivatives (eligible for offsetting)	8,671.7	8,649.7	22.0	–	22.0	–
Derivatives (not eligible for offsetting)	8,800.6	–	8,800.6	93.7	2,917.8	5,789.1
Total	**31,621.0**	**12,332.6**	**19,288.4**	**10,559.5**	**2,939.8**	**5,789.1**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	3,690.8	3,682.9	7.9	7.9	–	–
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	2,413.6	–	2,413.6	2,413.6	–	–
Derivatives (eligible for offsetting)	10,045.5	10,021.0	24.5	24.5	–	–
Derivatives (not eligible for offsetting)	7,239.9	–	7,239.9	314.8	3,311.3	3,613.8
Total	**23,389.8**	**13,703.9**	**9,685.9**	**2,760.8**	**3,311.3**	**3,613.8**

31.12.2019				Associated amounts not offset in the statement of financial position		
€m	Financial assets/ liabilities (gross)	Offset financial assets/ liabilities	Amount disclosed in the statement of financial position (net)	Collateral – securities	Cash – collateral	Net amount
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	4,136.6	3,667.8	468.8	468.8	–	–
Receivables arising from securities repurchase agreements (not eligible for offsetting)	14,861.9	–	14,861.9	14,861.9	–	–
Derivatives (eligible for offsetting)	19,024.4	18,985.0	39.4	–	1.6	37.8
Derivatives (not eligible for offsetting)	6,651.5	–	6,651.5	222.8	1,954.4	4,474.3
Total	**44,674.4**	**22,652.8**	**22,021.6**	**15,553.5**	**1,956.0**	**4,512.1**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	3,774.8	3,667.8	107.0	107.0	–	–
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	3,506.6	–	3,506.6	3,506.6	–	–
Derivatives (eligible for offsetting)	19,769.3	19,733.6	35.7	35.7	–	–
Derivatives (not eligible for offsetting)	6,333.1	–	6,333.1	185.6	3,015.5	3,132.0
Total	**33,383.8**	**23,401.4**	**9,982.4**	**3,834.9**	**3,015.5**	**3,132.0**

In principle, the Deka Group enters into repurchase agreements and derivative transactions eligible for offsetting on the basis of standardised framework contracts with central counterparties. Offsetting is carried out provided the offsetting agreements defined in the contracts are in accordance with the offsetting criteria under IAS 32.42. The contractual agreements generally provide for the right to offset receivables and liabilities both in the course of ordinary business and in the event of default.

Depending on the fair value of the underlying derivative, collateral (variation margins) is provided or received, and thus accounted for either as a receivable or as a liability. The fair values and associated receivables or liabilities from variation margins are used in offsetting.

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

70 Information on the quality of financial assets

Non-performing exposures

The Deka Group uses the definition of non-performing exposures introduced by the EBA for regulatory reporting (FINREP). This relates to exposures that are more than 90 days overdue or for which the Bank expects that the borrower will not satisfy its loan obligations in full. It is also mandatory to classify exposures as non-performing where the CRR regulations (Article 178) require them to be classified as in default or where they have been allocated to stage 3 of the general impairment model pursuant to IFRS 9. In addition, exposures subject to successful restructuring measures may only be classified as performing after a recovery period of at least one year has elapsed.

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

€m	Transport and export finance	Energy and utility infra-structure	Property risks	Other	Total 31 Dec 2020	Total 31 Dec 2019
Non-performing exposures[1]	307.0	44.5	185.1	0.0	536.6	242.7
Collateral[2]	226.8	–	130.0	–	356.8	105.3
Provisions for loan losses/credit rating-related changes in fair value	79.7	4.6	49.6	0.0	133.9	87.3

[1] The figures shown represent the cross carrying value of the credit risk-bearing financial asset classified as non-performing.
[2] Recognition of measurable collateral. Indication of market or fair value not exceeding the underlying exposure.

The collateral which the Deka Group considers to reduce credit risk is stated. The carrying amount of the physical collateral corresponds, in general, to the market or fair value. The amounts stated for guarantees or sureties are primarily based on the creditworthiness of the party providing the collateral. The table shows the maximum collateral or guarantee amount eligible for consideration, i.e. the maximum collateral stated is the carrying amount, taking into account any risk provisions that have already been set up. In the case of non-performing exposures measured at fair value, collateral is reported at a maximum of the fair value of the underlying exposure (reporting date: €13.8m, previous year: €34.9m).

Exposures with forbearance measures

The Deka Group concludes extension or restructuring agreements with borrowers experiencing financial difficulties if there is a prospect of recovery. Responsibility for the monitoring and management of such deferred or restructured exposures rests with the Monitoring Committee/Risk Provisioning Committee, in accordance with the general rules on default monitoring (see the risk report). Furthermore, creditworthiness-related restructuring measures or deferral agreements represent objective evidence of an impairment. Relevant exposures are tested individually for impairment, and where necessary specific provisions are recognised (see note [17] “Risk provisions in the lending and securities business”).

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

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

The following table shows the breakdown of forborne exposures by risk segment. The increase in forborne exposure in the 2020 financial year is mainly due to the COVID-19 crisis.

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Total 31 Dec 2020	Total 31 Dec 2019
Forborne exposures[1]	488.3	44.5	859.6	1,392.4	248.7
thereof: Performing	268.4	–	731.8	1,000.2	91.2
thereof: Non-Performing	219.9	44.5	127.8	392.2	157.5
Collateral[2]	435.0	–	801.4	1,236.4	135.8
Provisions for loan losses/credit rating-related changes in fair value	53.0	4.6	48.8	106.4	70.7

[1] The figures shown represent the cross carrying value of the credit risk-bearing financial asset classified as forborne.
[2] Recognition of measurable collateral. Indication of market or fair value not exceeding the underlying exposure.

Key ratios for non-performing and forborne exposures

%	31 Dec 2020	31 Dec 2019
NPE ratio at the reporting date		
(Ratio of non-performing exposures to maximum credit risk)	0.63	0.25
NPE coverage ratio, including collateral, at the reporting date		
(Ratio of risk provisions, including collateral, to non-performing exposures)	91.45	79.36
NPE coverage ratio, excluding collateral, at the reporting date		
(Ratio of risk provisions, excluding collateral, to non-performing exposures)	24.95	35.96
Forborne exposures ratio at the reporting date		
(Ratio of forborne exposures to maximum credit risk)	1.64	0.26

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.35K(a)/IFRS 7.36(a) using credit risk-bearing financial assets and the corresponding off-balance sheet liabilities. Financial instruments measured at amortised cost are stated at gross carrying value, credit-risk-bearing financial instruments measured at fair value are stated at fair value, irrevocable lending commitments are stated at the respective amount of the commitment and sureties and guarantees are stated at nominal value. On this basis, as at the reporting date the maximum credit risk was €85.0bn (previous year: €96.0bn).

71 Derivative transactions

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

€m	Nominal value		Positive fair values[1]		Negative fair values[1]	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Interest rate risks						
OTC products						
Interest rate swaps	474,943.1	839,415.1	14,436.2	23,729.0	13,799.9	23,245.3
Forward rate agreements	3,337.0	63,868.0	0.7	7.5	1.0	7.6
Interest rate options						
Purchases	24,481.9	22,917.9	634.0	410.8	240.5	171.8
Sales	27,058.4	26,202.3	418.5	333.4	1,167.0	748.2
Caps, floors	24,482.5	21,831.6	76.6	67.4	45.6	44.4
Other interest rate contracts	3,761.0	6,485.4	38.5	105.2	201.6	97.4
Exchange traded products						
Interest rate futures/options	15,857.6	14,904.9	0.5	5.7	1.0	2.6
Sub-total	**573,921.5**	**995,625.2**	**15,605.0**	**24,659.0**	**15,456.6**	**24,317.3**
Currency risks						
OTC products						
Foreign exchange future contracts	15,717.5	21,558.2	148.5	200.0	100.6	172.1
(Interest rate) currency swaps	12,974.3	14,770.7	690.4	207.2	98.2	474.0
Currency options						
Purchases	2.0	–	0.1	–	–	–
Sales	–	–	–	–	–	–
Sub-total	**28,693.8**	**36,328.9**	**839.0**	**407.2**	**198.8**	**646.1**
Share and other price risks						
OTC products						
Share options						
Purchases	169.4	328.4	5.7	6.9	–	–
Sales	6,000.0	6,032.5	–	–	1.0	1.2
Credit derivatives	11,706.9	11,291.7	132.0	127.5	150.6	133.7
Other forward contracts	3,397.8	6,233.7	13.3	17.4	100.7	105.2
Exchange traded products						
Share options	23,800.4	20,579.9	877.9	463.5	1,378.4	901.6
Share futures	451.4	1,426.2	7.3	4.2	6.0	4.2
Sub-total	**45,525.9**	**45,892.4**	**1,036.2**	**619.5**	**1,636.7**	**1,145.9**
Total	**648,141.2**	**1,077,846.5**	**17,480.2**	**25,685.7**	**17,292.1**	**26,109.3**
Net amount disclosed in the statement of financial position			**8,822.6**	**6,690.9**	**7,264.4**	**6,368.8**

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

The lower amount carried in the balance sheet compared with fair values is due to allowance for the variation margin from transactions with central counterparties. Within assets, the variation margin received reduced the fair values by a total of around €8.7bn (previous year: €19.0bn). Conversely, the variation margin paid reduced fair values within liabilities by a total of around €10.0bn (previous year: €19.7bn).

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

	Nominal value		Positive fair values[1]		Negative fair values[1]	
€m	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Banks in the OECD	473,124.5	855,056.8	12,306.6	19,487.5	11,700.4	20,134.1
Public sector entities in the OECD	12,565.1	12,550.5	2,067.7	1,560.5	369.7	263.8
Other counterparties	162,451.6	210,239.2	3,105.9	4,637.7	5,222.0	5,711.4
Total	**648,141.2**	**1,077,846.5**	**17,480.2**	**25,685.7**	**17,292.1**	**26,109.3**

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

72 Breakdown by remaining maturity

Remaining maturity is the time between the reporting date and the contractually agreed maturity of the receivable or liability or the time at which part-payments fall due. Financial assets and liabilities measured at fair value are generally taken into account based on their contractual maturity, whereas financial instruments in the “trading portfolio” sub-category are included with a maximum remaining life of one year (with the exception of economic hedging derivatives). Equity instruments were allocated to the “due on demand and indefinite term” maturity range. Financial investments (shareholdings) that serve business operations on an ongoing basis as part of ordinary business activity but do not have a contractually agreed maturity are not included in this breakdown.

