Deka Group
Annual Report 2013
Evolving into a securities service provider

Olympia Partner Deutschland

Finanzgruppe

DekaBank

Deka Group at a glance

Business development indicators		31.12.2013	31.12.2012	Change %
Total assets[1]	€m	116,073	129,770	– 10.6
Assets under Management	€m	169,796	162,647	4.4
of which: Securities business division	€m	143,326	137,409	4.3
of which: Real Estate business division	€m	26,470	25,238	4.9
Number of securities accounts	thousand	3,954	4,149	– 4.8
		1.1. – 31.12.2013	**1.1. – 31.12.2012**	
Net sales	€m	4,759	87	(> 300)
of which: Securities business division	€m	3,125	– 1,497	(> 300)
of which: Real Estate business division	€m	1,634	1,584	3.2
Performance indicators				
Total income	€m	1,436.2	1,434.4	0.1
of which: Net interest income	€m	375.5	431.1	– 12.9
of which: Net commission income	€m	937.1	946.1	– 1.0
Total expenses	€m	934.7	915.1	2.1
of which: Administrative expenses (including depreciation)	€m	895.4	906.5	– 1.2
Economic result	€m	501.5	519.3	– 3.4
Net income before tax[1]	€m	517.6	444.7	16.4
Key ratios				
Return on equity[2]	%	14.1	15.6	– 1.5%-Points
Cost/income ratio[3]	%	61.2	55.6	5.6%-Points
Key regulatory figures		**31.12.2013**	**31.12.2012**	
Capital and reserves	€m	3,824	3,836	– 0.3
Core capital ratio	%	15.6	14.0	1.6%-Points
Core tier 1 capital ratio[4]	%	13.1	11.6	1.5%-Points
Equity ratio	%	17.0	16.2	0.8%-Points
Risk ratios				
Total risk-bearing capacity	€m	4,913	5,118	– 4.0
Group risk (value-at-risk)[5]	€m	2,349	2,345	0.2
Utilisation of risk-bearing capacity	%	47.8	45.8	2.0%-Points
Non-guaranteed rating (short-term/long-term)				
Moody's		P-1/A1	P-1/A1	
Standard & Poor's		A-1/A	A-1/A	
Key employee figures				
Number of employees		4,035	4,040	– 0.1
Number of active employees		3,538	3,506	0.9

[1] Previous year's figures adjusted, see notes "Accounting Principles".
[2] Return on equity (RoE before tax) corresponds to the economic result divided by equity at the start of the financial year, including atypical silent capital contributions.
[3] Cost/income ratio (CIR) corresponds to the ratio resulting from total expenses (excluding restructuring expenses) and total income (before provisions for loan losses).
[4] The core tier 1 capital ratio takes not account of silent capital contributions of €552m as well as of RWA effects (risk-weighted assets) resulting from Basel III.
[5] Confidence level: 99.9%, holding period: one year.

Deka Group – securities service provider of the savings banks. Financial year 2013 was a year of transformation into a fully-fledged securities service provider of the German savings banks. Firmly anchored in the Sparkassen-Finanzgruppe, as a provider Deka comprises numerous elements. They are as diverse as the requirements of customers, sales partners and the markets. Our claim is to always develop the best solution for each challenge.

DekaBank

The securities service provider for the savings banks

DekaBank is the *Wertpapierhaus,* that is the fully-fledged securities service provider for the *Sparkassen-Finanzgruppe.* Deka Group offers combined asset management and banking expertise across four business divisions – Securities, Real Estate, Capital Markets and Financing. The business divisions work closely with Savings Banks Sales, Institutional Sales and the Corporate Centres.

FINANCING

Financing solutions for institutional customers are rarely off-the-shelf products. The Financing business division provides tailored solutions for complex projects, such as infrastructure and transport schemes, as well as funding for the savings banks.

CAPITAL MARKETS

The Capital Markets business division provides the link between