€m	31 Dec 2020	31 Dec 2019	Change
Asset items			
Due from banks			
Due on demand and indefinite term	4,399.3	5,046.1	–646.8
Up to 3 months	2,235.0	4,876.5	–2,641.5
Between 3 months and 1 year	1,689.9	3,517.0	–1,827.1
Between 1 year and 5 years	7,556.6	8,553.5	–996.9
More than 5 years	469.4	588.1	–118.7
Due from customers			
Due on demand and indefinite term	1,568.6	1,646.5	–77.9
Up to 3 months	2,657.8	2,620.7	37.1
Between 3 months and 1 year	2,277.2	3,773.7	–1,496.5
Between 1 year and 5 years	11,010.3	11,256.8	–246.5
More than 5 years	7,102.5	9,070.8	–1,968.3
Financial assets at fair value			
Thereof: non-derivative assets			
Due on demand and indefinite term	2,238.2	5,096.2	–2,858.0
Up to 3 months	991.1	1,230.4	–239.3
Between 3 months and 1 year	10,818.7	14,003.7	–3,185.0
Between 1 year and 5 years	581.7	3,061.3	–2,479.6
More than 5 years	168.3	492.4	–324.1
Thereof: Derivative assets			
Due on demand and indefinite term	4.3	10.9	–6.6
Up to 3 months	531.5	501.2	30.3
Between 3 months and 1 year	7,631.3	6,025.8	1,605.5
Between 1 year and 5 years	9.9	17.3	–7.4
More than 5 years	6.9	3.0	3.9
Positive market values of derivative hedging instruments			
Due on demand and indefinite term	–	–	–
Up to 3 months	11.0	7.5	3.5
Between 3 months and 1 year	77.5	35.4	42.1
Between 1 year and 5 years	409.5	74.8	334.7
More than 5 years	140.7	15.0	125.7
Financial investments			
Due on demand and indefinite term	–	–	–
Up to 3 months	786.7	550.9	235.8
Between 3 months and 1 year	1,501.5	617.4	884.1
Between 1 year and 5 years	7,133.6	7,014.2	119.4
More than 5 years	1,129.0	2,548.7	–1,419.7

€m	31 Dec 2020	31 Dec 2019	Change
Liability items			
Due to banks			
Due on demand and indefinite term	3,472.2	3,677.1	–204.9
Up to 3 months	4,114.8	5,435.6	–1,320.8
Between 3 months and 1 year	3,390.8	3,053.0	337.8
Between 1 year and 5 years	5,101.3	4,412.0	689.3
More than 5 years	1,061.5	971.1	90.4
Due to customers			
Due on demand and indefinite term	15,236.3	14,251.0	985.3
Up to 3 months	1,888.5	2,776.4	–887.9
Between 3 months and 1 year	2,580.1	2,640.4	–60.3
Between 1 year and 5 years	925.4	2,777.7	–1,852.3
More than 5 years	1,029.9	1,254.1	–224.2
Securitised liabilities			
Due on demand and indefinite term	–	–	–
Up to 3 months	948.8	8,680.2	–7,731.4
Between 3 months and 1 year	593.0	3,724.9	–3,131.9
Between 1 year and 5 years	2,624.7	2,649.9	–25.2
More than 5 years	3,489.7	2,697.1	792.6
Financial liabilities at fair value			
Thereof: non-derivative liabilities			
Due on demand and indefinite term	378.0	419.6	–41.6
Up to 3 months	1,440.7	1,069.3	371.4
Between 3 months and 1 year	20,991.3	21,664.8	–673.5
Between 1 year and 5 years	393.9	532.4	–138.5
More than 5 years	188.3	216.5	–28.2
Thereof: Derivative financial liabilities			
Due on demand and indefinite term	–	0.6	–0.6
Up to 3 months	662.9	3,392.3	–2,729.4
Between 3 months and 1 year	6,470.1	2,553.4	3,916.7
Between 1 year and 5 years	1.0	35.5	–34.5
More than 5 years	23.4	18.5	4.9
Negative market values of derivative hedging instruments			
Due on demand and indefinite term	–	–	–
Up to 3 months	4.0	28.8	–24.8
Between 3 months and 1 year	8.0	12.3	–4.3
Between 1 year and 5 years	25.8	183.8	–158.0
More than 5 years	69.3	143.6	–74.3
Subordinated capital			
Due on demand and indefinite term	–	–	–
Up to 3 months	18.5	18.4	0.1
Between 3 months and 1 year	–	–	–
Between 1 year and 5 years	498.6	143.4	355.2
More than 5 years	442.3	662.5	–220.2

73 Further information on hedge accounting

The interest rate swaps from interest rate fair value hedges and the cross-currency swaps from currency fair value hedges have the following structure.

	31 Dec 2020			31 Dec 2019		
	Up to 1 year	Between 1 year and 5 years	More than 5 years	Up to 1 year	Between 1 year and 5 years	More than 5 years
Interest rate fair value hedges of financial assets						
Interest rate swaps LIBOR (Currency JPY)						
Nominal (C$m)	–	405.2	976.4	–	346.7	800.9
Nominal (€m)[1]	–	259.2	624.6	–	237.5	548.6
Average fixed rate (%)	–	2.0	1.8	–	2.5	1.9
Interest rate swaps EURIBOR (Currency EUR)						
Nominal (€m)	1,599.1	3,324.9	2,546.7	1,070.1	4,005.0	2,387.3
Average fixed rate (%)	0.4	0.4	0.8	0.6	0.4	1.0
Interest rate swaps LIBOR (GBP)						
Nominal (£m)	57.5	1,116.3	316.0	–	1,103.9	366.0
Nominal (€m)[1]	64.0	1,241.7	351.5	–	1,297.5	430.2
Average fixed rate (%)	1.3	0.9	1.0	–	0.9	1.2
Interest rate swaps LIBOR (JPY)						
Nominal (¥m)	–	9,000.0	–	–	9,000.0	–
Nominal (€m)[1]	–	71.2	–	–	73.8	–
Average fixed rate (%)	–	−0.2	–	–	−0.2	–
Interest rate swaps LIBOR (USD)						
Nominal ($m)	27.0	2,059.6	1,083.8	232.9	763.4	2,169.5
Nominal (€m)[1]	22.0	1,678.4	883.2	207.3	679.6	1,931.2
Average fixed rate (%)	1.7	2.3	2.1	1.8	2.2	2.5
Interest rate swaps other benchmark interest rates (Other currencies)						
Nominal (€m)[1]	–	66.2	86.9	–	65.2	76.5
Interest rate fair value hedges of financial liabilities						
Interest rate swaps EURIBOR (EUR)						
Nominal (€m)	230.1	150.0	2,845.8	257.1	228.9	1,005.0
Average fixed rate (%)	0.4	0.5	0.7	0.9	0.4	0.3

[1] The conversion is made at the exchange rate on the balance sheet date.

The nominal volume of the hedging instruments in the table above approximately reflects the volume affected by the interest rate benchmark reform that is designated as hedges (see note [2] "Accounting standards applied for the first time and to be applied in future").

	31 Dec 2020			31 Dec 2019		
	Up to 1 year	Between 1 year and 5 years	More than 5 years	Up to 1 year	Between 1 year and 5 years	More than 5 years
Currency fair value hedges of financial assets						
Cross-currency base swaps (CAD/EUR)						
Nominal (C$m)	100.0	660.2	800.0	110.0	312.0	740.3
Nominal (€m)[1]	64.0	422.3	511.7	75.4	213.7	507.1
Average contract rate (EUR/CAD)[2]	1.56	1.50	1.51	1.34	1.50	1.49
Cross-currency base swaps (CHF/EUR)						
Nominal (CHFm)	5.0	50.0	79.1	–	55.0	82.8
Nominal (€m)[1]	4.6	46.3	73.3	–	50.7	76.2
Average contract rate (EUR/CHF)[2]	1.19	1.09	1.15	–	1.10	1.15
Cross-currency base swaps (GBP/EUR)						
Nominal (£m)	151.5	1,719.3	338.0	288.0	1,836.4	375.0
Nominal (€m)[1]	168.5	1,912.4	376.0	338.5	2,158.4	440.7
Average contract rate (EUR/GBP)[2]	0.78	0.87	0.89	0.77	0.85	0.89
Cross-currency base swaps (JPY/EUR)						
Nominal (¥m)	–	27,737.0	–	5,337.0	9,000.0	–
Nominal (€m)[1]	–	219.3	–	43.8	73.8	–
Average contract rate (EUR/JPY)[2]	–	119.74	–	129.87	118.47	–
Cross-currency base swaps (USD/EUR)						
Nominal ($m)	1,028.0	5,484.1	2,108.0	443.5	4,585.8	3,368.5
Nominal (€m)[1]	837.8	4,469.1	1,717.8	394.8	4,082.1	2,998.4
Average contract rate (EUR/USD)[2]	1.14	1.15	1.13	1.13	1.15	1.14
Cross-currency base swaps (other currencies)						
Nominal (€m)[1]	17.9	57.8	32.3	–	72.1	33.7

[1] The conversion is made at the exchange rate on the balance sheet date.
[2] The conversation rate is quoted in quantity. If several swaps are included in a maturity band, a weighted nominal is used to determine the average price.

The carrying value adjustments are broken down according to the hedged underlying transactions as follows:

€m	31 Dec 2020 Carrying amount of the hedged items	31 Dec 2020 Accumulated valuation result of the hedged items[1)2)]	31 Dec 2020 Valuation result of the hedged items for the reporting period[3)]	31 Dec 2019 Carrying amount of the hedged items	31 Dec 2019 Accumulated valuation result of the hedged items[1)2)]	31 Dec 2019 Valuation result of the hedged items for the reporting period[3)]
Interest rate fair value hedges						
Financial assets measured at amortised cost						
Due from banks	1,437.5	32.6	0.2	1,685.5	28.3	22.5
Due from customers	8,177.9	323.3	205.6	7,158.3	116.3	126.2
Financial investments	1,115.1	84.7	48.8	1,134.1	38.3	29.2
Financial assets measured at fair value through other comprehensive income						
Financial investments	2,371.7	23.5	–1.0	3,194.6	29.0	11.1
Financial liabilities measured at amortised cost						
Due to banks	662.0	5.1	–6.2	285.8	–0.9	1.5
Due to customers	641.7	10.8	–10.9	39.6	–0.2	0.2
Securitised liabilities	1,767.7	31.9	–37.9	1,000.7	–5.9	6.4
Subordinated capital	297.9	3.5	–3.1	165.3	–0.3	0.3
Currency fair value hedges						
Bottom layer financial assets	10,678.5	–	–756.2	11,400.7	–	–142.6
Total	**27,150.0**	**515.4**	**–560.7**	**26,064.6**	**204.6**	**54.8**

1) The accumulated hedge adjustment is the accumulated amount included in the carrying amount of the hedged item of interest rate related adjustments from current hedging relationships.
2) Amounts with a positive leading sign represent an increase of value and amounts with a negative leading sign a decrease of value.
3) Includes the change in value of the hedged items used to measure ineffectiveness during the reporting period. In the case of interest rate fair value hedges, these are interest-related changes in value, and in the case of currency fair value hedges, these are spot exchange rate differences in relation to the nominal value of the hedged item.

In the case of currency fair value hedges, the designation of a layer component first of all involves specifying the group of underlying transactions as a whole from which the layer component is defined. This means that existing financial assets which are of the same type in terms of the hedged risk are identified along with their nominal amounts. At the Deka Group, the hedged layer component is a bottom layer of this defined nominal amount.

The following table shows the composition of the bottom layers for currency fair value hedges on the balance sheet date:

€m	2020	2019	Change
Financial assets measured at amortised cost			
Due from banks	45.2	45.0	0.2
Due from customers	9,434.3	10,243.9	–809.6
Financial investments	1,199.0	1,111.8	87.2
Financial assets measured at fair value through other comprehensive income			
Financial investments	–	–	–

Other disclosures

74 Equity management

The objectives of equity management are to ensure adequate capital to carry out the business strategy determined by the Board of Management, to achieve an appropriate return on equity and to comply with regulatory capital requirements (for more information, see note [75] "Regulatory capital (own funds)").

In the economic perspective, internal capital in the risk-bearing capacity analysis means the risk capacity as defined in the risk strategy. In principle, the Deka Group determines the overall risk across all significant risk types that impact income and also includes those risks not taken into consideration for regulatory purposes, for example business risk. Total risk is measured as the amount of capital that is highly likely to be sufficient to cover losses from all main risk exposures in a one-year period at any time. The Deka Group uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and to aggregate them as an indicator for overall risk.

To assess risk-bearing capacity on a differentiated basis, the Deka Group distinguishes between the risk capacity and the risk appetite. In the risk-bearing capacity analysis, risk capacity essentially consists of equity under IFRS and income components, as adjusted to correct for certain capital components such as intangible assets or risks arising from pension obligations. In addition, the AT1 capital, which serves as a capital buffer in stress phases, counts towards the risk capacity. As a formal overall risk limit, risk capacity serves to guarantee the Bank's risk-bearing capacity as a whole. In normal market phases, the AT1 capital is separated from this as a stress buffer. Risk appetite is the primary control parameter. This cannot exceed the risk capacity less any stress buffer that may have been created and a management buffer.

In the normative perspective, the Common Equity Tier 1 capital ratio is the key management indicator. The Common Equity Tier 1 capital ratio is defined as the ratio of Common Equity Tier 1 capital to risk-weighted assets (RWAs) for all relevant credit, market and operational risk positions plus the credit valuation adjustment (CVA) risk. Other key figures that are relevant for management purposes include own funds, risk-weighted assets and leverage ratio exposure along with the corresponding capital ratios, the Minimum Requirement for own funds and Eligible Liabilities (MREL) ratio and the utilisation of the large exposure limit. Risk-weighted assets are managed in line with the Deka Group's strategy, the targeted balance sheet structure and the capital market environment.

The regulatory ratios are calculated on a monthly or quarterly basis and are reported to the Board of Management and the Administrative Board. Compliance with the internal thresholds is ensured by means of an ongoing monitoring process, which additionally includes a monthly comparison between the target and actual figures and a forecast process.

In normative risk and capital planning, the regulatory ratios are calculated for each budget year. In the course of the annual planning process, the guidelines for the next three years are defined for the Group, the individual business divisions and the Treasury corporate centre. Within the framework of this overall plan, in principle the business divisions and the Treasury corporate centre must not exceed the target RWAs specified in the medium-term planning. In the event that the target is exceeded, measures to reduce the RWAs are examined.

When managing regulatory capital requirements, particular attention is also paid to assessing future regulatory developments. This includes analysing current recommendations from supervisory committees and proposed legislation on an ongoing basis, and assessing the impact of such proposals on capital adequacy. The findings are incorporated into the annual planning process.

75 Regulatory capital (own funds)

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

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

	31 Dec 2020		31 Dec 2019	
€m	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Subscribed capital	286	286	286	286
Less repurchased Common Equity Tier 1 items	95	95	95	95
Open reserves	4,909	4,909	4,795	4,795
Other comprehensive income	133	133	112	112
Prudential filters	121	121	47	47
Deductions from Common Equity Tier 1 items	409	409	247	247
Common Equity Tier 1 (CET 1) capital	**4,437**	**4,437**	**4,579**	**4,579**
Additional Tier 1 capital instruments	474	474	474	474
Silent capital contributions	–	10	–	16
Deductions from Additional Tier 1 items	–	–	–	–
Additional Tier 1 (AT 1) capital	**474**	**484**	**474**	**489**
Tier 1 capital	**4,911**	**4,921**	**5,053**	**5,069**
Subordinated liabilities	842	842	775	775
Deductions from Tier 2 items	–	–	–	–
Tier 2 (T2) capital	**842**	**842**	**775**	**775**
Own funds	**5,753**	**5,763**	**5,828**	**5,844**

The slight decline in Common Equity Tier 1 capital was mainly due to a larger shortfall of provisions and to the neutralisation of valuation effects for own issues dating from the 2019 financial year. Meanwhile, there was a positive effect on Tier 1 capital from the reinvestment of profits from the 2019 annual financial statements. Tier 2 capital was strengthened with the new issue of subordinated capital. The reduced eligibility of Tier 2 capital under the CRR in the last five years before maturity had the opposite effect.

The credit risk is essentially determined according to the IRB approach based on internal ratings. The capital charges for specific market risk and CVA risk are determined using standard methods. General market risk is determined using an internal model. Operational risk is measured using the advanced measurement approach (AMA). Each of the aforementioned risk factors must be backed by own funds. The items subject to a capital charge are shown in the following table:

	31 Dec 2020		31 Dec 2019	
€m	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Credit risk	17,605	17,605	19,147	19,147
Market risk	9,578	9,578	9,269	9,269
Operational risk	3,485	3,485	3,243	3,243
CVA risk	638	638	570	570
Risk-weighted assets	**31,307**	**31,307**	**32,229**	**32,229**

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

	31 Dec 2020		31 Dec 2019	
%	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Common Equity Tier 1 capital ratio	14.2	14.2	14.2	14.2
Tier 1 capital ratio	15.7	15.7	15.7	15.7
Total capital ratio	18.4	18.4	18.1	18.1

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

76 Contingent liabilities and other obligations

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

€m	**31 Dec 2020**	**31 Dec 2019**	Change
Irrevocable lending commitments	1,341.6	2,065.4	–723.8
Other liabilities	132.4	104.9	27.5
Total	**1,474.0**	**2,170.3**	–696.3

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

As in the previous year, other financial liabilities include payment obligations of €0.1m and subsequent funding obligations of €5.1m (previous year: €5.1m) to unconsolidated companies or companies outside the Group. There is an additional funding obligation for the deposit guarantee scheme of the *Landesbanken* and

Girozentralen of €79.6m (previous year: €84.0m). By 2024, the assets held in the guarantee scheme must be built up to the statutory target level of 0.8% of the covered deposits held by members of the guarantee scheme. Each year, the guarantee scheme collects contributions from its members for this purpose.

The bank guarantees provided by DekaBank are financial guarantees under IFRS and are stated net in accordance with IFRS 9. The nominal amount of the guarantees in place as at the reporting date was €138.7m (previous year: €119.9m).

In a circular dated 17 July 2017, the Federal Ministry of Finance (BMF) presented rules for the tax treatment of share trades around the dividend record date, and noted, *inter alia*, that certain transaction types may fall under the scope of section 42 of the German Tax Code (*Abgabenordnung* – AO). In a ruling dated 28 January 2020 (4 K 890/17), the Kassel Fiscal Court gave its verdict, among other things, on the entitlement to relief from capital yields tax (*Kapitalertragsteuer*) in cum/cum securities transactions for the years in dispute, 2004 to 2007. The matter on which the Kassel Fiscal Court reached its judgement differed from the share trades transacted by DekaBank around the dividend record date. DekaBank therefore still sees no convincing reason to believe that the share trades it transacted around the dividend record date will fall under the scope of section 42 of the German Tax Code. In the case of its share trades, DekaBank also believes that there was a transfer of beneficial ownership and therefore considers it unlikely that a final claim will be made in this regard. Consequently, there are no grounds to create provisions for financial burdens arising from the refusal by tax authorities to allow relief from capital yields tax. Since a degree of uncertainty remains as to how the tax authorities and fiscal courts will ultimately assess the share trades concerned, it cannot be definitively ruled out that an adverse financial impact of €47.6m may arise in this regard. The €31.9m year-on-year increase in contingent liabilities relates to the issue of an amended tax assessment notice for corporation tax in 2013 by the Frankfurt/Main V-Höchst tax authorities dated 30 December 2020. According to the amended tax assessment notice, it was issued as a highly precautionary measure given the abstract possibility of payment becoming (partially) statute-barred on 31 December 2020. Given, however, that the notice (unlike the circular released by the Federal Ministry of Finance (BMF) on 17 July 2017) refuses full relief from the relevant capital yields tax and solidarity surcharge, making reference to the ruling of the Kassel Fiscal Court of 28 January 2020 (4 K 890/17), the contingent liability has been increased in light of the risk that this reflects a fundamental change in the tax authorities’ view of the legal consequences. As DekaBank continues to assume that its legal view will be confirmed in the final instance of fiscal court proceedings, tax refund claims of €29.6m continue to be recognised in this context.

77 Assets transferred as collateral

Assets transferred as collateral for the Group's liabilities are shown in the following table:

€m	31 Dec 2020	31 Dec 2019	Change
Carrying value of transferred collateral			
Under Pfandbrief Act	5,471.3	4,591.1	880.2
For refinancing purposes with Deutsche Bundesbank	1,598.2	1,412.0	186.2
From transactions on German and foreign futures exchanges	487.2	328.5	158.7
From repurchase agreements	495.9	958.1	–462.2
From securities lending agreements	4,110.6	7,889.1	–3,778.5
From tri-party transactions	3,279.9	3,378.1	–98.2
From other transactions	478.0	379.8	98.2
Loan and securities collateral	**15,921.0**	**18,936.7**	–3,015.7
Cash collateral relating to securities lending and repurchase agreements	144.8	62.4	82.4
Cash collateral relating to derivative transactions	5,228.1	4,067.7	1,160.4
Cash collateral	**5,372.9**	**4,130.1**	1,242.8
Total	**21,294.0**	**23,066.8**	–1,772.8

78 Assets received as collateral

In the Deka Group, collateral is accepted to reduce default risks resulting from lending and trading transactions. In the Deka Group's lending business, the collateral currently used includes, depending on the type of financing, the following in particular: guarantees and sureties from domestic local authorities or recognised export credit insurers, charges on commercial and residential property and registered liens on ships and aircraft, as well as assignments of receivables and cash collateral. Valuation of collateral and of any discounts applied is primarily based on the creditworthiness of the party providing the guarantee, or in the case of physical collateral, on the market value, fair value or lending value of the financed property. The collateral received in the lending business is tested for impairment on a regular basis, at least once a year. Each type of collateral is subject to a risk-oriented review cycle, in both formal and substantive terms. Internally, deductions are generally made to take account of fluctuations in value and realisation risks. Credit balances maintained in the Deka Group are counted in full.

Credit derivatives and netting agreements for derivatives and repo lending transactions are used in the Deka Group to reduce credit risks. In addition, financial collateral in the form of securities (shares and bonds) and/or cash collateral is received for derivatives and repo lending transactions. The securities collateral permitted in repo lending transactions is defined in a DekaBank-specific Collateral Policy. Compliance is monitored daily by the Risk Control unit. In order to reduce the risks resulting from fluctuations in the market price of the collateral accepted, collateral discounts or overcollateralisation and a daily additional contribution obligation to maintain the overcollateralisation are agreed with the counterparty.

Collateral received for repurchase agreements, securities lending transactions and other securities transactions that may be re-pledged or resold even if the party providing the collateral does not default amounted to €47.2bn (previous year: €58.5bn). Of this total, €31.5bn (previous year: €33.0bn) was resold or re-pledged.

79 Financial instruments transferred but not derecognised

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

	Carrying amount of financial assets not derecognised		Carrying amount of the associated financial liabilities		Net position	
€m	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Genuine repurchase agreements						
thereof financial assets measured at amortised cost	57.6	231.5	57.2	229.7	0.4	1.8
thereof financial assets measured at fair value through other comprehensive income	44.9	17.5	44.9	17.4	–	0.1
thereof financial assets measured at fair value through profit or loss	367.8	586.6	365.7	583.9	2.1	2.7
Securities lending transactions						
thereof financial assets measured at amortised cost	68.2	27.5	–	–	68.2	27.5
thereof financial assets measured at fair value through other comprehensive income	24.5	13.2	–	–	24.5	13.2
thereof financial assets measured at fair value through profit or loss	2,346.9	2,892.2	75.9	6.6	2,271.0	2,885.6
Other transfers not constituting economical disposal						
thereof financial assets measured at amortised cost	170.3	709.1	170.5	712.7	–0.2	–3.6
thereof financial assets measured at fair value through other comprehensive income	0.2	4.7	0.2	4.7	–	–
thereof financial assets measured at fair value through profit or loss	92.1	245.8	91.5	245.6	0.6	0.2
Total	**3,172.5**	**4,728.1**	**805.8**	**1,800.6**	**2,366.6**	**2,927.5**

80 Letter of comfort

Except in the case of political risk, DekaBank shall ensure that Deka Verwaltungsgesellschaft Luxembourg S.A. (formerly: DekaBank Deutsche Girozentrale Luxembourg S.A.) can meet its obligations. Deka Verwaltungsgesellschaft Luxembourg S.A. (formerly: DekaBank Deutsche Girozentrale Luxembourg S.A.) has in turn issued a letter of comfort in favour of Deka International S.A., Luxembourg.

81 Information on holdings in subsidiaries

Composition of the Deka Group

In addition to DekaBank as the parent company, the consolidated financial statements include a total of 11 (previous year: 11) domestic companies and 5 (previous year: 6) foreign affiliated companies in which DekaBank directly or indirectly holds the majority of the voting rights. The scope of consolidation also includes 3 (previous year: 5) structured entities that are controlled by the Deka Group.

A total of 10 (previous year: 10) affiliated companies controlled by the Deka Group were not consolidated, because they are of minor significance for the presentation of the financial position and financial performance of the Group. The interests held in these subsidiaries are reported under financial assets at fair value (see note [48] "Financial assets at fair value"). Where they are of minor significance to the consolidated financial statements, structured entities are also not consolidated (see note [83] "List of shareholdings"). To determine their significance for the presentation of the financial position and financial performance of the Group, investment funds are assessed using both qualitative and quantitative criteria. Units in unconsolidated investment funds are recognised at fair value through profit or loss. These are shown on the balance sheet under financial assets at fair value (see note [48]).

Significant restrictions

Significant restrictions on the Group's ability to access or use assets and settle liabilities arise in particular as a result of the contractual, legal and regulatory requirements that apply to financial institutions (see note [75] "Regulatory capital (own funds)" and note [77] "Assets transferred as collateral" with regard to restrictions associated with the pledging of cash, loans or securities as collateral to cover Group liabilities under, for example, genuine repurchase agreements, securities lending transactions and over-the-counter derivatives transactions.

Banks are also obliged to maintain mandatory deposits in accounts held with their national central banks (minimum reserve requirement). The extent of the mandatory minimum reserve is determined by the central banks (see note [44] "Cash reserves").

Interests in joint arrangements and associates

DekaBank still has interests in three jointly controlled entities and one associated company. Equity investments in S-PensionsManagement GmbH and Dealis Fund Operations GmbH i.L. (joint ventures) are accounted for in the consolidated financial statements using the equity method. Two affiliated companies were not consolidated despite the fact that DekaBank exercises significant influence over them, because they are of minor significance for the presentation of the financial position and financial performance of the Group.

Joint ventures and associates which have been accounted for using the equity method can be found in the list of shareholdings (see note [83]).

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

	Joint ventures[1]	
€m	**31 Dec 2020**	**31 Dec 2019**
Carrying value of equity participation	**16.4**	**16.4**
Profit or loss after tax from discontinued business operations	–0.0	–0.0
Other comprehensive income	–	–
Comprehensive income	**–0.0**	**–0.0**

[1] At the time of the preparation of DekaBank's consolidated financial statements, no consolidated financial statements were available for S-PensionsManagement GmbH for 2020. For this reason, measurement under the equity method was performed on the basis of forecast results which take account of impact of any significant transactions and other events that have arisen since the last reporting date of S-PensionsManagement GmbH, or are expected to occur.

82 Information on holdings in unconsolidated structured entities

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

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

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

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

Securitisation companies (structured capital market credit products)
The shares in various securitisation entities still held in the previous year in the former Liquid Credits portfolio were wound down completely in the 2020 reporting year.

Investment funds
Part of the Deka Group's core business involves providing securities and real estate investments to private and institutional investors. As a result, companies in the Deka Group play a role, directly or indirectly, in setting up fund structures as part of their ordinary business activities, and are involved in determining the purpose and design of such structures. In addition, the Group's activities cover the whole of the usual value chain for fund business. In return, the Group receives appropriate commission, for example in the form of management and custodial fees. The Group also invests in holdings in investment funds owned by the Group in the context of start-up financing, thereby providing those funds with liquidity. Investment funds are therefore considered to be structured entities within the meaning of IFRS 12. Funds are primarily financed by issuing unit certificates (equity). To a limited extent, funds can also take up loans. Borrowings are generally secured against the assets held within the fund. Fund assets held in Group-owned and external investment funds amount to €367.6bn (previous year: €354.4bn). This amount includes all fund assets and also the fund assets of third parties in which the Deka Group has an interest within the meaning of IFRS 12, irrespective of the percentage of the Deka Group's unit holding. Fund assets calculated exclusively for the purposes of the IFRS 12 disclosures do not correspond to the key indicator total customer assets used for management purposes.

Lending business
According to the definition, if a company is founded specifically to finance or operate the assets for which a loan is made, and the design of that company is such that it is not controlled by means of voting or similar rights, then this constitutes a structured entity for DekaBank. A holding in a structured entity may also exist if rights that are contractually agreed as part of the loan agreement (for example intellectual property or trademark rights) are converted into co-determination rights in the event of deteriorating creditworthiness. An operating company can, for example, become a structured entity if relevant business activities start to be governed predominantly by the provisions of the loan agreement. As part of the classification performed in accordance with IFRS 12, structured entities were identified within the transport and export finance, real estate and retail risk segments. The financing concerned is generally collateralised by charges on property,

aircraft mortgages, ship mortgages, and sureties and guarantees. In addition, there was an unsecured financing arrangement in the form of a promissory note loan in the reporting year, some of which was also assigned to third parties. To secure the claims, the financed asset (consumer loan portfolio) was transferred by a structured entity to a security trustee.

When determining the size of the financing classified as structured, the total assets shown in the current available financial statements or the market value of the financed asset were used. Amounts in foreign currencies were translated at the mean spot rate as at the reporting date. This figure amounts to €1.7bn (previous year: €2.3bn).

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

	Investment funds		Lending business[1]	
€m	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Asset items				
Due from customers	2,154.4	3,040.4	484.9	618.7
Financial assets at fair value	1,148.3	2,503.9	188.2	307.8
Financial investments	–	–	–	–
Other assets	0.0	0.5	–	–
Total asset items	**3,302.7**	**5,544.8**	**673.1**	**926.5**
Liability items				
Due to customers	13,073.0	12,069.0	0.0	0.0
Financial liabilities at fair value	168.9	98.5	–	–
Other liabilities	4.2	7.9	–	–
Total liability items	**13,246.1**	**12,175.4**	**0.0**	**0.0**
Contingent liabilities and other obligations				
Irrevocable lending commitments	–	–	–	0.7
Other liabilities	–	–	5.1	6.5
Total contingent liabilities and other obligations	**–**	**–**	**5.1**	**7.2**
Maximum exposure to loss	**3,302.7**	**5,544.8**	**678.2**	**933.7**

[1] Including risk provisions

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

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

In addition, provisions are established for investment funds with formal guarantees and targeted returns (see note [61] "Other provisions").

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

As at the reporting date, ten borrowers classified as non-consolidated structured entities are classified as non-performing and/or forborne. The carrying value or fair value of the exposures classified as non-performing or forborne amounts to €78.9m and €58.9m respectively. Forbearance measures are generally deferrals of interest and/or repayment, most of which were granted in connection with the impact of the COVID-19 pandemic.

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

Sponsored unconsolidated structured entities

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

No relationships with sponsored unconsolidated structured entities existed during the year under review. As at 31 December 2020, there were no sponsored unconsolidated structured entities.

83 List of shareholdings

The following information on shareholdings is a supplementary disclosure required under section 315e of the German Commercial Code. No comparative information is therefore presented in respect of the previous period.

Consolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity % 31 Dec 2020
bevestor GmbH, Frankfurt/Main	100.00
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Far East Pte. Ltd., Singapore	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Real Estate International GmbH, Frankfurt/Main	100.00
Deka Real Estate Services USA Inc., New York	100.00
Deka Vermögensmanagement GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungsgesellschaft Luxembourg S.A., Luxembourg (formerly: DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg)	100.00
S Broker Management AG, Wiesbaden	100.00
S Broker AG & Co. KG, Wiesbaden	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74[1]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

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

Consolidated subsidiaries (structured entities):

Name, registered office	Share in fund assets % 31 Dec 2020
A-DGZ 2-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
S Broker 1 Fonds, Frankfurt/Main	100.00

Joint ventures and associated companies consolidated at equity:

Name, registered office	Share of equity % 31 Dec 2020	Equity €'000 31.12.2020[1]	Total of profit or loss €'000 31.12.2020[1]
Joint ventures			
S-PensionsManagement GmbH, Cologne	50.00	28,069.5	1,244.6
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00	32,853.6	–60.9

[1] Amounts reported in financial statements for the year ended 31 December 2019

Joint ventures and associated companies not consolidated at equity:

Name, registered office	Share of equity % 31 Dec 2020
Joint ventures	
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Associated companies	
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.20

Unconsolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity % 31 Dec 2020
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 04 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 05 mbH, Frankfurt/Main	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90

Unconsolidated structured entities:

Name, registered office	Fund assets €m 31 Dec 2020	Share of equity/ fund assets % 31 Dec 2020
Deka-Institutionell Absolute Return Dynamisch, Frankfurt/Main	32.23	100.00%
Deka-EuropaGarant 90, Luxembourg	25.35	99.05%
Deka-Nachhaltigkeit EinkommensStrategie, Luxembourg	5.16	97.14%
Mix-Fonds Index: moderat, Luxembourg	5.28	97.03%
Deka-Immobilien PremiumPlus-Private Banking CF (T), Luxembourg	1.01	96.85%
Deka-MultiFactor Global Corporates, Luxembourg	38.13	93.56%
Deka Germany 30 UCITS ETF, Frankfurt/Main	35.91	91.72%
Mix-Fonds Index: ausgewogen, Luxembourg	5.86	88.61%
Mix-Fonds Index: offensiv, Luxembourg	6.67	84.92%
Deka-Institutionell Absolute Return Defensiv, Frankfurt/Main	21.01	77.63%
Deka-RentSpezial EM 9/2025, Frankfurt/Main	18.88	77.53%
Deka MSCI Europe Climate Change ESG UCITS ETF, Frankfurt/Main	42.24	77.37%
Mix-Fonds Index: dynamisch, Luxembourg	7.05	76.42%
Deka-Nachhaltigkeit DividendenStrategie, Frankfurt/Main	12.91	75.36%
Deka-MultiFactor Emerging Markets Corporates, Luxembourg	27.84	69.75%
Deka-MultiFactor Global Corporates HY, Luxembourg	35.07	68.15%
Deka MSCI World Climate Change ESG UCITS ETF, Frankfurt/Main	85.99	63.85%
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	34.62	59.72%
Deka Euro Corporates 0-3 Liquid UCITS ETF, Frankfurt/Main	70.33	57.02%
Deka-Nachhaltigkeit Impact Renten, Luxembourg	28.16	54.84%
Deka-Relax 50, Frankfurt/Main	1.04	53.56%
Deka-MultiFactor Global Government Bonds, Luxembourg	27.48	53.49%
Deka-Relax 70, Frankfurt/Main	1.09	52.44%
Deka-Relax 30, Frankfurt/Main	1.12	47.91%
Deka-Nachhaltigkeit GlobalChampions, Frankfurt/Main	11.84	44.81%
Deka MSCI Germany Climate Change ESG UCITS ETF, Frankfurt/Main	53.02	40.70%
Deka MSCI EMU Climate Change ESG UCITS ETF, Frankfurt/Main	71.85	38.05%
SSKM Nachhaltigkeit Invest, Frankfurt/Main	53.32	37.44%
Deka-RentSpezial High Income 9/2025, Frankfurt/Main	35.68	36.88%
Deka-Institutionell RentSpezial HighYield 9/2027, Frankfurt/Main	22.96	36.55%
Deka MSCI Japan UCITS ETF, Frankfurt/Main	131.64	33.22%
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Mittelstandskreditfonds I, Frankfurt/Main	29.07	23.00%
Deka Deutsche Boerse EUROGOV® Germany 1-3 UCITS ETF, Frankfurt/Main	285.05	21.25%

84 Related party disclosures

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

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

	Board of Management		Administrative Board	
€m	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Short-term benefits	2.8	3.7	0.9	0.8
Post-employment benefits	1.5	1.9	–	–
Other long-term benefits	1.8	2.4	–	–
Total	**6.1**	**8.0**	**0.9**	**0.8**

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

Transactions are carried out with related parties under normal market terms and conditions as part of the ordinary business activities of the Deka Group. These relate, inter alia, to loans, call money, time deposits and derivatives. The non-consolidated subsidiaries receive services from the Deka Group free of charge as part of general day-to-day business. This also applies to three subsidiaries included in the consolidated financial statements that do not have any employees of their own. The liabilities of the Deka Group to mutual funds and special funds essentially comprise bank balances from the temporary investment of liquid funds. The tables below show the extent of these transactions.

Business dealings with shareholders of DekaBank and unconsolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Asset items				
Due from customers	–	–	0.1	0.4
Financial assets at fair value	–	–	1.1	3.1
Other assets	–	–	0.3	16.5
Total asset items	**–**	**–**	**1.5**	**20.0**
Liability items				
Due to customers	60.4	63.4	40.9	59.7
Financial liabilities at fair value	–	–	0.2	0.5
Other liabilities	–	–	0.0	0.0
Total liability items	**60.4**	**63.4**	**41.1**	**60.2**

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

€m	Joint ventures/ associated companies 31 Dec 2020	Joint ventures/ associated companies 31 Dec 2019	Other related parties 31 Dec 2020	Other related parties 31 Dec 2019
Asset items				
Due from customers	0.3	0.0	–	–
Financial assets at fair value	0.9	1.3	0.0	0.0
Other assets	0.2	0.1	0.5	0.6
Total asset items	**1.4**	**1.4**	**0.5**	**0.6**
Liability items				
Due to customers	20.1	11.9	67.0	103.2
Financial liabilities at fair value	60.7	57.7	0.4	–
Total liability items	**80.8**	**69.6**	**67.4**	**103.2**

Units in investment funds amounting to €4.4m are held by related parties in connection with the management of mutual funds in the DekaBank custody account.

85 Average number of staff

	2020			2019		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Full-time employees	2,514	1,018	3,532	2,553	1,069	3,622
Part-time and temporary employees	246	766	1,012	213	761	974
Total	**2,760**	**1,784**	**4,544**	**2,766**	**1,830**	**4,596**

86 Remuneration of Board members

€	31 Dec 2020	31 Dec 2019
Total remuneration of active Board members		
Board of Management	5,347,339	6,207,945
Administrative Board	944,583	780,000
Total remuneration of former Board members and their surviving dependents		
Board of Management	4,304,177	3,921,802
Provisions for pensions for former Board members and their dependents	66,482,829	65,312,543

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

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

In the 2020 financial year, variable remuneration elements that are dependent on future performance amounting to €2.8m (previous year: €2.5m) were committed to current members of the Board of Management. Half of the variable remuneration components to which an entitlement does not already arise in the year of commitment and which are paid out at a later date (deferred variable remuneration components) are granted in cash, with the other half being granted in the form of instruments. All deferred variable remuneration components are subject to a waiting period of up to five years, during which they can be reduced or forfeited altogether in accordance with the statutory provisions in the event of failure to meet targets at individual, company or Group level.

The value of the instruments depends on the sustainable performance of the Deka Group. The instruments are subject to a one-year holding period after the end of the waiting period, and are paid out after that period has elapsed. In the event of serious misconduct or breaches of duty, variable remuneration components that have already been paid out can still be clawed back for a period of up to two years following the end of the last waiting period for the financial year in question.

Total emoluments include deferred variable remuneration components from previous years payable to active members of the Board of Management amounting to €2.4m and to former members of the Board of Management amounting to €0.2m. The entitlement of active board members comprises €0.6m for the 2019 financial year, €0.6m for the 2018 financial year, €0.3m for the 2017 financial year, €0.4m for the 2016 financial year, €0.4m for the 2015 financial year and €0.2m for the 2014 financial year.

87 Auditor's fees

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

€m	2020	2019	Change
Fees for			
Year-end audit services	4.1	4.5	–0.4
Non-audit services			
Other assurance services	0.9	0.8	0.1
Tax advisory services	0.0	0.0	0.0
Other services	–	–	–
Total	**5.0**	**5.3**	–0.3

88 Additional miscellaneous information

Events after the reporting period

No major developments of particular significance occurred after the 2020 reporting date.

Recommendation regarding appropriation of net profit

The ECB is standing by its recommendation on the payment of dividends during the COVID-19 crisis. To maintain a solid capital base while providing the necessary support to the economy at the same time, the ECB recommends that companies refrain from paying dividends until 1 January 2021. The ECB recently reiterated its expectation of a restrictive approach to dividend distributions, while at the same time allowing for the possibility of moderate dividend distributions in principle. Dividend distributions are to be suspended or limited until 30 September 2021. As a result, the Administrative Board will consider a proposal for the appropriation of profits taking the ECB's guidelines into account.

The consolidated financial statements were approved for publication on 26 February 2021 by the Board of Management of DekaBank.

Assurance of the Board of Management

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

Frankfurt/Main, 26 February 2021

DekaBank
Deutsche Girozentrale

The Board of Management

Dr. Stocker Dr. Danne Dietl-Benzin

Kapffer Müller

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor's Report

To DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main, and its subsidiaries (the Group), which comprise the statement of profit or loss and other comprehensive income, the statement of financial position as at 31 December 2020, the statement of changes in equity and the statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements for 2020, including a summary of significant accounting policies. In addition, we have audited the group management report of DekaBank Deutsche Girozentrale AöR for the financial year from 1 January to 31 December 2020. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of financial assets valued at fair value
For the accounting policies applied, please refer to notes 8 and 9 in the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

As at 31 December 2020, the Deka Group recognised "financial assets valued at fair value" totalling EUR 23.0 billion. At 26.9% of total assets this represents a significant item on the assets side for DekaBank and contains securities and derivatives, for which there is a quoted price on an active market and those for which a valuation method was used based on observable and/or unobservable market data (this corresponds to the fair value categories 1 to 3 of IFRS 13).

The financial statement risk could arise through inappropriate market prices, valuation methods and models or valuation parameters incorporated therein being used when measuring the fair values.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we developed an audit approach which encompasses both control testing as well as substantive audit procedures. We therefore performed the following audit procedures, among others:

For our assessment, we inspected documentation and conducted surveys, and also tested the functionality of key controls. In particular we evaluated the key processes and controls of DekaBank regarding

- the procurement and validation or independent verification of quoted prices as well as observable and unobservable market data,
- the validation of the valuation methods and models as well as
- the fair value measurement of securities and derivatives

in respect of their adequacy and effectiveness. In addition, we also audited the effectiveness of the general IT controls in the IT systems that are used.

We carried out, inter alia, the following substantive audit procedures for portfolios of securities and derivatives selected based on risk as at 31 December 2020:

- Carrying out an independent price verification if a quoted price on an active market exists.
- Where there are no quoted prices on an active market, we performed a re-evaluation using independent valuation methods, parameters and models based on risk.
- Assessment of the determination and recognition of value adjustments to measure fair value.

OUR OBSERVATIONS

The classification of financial assets measured at fair value and the market prices, valuation methods and models used for their measurement at DekaBank are appropriate. The parameters incorporated were properly derived.

Measurement of financial liabilities from the issuance of certificates measured at fair value
For the accounting policies applied, please refer to notes 8 and 9 in the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The item "financial liabilities measured at fair value" represents 35.7% (EUR 30.5 billion) of the Deka Group's total equity and liabilities and includes certificate issuance measured on the basis of observable and unobservable inputs.

The financial statement risk could lie in particular in there being no appropriate valuation methods and models or valuation parameters incorporated therein used when measuring the fair values.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we developed an audit approach which encompasses both control testing as well as substantive audit procedures. We therefore performed the following audit procedures, among others:

For our assessment, we inspected documentation and conducted surveys, and also tested the functionality of key controls. In particular we evaluated the key processes and controls of DekaBank regarding

- the procurement and validation or independent verification of quoted prices as well as observable and unobservable market data,
- the validation of the valuation methods and models, and
- the fair value measurement of certificates

in respect of their adequacy and effectiveness. In addition, we also audited the effectiveness of the general IT controls in the IT systems that are used.

We carried out, inter alia, the following substantive audit procedures for certificates selected based on a risk-oriented approach as at 31 December 2020:

- Risk-based re-valuation using independent valuation methods, parameters and models. In this process, we covered the significant product-model combinations of the Bank.
- Assessment of the discount curves used for the valuation of certificates.

OUR OBSERVATIONS

The measurement methods and models used by DekaBank for the fair value measurement of financial liabilities from the issuance of certificates measured at fair value are appropriate. The parameters incorporated were properly derived.

The determination and recognition of net commission income from the fund business
For the accounting policies used, please refer to notes 15 and 34 in the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The net commission income from the Deka Group's fund business is, in terms of amount, a key component of both the overall net commission income as well as the net income of the DekaBank Group. In the notes to the consolidated financial statements for the 2020 financial year, the Deka Group recognised commission income from the fund business of EUR 2.5 billion and commission expenses from the fund business of EUR 1.3 billion.

The Deka Group generates commission income from the administration and/or sale of investment fund units when the preconditions pursuant to IFRS 15 are met. Accordingly, commission expenses, which mainly arise from remuneration to sales partners, are recognised with the commission income with which they are associated.

The invoicing system and posting logic for commission income and expenses from the fund business of the Deka Group is multi-faceted. This multi-faceted nature is reflected in particular in the different types of commission in the fund business as well as the settlement of acquisition, issuance, invoicing and payment transactions between funds, the asset management companies of the Deka Group and DekaBank as well as the savings banks (Sparkassen).

The consolidated financial statement risk could arise due to net commission income from the fund business not being properly presented in the consolidated financial statements due to the inappropriate determination and recognition of the corresponding commission income and expenses.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we developed an audit approach which encompasses both control testing as well as substantive audit procedures. We therefore performed the following audit procedures, among others:

In order to audit the net commission income from the fund business we evaluated the key internal accounting-related processes and controls pertaining to

- the proper order entry
- the recognition and maintenance of fund and custodial account master data and
- the presentation for accounting purposes of commission income and expenses from the fund business

in respect of their adequacy and effectiveness. In addition, we also audited the effectiveness of the general IT controls in the IT systems that are used.

In the course of our substantive audit procedures we verified the proper entry into the accounts of commission income and expenses by reconciling the invoices with the underlying documents, which represent the basis for the determination and recognition of commission income and expenses, for individual transactions.

In addition, we also carried out plausibility assessments of ratios and industry trends in the course of our analytical audit procedures.

OUR OBSERVATIONS

Commission income and expenses from the fund business have been properly determined and recognised by the Deka Group.

Determination of specific provisions for expected credit losses (Stage 3) on receivables from customers arising from aircraft and real estate financing (retail and hotel real estate)
For the accounting policies used, please refer to notes 17 and 47 in the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The Bank discloses under receivables from customers, among others, receivables from transport financing of EUR 3.9 billion, which include receivables from aircraft financing of EUR 2.9 million, as well as receivables from real estate financing of EUR 10.3 billion, which include receivables from retail and hotel real estate. As at 31 December 2020, loss allowances and provisions totalling EUR 110.8 million and EUR 59.9 million were attributable to the risk segments transport and export financing and real estate risks, respectively. In total, there are specific provisions for expected credit losses of EUR 123 million.

The financial impact of the COVID-19 pandemic has differing effects on the counterparties within the transport financing portfolio. In particular, the aviation industry is strongly affected by the effects (especially due to the decline in the general willingness to travel). Due to the extensive lockdown measures, the hotel sector and store-based retail is also strongly affected by this development.

The determination of specific credit loss provisions on receivables from customers requires judgement. For the calculation of the specific credit loss provisions on financing from the aforementioned portfolios, the Company has to estimate the cash flows that it expects from contractual interest and principal repayments as well as from the liquidation of loan collateral provided. The cash flows are estimated taking into account the expected development of key value-determining assumptions and parameters. These include, in particular, the future development of the respective sales markets as well as the expected recoverable value of the collateral. These estimates are subject to uncertainty.

Inaccurate assumptions regarding the amount of the expected cash flows or the liquidation of the loan collateral provided result in the receivables being inaccurately measured and thus an appropriate level for counterparty credit risks not being taken into account. In view of this, it was of particular importance for our audit that the assumptions regarding the parameters stated as significant for the valuation were made in accordance with the applicable accounting policies.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

Within the scope of control-based audit procedures, we evaluated the implementation and effectiveness of the relevant controls, which the Bank had established to ensure the adequacy of specific credit loss provisions on aircraft and real estate financing (retail and hotel real estate).

In particular, we examined the appropriateness of the calculated specific credit loss provisions on receivables from aircraft and real estate financing (retail and hotel real estate) using deliberate sampling of individual exposures from the perspective of materiality and risk. In particular, we checked the appropriate estimation of expected cash flows, taking into account the expected development of key valuation assumptions and parameters. These include, in particular, the review of the appropriate consideration of the future development of the respective markets and the expected lease payments or cash flows of financed exposures and the expected recoverable value of the collateral. For the purposes of auditing the recoverability of the underlying collateral, we used appraisals from independent experts for our opinion as well as publicly available data to assess whether the assumptions used for the expert opinions were properly derived. We also confirmed the competence, professional skills and impartiality of the experts based on enquiries, evaluation of the technical quality of the expert opinions and by using publicly available information on the experts engaged.

OUR OBSERVATIONS

The assumptions underlying the determination of the amount of specific credit loss provisions on aircraft and real estate financing (retail and hotel real estate) were properly selected and are consistent with the accounting policies to be used for calculating specific credit loss provisions.

Other Information

Management respectively the Administrative Board are responsible for the other information. The other information comprises the separate non-financial report referred to in the group management report. The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Administrative Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the Group's assets, liabilities, financial position and financial performance. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Administrative Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, dekabank_KA+KLB_ESEF-2020-12-31.zip" (SHA256-Hashwert: 1e8d90055766f93adfe2ed5eb0ddfe5e63721005ab68d556146abae23449084c) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above.

We conducted our assurance work of the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company’s management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

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

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Administrative Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the Annual General Meeting on 2 April 2020. We were engaged by the Administrative Board on 15 June 2020. We have been the group auditor of DekaBank without interruption since financial year 2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to DekaBank or subsidiaries of DekaBank the following services that are not disclosed in the consolidated financial statements or in the group management report.

We performed a review of the interim (half-year) financial report, voluntary annual audits of subsidiaries and project-based quality assurance. Furthermore, we also performed other assurance services, including custody account audits/audits pursuant to the German Securities Trading Act [WpHG], an assurance engagement pursuant to ISAE 3402, issuing of a letter of comfort as well as other assurance services required by supervisory law and tax advisory services in respect of insurance tax obligation, which were approved by the Audit Committee.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Thomas Beier.

Frankfurt am Main, 3 March 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft

[signature]Beier	[signature]Haider
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Other information

Shareholders, subsidiaries and associated companies

Shareholders of DekaBank *(as of 1 March 2021)*

DSGV ö.K.[1]	**50 %**
thereof:	
Sparkassenverband Baden-Württemberg	7.71 %
Rheinischer Sparkassen- und Giroverband	6.56 %
Sparkassenverband Niedersachsen	6.46 %
Sparkassenverband Bayern	6.32 %
Sparkassenverband Westfalen-Lippe	6.18 %
Sparkassen- und Giroverband Hessen-Thüringen	5.81 %
Sparkassenverband Rheinland-Pfalz	3.21 %
Sparkassenverband Berlin / Landesbank Berlin	1.90 %
Ostdeutscher Sparkassenverband	1.83 %
Sparkassen- und Giroverband für Schleswig-Holstein	1.78 %
Sparkassenverband Saar	1.37 %
Hanseatischer Sparkassen- und Giroverband	0.91 %
Deka Erwerbsgesellschaft mbH & Co. KG	**50 %**
thereof:	
Sparkassenverband Bayern	8.40 %
Sparkassenverband Baden-Württemberg	8.14 %
Ostdeutscher Sparkassenverband	8.00 %
Rheinischer Sparkassen- und Giroverband	7.66 %
Sparkassen- und Giroverband Hessen-Thüringen	5.47 %
Sparkassenverband Westfalen-Lippe	3.69 %
Sparkassenverband Niedersachsen	2.04 %
Sparkassenverband Rheinland-Pfalz	1.87 %
Sparkassenverband Berlin / Landesbank Berlin	1.57 %
Sparkassen- und Giroverband für Schleswig-Holstein	1.48 %
Hanseatischer Sparkassen- und Giroverband	1.27 %
Sparkassenverband Saar	0.43 %

[1] in relation to voting stake (subject to rounding differences)

Subsidiaries and associated companies of DekaBank[2)] *(as of 1 March 2021)*

Asset Management Securities business division	
Deka Investment GmbH, Frankfurt/Main	100.0 %
Deka International S.A., Luxembourg	100.0 %
DekaTreuhand GmbH, Frankfurt/Main	100.0 %
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.0 %
Deka Vermögensmanagement GmbH, Frankfurt/Main	100.0 %
IQAM Invest GmbH, Salzburg	100.0 %
IQAM Partner GmbH, Vienna	100.0 %
S-Pensionsmanagement GmbH, Cologne	50.0 %
Sparkassen Pensionsfonds AG, Cologne	50.0 %
Sparkassen Pensionskasse AG, Cologne	50.0 %
Deka Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.0 %
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.0 %
Heubeck AG, Cologne	30.0 %
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.2 %
Erste Asset Management GmbH, Vienna	1.65 %
Asset Management Services business division	
bevestor GmbH, Frankfurt/Main	100.0 %
S Broker AG & Co. KG, Wiesbaden	100.0 %
S Broker Management AG, Wiesbaden	100.0 %
Asset Management Real Estate business division	
Deka Immobilien Investment GmbH, Frankfurt/Main	100.0 %
Deka Immobilien Luxembourg S.A., Luxembourg	100.0 %
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.0 %
Deka Verwaltungs GmbH, Frankfurt/Main	100.0 %
Deka Real Estate International GmbH, Frankfurt/Main	100.0 %
Deka Investors Spezialinvestmentaktiengesellschaft mit veränderlichem Kapital und Teilgesellschaftsvermögen, Frankfurt/Main	100.0 %
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.7 %
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.9 %
Architrave GmbH, Berlin	11.9 %
Deka-S-PropertyFund No. 1 Beteiligungs GmbH & Co. KG, Frankfurt/Main	11.6 %
Financing business division	
Global Format GmbH & Co. KG, Munich	18.8 %
HELICON Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	8.3 %
RSU Rating Service Unit GmbH & Co. KG, Munich	6.5 %
SIZ GmbH, Bonn	5.0 %
True Sale International GmbH, Frankfurt/Main	7.7 %
Corporate Centre Corporate Development	
Deka Beteiligungs GmbH, Frankfurt/Main	100.0 %
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.0 %

[2)] Held directly or indirectly. The Group has further holdings which are, however, of minor significance.

Administrative Board and Board of Management of DekaBank

(as of 1 March 2021)

Adminstrative Board

Helmut Schleweis
Chairman
President of the German Savings Banks and Giro Association e. V., Berlin
President of the German Savings Banks and Giro Association – public law entity, Berlin
Chairman of the General and Nominating Committee
Chairman of the Remuneration Supervision Committee

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

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

Further representatives selected by the Shareholders' Meeting:

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

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

Ingo Buchholz
Chairman of the Management Board of Kasseler Sparkasse, Kassel
Deputy Chairman of the Audit Committee

Prof. Dr. Liane Buchholz
President of the Savings Banks Association Westfalen-Lippe, Münster
Member of the Audit Committee
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

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

Michael Fröhlich
(since 1 January 2021)
Chairman of the Management Board of Sparkasse Bielefeld, Bielefeld
Member of the Risk and Credit Committee

Ralf Fleischer
Chairman of the Management Board of Stadtsparkasse München, Munich

Andreas Fohrmann
Chairman of the Management Board of Sparkasse Südholstein, Neumünster

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

Melanie Kehr
(since 1 January 2021)
Member of the Management Board of Kreditanstalt für Wiederaufbau, Frankfurt/Main

Dr. Christoph Krämer
(until 31 December 2020)
Chairman of the Management Board of Sparkasse Iserlohn, Iserlohn
Deputy Chairman of the Risk and Credit Committee
(since 1 January 2020)

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

Ludwig Momann
Chairman of the Management Board of Sparkasse Emsland, Meppen
Member of the Risk and Credit Committee

Tanja Müller-Ziegler
(since 1 January 2020)
Member of the Board of Management of Berliner Sparkasse, Berlin
Member of the Risk and Credit Committee

Dr. Ulrich Netzer
(until 31 December 2020)
President of the Savings Banks Association Bavaria, Munich
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee
Member of the Audit Committee

Prof. Dr. Ulrich Reuter
(since 1 January 2021)
President of the Savings Banks Association Bavaria, Munich
Member of the Audit Committee
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Katrin Rohmann
(since 1 August 2020)
Feelance Auditor, Birkenwerder

Frank Saar
Member of the Management Board of Sparkasse Saarbrücken, Saarbrücken
Member of the Risk and Credit Committee
(until 31 December 2020)
Deputy Chairman of the Risk and Credit Committee
(since 1 January 2021)

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

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

Burkhard Wittmacher
Chairman of the Management Board of Sparkasse Esslingen-Nürtingen, Esslingen
Member of the Audit Committee

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

Employee Representatives appointed by the Staff Committee:

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

Edwin Quast
(since 10 June 2020)
First Deputy Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Erika Ringel
(until 9 June 2020)
Member of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

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

Dr. Uwe Brandl
(since 10 July 2020)
Mayjor of the City of Abensberg and First Deputy Chairman of the German Association of Towns and Municipalities, Berlin

Helmut Dedy
Chief Executive Officer of the German Association of Cities, Berlin

Prof. Dr. Hans-Günter Henneke
Managing Member of the Presiding Board of the German County Association, Berlin
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Roland Schäfer
(until 9 July 2020)
Mayor of the City of Bergkamen and First Vice President of the German Association of Towns and Municipalities, Berlin

Board of Management

Dr. Georg Stocker
Chairman of the Board of Management
(since 1 January 2020)

Dr. Matthias Danne
Deputy Chairman of the Board of Management
(since 2 July 2020)
Member of the Board of Management
(until 1 July 2020)

Manuela Better
Member of the Board of Management
(until 31 May 2020)

Birgit Dietl-Benzin
Member of the Board of Management
(since 11 June 2020)

Daniel Kapffer
Member of the Board of Management

Torsten Knapmeyer
Member of the Board of Management
(since 1 April 2021)

Martin K. Müller
Member of the Board of Management

Executive Managers

Manfred Karg

Torsten Knapmeyer
(until 31 March 2021)

Seats on supervisory bodies

Dr. Georg Stocker
S Broker AG & Co. KG, Wiesbaden:
Chairman of the Supervisory Board
until 30 April 2020
S Broker Management AG, Wiesbaden:
Chairman of the Supervisory Board
until 30 April 2020

Dr. Matthias Danne
Deka Investment GmbH,
Frankfurt/Main:
Member of the Supervisory Board
since 1 January 2020,
Chairman of the Supervisory Board
since 15 January 2020
Deka Vermögensmanagement
GmbH, Frankfurt/Main:
Member of the Supervisory Board
since 1 January 2020,
Chairman of the Supervisory Board
since 15 January 2020
Deka Immobilien Investment GmbH,
Frankfurt/Main:
Chairman of the Supervisory Board
WestInvest Gesellschaft für
Investmentfonds mbH, Düsseldorf:
Chairman of the Supervisory Board
S-PensionsManagement GmbH,
Cologne:
Deputy Chairman of the Supervisory
Board
Sparkassen Pensionskasse AG,
Cologne:
Deputy Chairman of the Supervisory
Board
Sparkassen Pensionsfonds AG,
Cologne:
Chairman of the Supervisory Board
Deka Treuhand Erwerbsgesellschaft
mbH, Frankfurt/Main:
Managing Diector

Manuela Better
Deka Investment GmbH,
Frankfurt/Main:
Deputy Chairwoman of the
Supervisory Board
until 31 May 2020
Deka Vermögensmanagement
GmbH, Frankfurt/Main:
Deputy Chairwoman of the
Supervisory Board
until 31 May 2020
Deka Immobilien Investment GmbH,
Frankfurt/Main:
Deputy Chairwoman of the
Supervisory Board
until 3 February 2020,
Member of the Supervisory Board
since 4 February until 29 February 2020
WestInvest Gesellschaft für
Investmentfonds mbH, Düsseldorf:
Deputy Chairwoman of the
Supervisory Board
until 29 February 2020
S Broker AG & Co. KG, Wiesbaden:
Deputy Chairwoman of the
Supervisory Board
until 31 May 2020
S Broker Management AG, Wiesbaden:
Member of the Supervisory Board
until 31 May 2020
Deka Verwaltungsgesellschaft
Luxembourg S.A. (formerly:
DekaBank Deutsche Girozentrale
Luxembourg S.A.), Luxembourg:
Member of the Administrative Board
until 29 May 2020

Birgit Dietl-Benzin
Deka Investment GmbH,
Frankfurt/Main:
Member of the Supervisory Board
since 3 June until 7 June 2020,
Deputy Chairwoman of the
Supervisory Board
since 8 June 2020
Deka Vermögensmanagement GmbH,
Frankfurt/Main:
Member of the Supervisory Board
since 3 June until 9 June 2020,
Deputy Chairwoman of the
Supervisory Board
since 10 June 2020
Deka Immobilien Investment GmbH,
Frankfurt/Main:
Member of the Supervisory Board
since 3 June 2020,
Deputy Chairwoman of the
Supervisory Board
since 4 June 2020
WestInvest Gesellschaft für
Investmentfonds mbH, Düsseldorf:
Member of the Supervisory Board
since 3 June 2020,
Deputy Chairwoman of the
Supervisory Board
since 4 June 2020
S Broker AG & Co. KG, Wiesbaden:
Member of the Supervisory Board
since 9 June until 18 June 2020,
Deputy Chairwoman of the
Supervisory Board
since 19 June 2020
S Broker Management AG, Wiesbaden:
Member of the Supervisory Board
since 9 June 2020
FMS Wertmanagement AöR, Munich:
Member of the Administrative Board
and Chairwoman of the Audit
Committee

Daniel Kapffer
S Broker AG & Co. KG, Wiesbaden:
Member of the Supervisory Board
until 10 May 2020,
Chairman of the Supervisory Board
since 11 May 2020
S Broker Management AG, Wiesbaden:
Member of the Supervisory Board
since 1 May until 10 May 2020,
Chairman of the Supervisory Board
since 11 May 2020
bevestor GmbH, Frankfurt/Main:
Deputy Chairman of the Supervisory
Board
Deka Verwaltungsgesellschaft
Luxembourg S.A. (formerly:
DekaBank Deutsche Girozentrale
Luxembourg S.A.), Luxembourg:
Member of the Administrative Board
until 4 June 2020,
Deputy Chairman of
the Administrative Board
since 5 June 2020

Martin K. Müller
Deka Verwaltungsgesellschaft
Luxembourg S.A. (formerly:
DekaBank Deutsche Girozentrale
Luxembourg S.A.), Luxembourg:
Chairman of the Administrative Board
Sparkassen Rating und
Risikosysteme GmbH, Berlin:
Member of the Supervisory Board
Deka Treuhand Erwerbsgesellschaft
mbH, Frankfurt/Main:
Managing Director

Fund-related committees

Asset Management Securities business division

Advisory Board Retail
(as of 1 March 2021)

Chairman

Dr. Harald Langenfeld
Chairman of the Management Board of Stadt- und Kreissparkasse Leipzig, Leipzig

Deputy Chairman

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

Members

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

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

Martin Bücher
Chairman of the Management Board of Kreissparkasse Biberach, Biberach

Martin Deertz
Member of the Management Board of Sparkasse Südholstein, Neumünster

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

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

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

Stefan Grunwald
Chairman of the Management Board of Stadt-Sparkasse Solingen, Solingen

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

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

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

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

Walter Paulus-Rohmer
Member of the Management Board of Stadt- und Kreissparkasse Erlangen Höchstadt Herzogenaurach, Erlangen

Thomas Rosenfeld
Deputy Spokesman of the Management Board of Baden-Württembergischen Bank, Stuttgart

Michael Thanheiser
Chairman of the Management Board of Landessparkasse zu Oldenburg, Oldenburg

Hartmut Wnuck
Chairman of the Management Board of Stadtsparkasse Mönchengladbach, Mönchengladbach

Advisory Board Institutional
(as of 1 March 2021)

Chairman

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

Deputy Chairman

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

Members

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

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

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

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

Markus Frei
Chairman of the Management Board of Kreissparkasse Ostalb, Aalen

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

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

Heiko Nebel
Chairman of the Management Board of Stadtsparkasse Burgdorf, Burgdorf

Frank Opitz
Member of the Management Board of Sparkasse Fürstenfeldbruck, Fürstenfeldbruck

Peter Orth
Member of the Management Board of Sparkasse Dortmund, Dortmund

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

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

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

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

Franz Wittmann
Chairman of the Management Board of Sparkasse im Landkreis Cham, Cham

Corporate Bodies of Subsidiaries – Asset Management Securities business division

Deka Investment GmbH

Members of the Supervisory Board
(as of 1 March 2021)

Chairman

Dr. Matthias Danne
Deputy Chairman of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairwoman

Birgit Dietl-Benzin
Member of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Dr. Fritz Becker
Wehrheim

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

Jörg Münning
Chairman of the Management Board of LBS Westdeutsche Landesbausparkasse, Münster

Peter Scherkamp
Munich

Board of Management

Spokesman

Dr. Ulrich Neugebauer

Members

Jörg Boysen
Thomas Ketter
Thomas Schneider

Deka Vermögensmanagement GmbH

Members of the Supervisory Board
(as of 1 March 2021)

Chairman

Dr. Matthias Danne
Deputy Chairman of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairwoman

Birgit Dietl-Benzin
Member of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Serge Demolière
Berlin

Wolfgang Dürr
Trier

Steffen Matthias
Berlin

Victor Moftakhar
Bad Nauheim

Board of Management

Chairman

Dirk Degenhardt

Members

Dirk Heuser
Thomas Ketter
Thomas Schneider

S Broker AG & Co. KG

Members of the Supervisory Board
(as of 1 March 2021)

Chairman

Daniel Kapffer
Member of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairpersons

Birgit Dietl-Benzin
Member of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Olaf Heinrich
Head of Digital Multichannel Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Torsten Knapmeyer
General Manager of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Hans-Jürgen Plewan
Head of IT, DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

S Broker Management AG

S Broker Management AG

Members of the Supervisory Board
(as of 1 March 2021)

Chairman

Daniel Kapffer
Member of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairman

Dr. Olaf Heinrich
Head of Digital Multichannel Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Member

Birgit Dietl-Benzin
Member of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Spokesman

Gregor Surges

Member

Marcus Brinker

bevestor GmbH

Members of the Supervisory Board
(as of 1 March 2021)

Chairman

Dr. Olaf Heinrich
Head of Digital Multichannel Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairman

Daniel Kapffer
Member of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Member

Dirk Degenhardt
Chairman of the Board of Management of Deka Vermögensmanagement GmbH, Frankfurt/Main

Board of Management

Members

Marco Lorenz
Carsten Kroeber

Asset Management Real Estate business division

Advisory Board Real Estate
(as of 1 March 2021)

Chairman

Dirk Köhler
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

Deputy Chairman

Jürgen Wagenländer
Member of the Management Board of Sparkasse Mainfranken Würzburg, Würzburg

Members

Andrea Binkowski
Chairwoman of the Management Board of Sparkasse Mecklenburg-Strelitz, Neustrelitz

Toni Domani
Member of the Management Board of Sparkasse Regen-Viechtach, Regen

Dr. Alexander Endlich
Chairman of the Management Board of Sparkasse Hegau-Bodensee, Singen

Heinz Feldmann
Chairman of the Management Board of Sparkasse LeerWittmund, Leer

Dr. Jürgen Fox
Chairman of the Management Board of Saalesparkasse, Halle (Saale)

Markus Hacke
Chairman of the Management Board of Sparkasse Lüdenscheid, Lüdenscheid

Ulrich Kistner
Chairman of the Management Board of Sparkasse Rastatt-Gernsbach, Rastatt

Volker Knotte
Member of the Management Board of Sparkasse Mittelmosel – Eifel Mosel Hunsrück, Bernkastel-Kues

Heinrich-Georg Krumme
Chairman of the Management Board of Sparkasse Westmünsterland, Dülmen

Karl-Manfred Lochner
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Thomas Schmidt
Member of the Management Board of Sparkasse Bamberg, Bamberg

Mike Stieler
Chairman of the Management Board of Sparkasse Sonneberg, Sonneberg

Dr. Hariolf Teufel
Chairman of the Management Board of Kreissparkasse Göppingen, Göppingen

Jürgen Thomas
Deputy Chairman of the Management Board of Stadt- und Kreis-Sparkasse Darmstadt, Darmstadt

Rainer Virnich
Member of the Management Board of Sparkasse KölnBonn, Cologne

Bernd Zibell
Member of the Management Board of Sparkasse am Niederrhein, Moers

Corporate Bodies of Subsidiaries – Asset Management Real Estate business division

Deka Immobilien Investment GmbH

Members of the Supervisory Board
(as of 1 March 2021)

Chairman

Dr. Matthias Danne
Deputy Chairman of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairwoman

Birgit Dietl-Benzin
Member of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Dr. Frank Pörschke
Assessor of law/fully qualified lawyer, Hamburg

Prof. Dr. Wolfgang Schäfers
C4 Professor of University of Regensburg, Chair of Real Estate Management, Bad Abbach

Dirk Schleif
Fund management officer DekaImmobilien Domus Fonds of Deka Immobilien Investment GmbH, Frankfurt/Main

Magnus Schmidt
Real estate fund reporting advisor of Deka Immobilien Investment GmbH, Düsseldorf

Board of Management

Members

Ulrich Bäcker
Burkhard Dallosch
Esteban de Lope Fend
Victor Stoltenburg

WestInvest Gesellschaft für Investmentfonds mbH

Members of the Supervisory Board
(as of 1 March 2021)

Chairman

Dr. Matthias Danne
Deputy Chairman of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairwoman

Birgit Dietl-Benzin
Member of the Board of Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Dr. Frank Pörschke
Assessor of law/fully qualified lawyer, Hamburg

Prof. Dr. Wolfgang Schäfers
C4 Professor of University of Regensburg, Chair of Real Estate Management, Bad Abbach

Dirk Schleif
Fund management officer DekaImmobilien Domus Fonds of Deka Deka Immobilien Investment GmbH, Frankfurt/Main

Magnus Schmidt
Real estate fund reporting advisor of Deka Immobilien Investment GmbH, Düsseldorf

Board of Management

Members

Ulrich Bäcker
Burkhard Dallosch
Esteban de Lope Fend
Mark Wolter

Glossary

Additional Tier-1 bond (AT1 bond)
Non-cumulative, fixed-interest bearer bond issued by DekaBank as Additional Tier 1 capital with subsequent adjustment of its interest rate and an unlimited term. If the Common Equity Tier 1 capital ratio falls below a set minimum, the nominal and redemption values of the bearer bond may be reduced in specific circumstances. DekaBank's issued AT1 bonds are fully eligible as core capital and thus help improve the regulatory ratios such as LR, NFSR and MREL-ratio.

Advisory- / management mandate
External funds which are managed by a Deka Group investment management company (Kapitalverwaltungsgesellschaft – KVG). For advisory mandates, the Deka Group company acts only as an adviser, i.e. it is up to the external management company to verify compliance with investment regulations before placing orders. For management mandates, by contrast, investment decisions are taken, reviewed and carried out by a Deka Group investment management company.

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

Cost / income ratio (CIR)
In the Deka-Group, this indicator is calculated from the ratio of total expenses (excluding restructuring expense) to total income (excluding risk provisions in the lending and securities business) in the financial year.

Economic perspective
The economic perspective is one of two approaches on which the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are based: In the context of the ICAAP, the economic perspective is implemented via the concept of riskbearing capacity. It serves to secure the capital of the Deka Group in the long term, thus making a key contribution to ensuring the institution's survival. The aim is also to protect creditors against losses from an economic view. In the context of the integrated quantification, management and monitoring of liquidity risk (ILAAP), the key risk measure in the economic perspective is the "combined stress scenario" funding matrix defined by the Board of Management as being relevant for management purposes.

Economic Result
As a key management indicator, together with the risk in the economic and normative perspective, the economic result forms the basis for risk/return management in the Deka Group and is, in principle, determined in accordance with accounting and measurement policies of IFRS. As well as the total of profit or loss before tax, the economic result also includes changes in the revaluation reserve before tax as well as the interest rate and currency related valuation result from financial instruments recognised at amortised cost, which are not recognised in the income statement under IFRS but are relevant for assessing financial performance. The interest expense in respect of AT1 bonds (Additional Tier 1 capital), which is recognised directly in equity, is also included in the economic result. Furthermore, the economic result takes into account potential future charges that are considered possible in the future but that are not yet permitted to be recognised under IFRS due to the fact that accurate details are not yet available. The economic result is therefore a control variable on an accrual basis whose high level of transparency enables recipients of the external financial reporting to consider the company from the management perspective.

Fully loaded
Full application of CRR/CRD IV rules, i.e. disregarding the phase-in 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.

Gross loan volume
In accordance with the definition set out in section 19 (1) KWG, the gross loan volume includes debt instruments issued by public authorities and bills of exchange, amounts due from banks and customers, bonds and other fixed-interest securities, shares and other non fixed-interest securities including fund units, equity investments and shares in affiliated companies, equalisation claims against the public sector, items for which lease agreements have been concluded as the lessor, irrespective of their recognition in the balance sheet, other assets where they are subject to counterparty risk, sureties and guarantees, irrevocable lending commitments as well as market values of derivatives. In addition, the gross loan volume includes underlying risks from derivative transactions, transactions for the purposes of covering guarantee payments on guarantee funds, as well as the volume of off-balance sheet counterparty risks.

Net funds inflow (according to BVI)
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, net volumes in relation to proprietary investments are taken into account in the net funds inflow.

Net sales
Key management indicator of sales success in asset management and certificate sales. This figure essentially consists of total direct sales of mutual and special funds, fund-based asset management, funds of cooperation

partners, master funds and advisory/management mandates, ETFs and certificates. Net sales in investment fund business corresponds to gross sales less redemptions and maturities. Sales generated through proprietary investment activities are not taken into account. Redemptions and maturities are not taken into account for certificates because in the certificates business the impact on earnings primarily occurs at the time of issue.

Normative perspective
The normative perspective is one of two approaches on which the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are based: in the context of the ICAAP, the normative perspective includes all internal instruments, regulations, controls and processes aimed at ensuring that regulatory and supervisory capital requirements are met on an ongoing basis, i.e. also prospectively, over the next few years. This means that it directly pursues the objective of ensuring that the institution can continue as a going concern. In the context of the integrated quantification, management and monitoring of liquidity risk (ILAAP), the key risk measure in the normative perspective is the LCR in accordance with the CRR in conjunction with Commission Delegated Regulation (EU) 2015/61.

Number of (active) employees
The number of employees is the effective number of active full-time employees at the reporting date, with part-timers being counted in proportion to their working hours. Active employees means staff members who are actively involved in DekaBank's work processes. This includes the Board of Management, other managers, core staff members, contract staff and temporary staff. Vocational and other trainees, interns and employees on long-term leave are not included.

Payments to the alliance partners
Payments made to the alliance partners (savings banks and Landesbanks) by the Asset Management divisions are made up of the partners' portions of investment fund entry charges, sales commissions, sales performance fees, asset management fees and other payments from asset management. Reporting is focused mainly on payments made to the savings banks, as our shareholders. The payments to alliance partners have also included commissions on certificates.

Phase in
Application of CRR/CRD IV rules inclusive of the transitional provisions.

Return on equity (RoE)
Return on equity at the Deka Group is calculated as the return on balance sheet equity. It corresponds to the annualised economic result relative to the average balance sheet equity including atypical silent capital contributions, without additional Common Equity Tier 1 capital (AT1) and adjusted for intangible assets. Average balance sheet equity is calculated using the figures for the end of the previous year and the most recent quarterly financial statements (accumulated profit in the course of the year taken into account).

Risk appetite
Risk appetite refers to the overall aggregate risk of individual risk types that the Deka Group is prepared to enter into, within the limits of its risk capacity, in order to achieve its strategic objectives and business plan. In the economic perspective, the risk appetite for risks affecting profit and loss is defined in the risk-bearing capacity analysis as the allocated risk capital (allocation) for overall risk at Group level. The maximum permissible risk appetite is equal to risk capacity less a potentially built stress buffer and a management buffer. With regard to liquidity risk, the Deka Group has defined its risk appetite in the economic perspective as the scenario that gives it an indefinite survival period in an extreme hypothetical stress scenario involving a simultaneous institution-specific and market-wide stress event. This hypothetical stress scenario is illustrated in the "combined stress scenario" funding matrix. Permanent solvency and an unlimited survival horizon are achieved by setting a limit of 0 on the liquidity balances of all maturity bands.

Risk-bearing capacity
The aim of the risk-bearing capacity analysis is to ensure the adequacy of capital resources from an economic view. Sufficient assets must be available to cover risk events, even those which materialise extremely rarely. This involves combining all risk types with a holding period of one year and a correspondingly high confidence level of 99.9 %, which is consistent with DekaBank's target rating. The overall risk is then compared against the internal capital, which corresponds to the risk capacity.

Total customer assets
The key management indicator total customer assets mainly includes the income-relevant volume of mutual and special fund products (including ETFs), direct investments in the funds of cooperation partners, the portion of fund-based asset management activities attributable to cooperation partner funds, third party and liquidity portion of fund based asset management, master funds and advisory/management mandates and certificates.

Wertpapierhaus
The Deka Group is the securities service provider (the *Wertpapierhaus*) for the savings banks. With its asset management and banking activities, the Deka Group acts as a service provider for the investment, administration and management of assets. It supports savings banks, their customers and institutional investors at every stage in the investment and advisory process within the securities business. It also offers comprehensive advice and solutions to the savings banks, their customers and to institutional customers on investing, liquidity and risk management, as well as refinancing.

Headquarters and addresses

DekaBank
Deutsche Girozentrale
Head Office Frankfurt/Main and Berlin
Mainzer Landstraße 16
60325 Frankfurt/Main
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60040 Frankfurt/Main
Phone: +49 (0) 69 71 47-0
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e-mail: konzerninfo@deka.de
Internet: www.dekabank.de

Branch Offices

DekaBank Deutsche Girozentrale
Succursale de Luxembourg
6, rue Lou Hemmer
1748 Luxembourg-Findel
Boîte Postale 5 04
2015 Luxembourg
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e-mail: mail@deka.lu

DekaBank Deutsche Girozentrale
London Branch
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London W1S 2FQ
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DekaBank Deutsche
Girozentrale Paris Branch
34, rue Tronchet
75009 Paris
Phone: (+33) 1 44 43 98 02

Representative Offices

Representative Office Milan
Real Estate Lending
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Fax: (+39) 02 62 03-40 00

Representative Office New York
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21st Floor
New York, NY 10019
Phone: (+1) 21 22 47 65 15

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60325 Frankfurt/Main
Postfach 11 05 23
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e-mail: service@deka.de
Internet: www.deka.de

Deka Vermögensmanagement GmbH
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Deka Vermögensmanagement GmbH
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2015 Luxembourg

Deka Immobilien Investment GmbH
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e-mail: immobilien@deka.de
Internet: www.deka-immobilien.de

WestInvest Gesellschaft für Investmentfonds mbH
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Internet: www.westinvest.de

bevestor GmbH
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Phone: +49 (0) 6 11 20 44-19 00
Fax: +49 (0) 6 11 20 44-24 99
e-mail: service@sbroker.de
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IQAM Invest GmbH
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5020 Salzburg
Österreich
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Fax: (+43) 5 05 86 86-8 69
e-mail: office@iqam.com
Internet: www.iqam.com

Internet website
The 2020 Annual Report can be found at www.deka.de/deka-gruppe under the heading "InvestorRelations/ Publications and Presentations" section as well as the online version in German and English. In addition, the financial reports, presentations and other publications are also available for download.

Contact
External Reporting & Rating
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Concept and design
Edelman GmbH,
Frankfurt/Main, Berlin, Cologne, Hamburg

Translation
BBi (Scotland) Ltd.

Financial calendar

26 August 2021: Interim Report as at 30 June 2021

The publication date is preliminary and subject to change.

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

Disclaimer
The group management report as well as the Annual Report in other respects contain forward-looking statements as well as expectations and forecasts. These are based on the information available to us at this time, which we have deemed to be reliable after careful consideration. We do not assume an obligation to update based on new information and future events after the publication of this information. We have derived our estimations and conclusions from these forward-looking statements, expectations and forecasts. We expressly point out that all of our future-oriented statements are associated with known or unknown risks or imponderables and are based on conclusions relating to future events, which depend on risks, uncertainties and other factors that are outside of our area of influence. Such developments can result from, among other things, a change in the general economic situation, the competitive situation, the development of the capital markets, changes in the tax law and legal framework as well as from other risks. The events actually occurring in the future may thus turn out to be considerably different from our forward-looking statements, expectations, forecasts and conclusions. We can therefore assume no liability for their correctness and completeness or for the actual occurrence of the information provided. The English translation of the Annual Report is provided for convenience only. The German original is definitive.

Due to roundings, numbers and percentages may not add up precisely to the totals provided.

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60040 Frankfurt

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Finanzgruppe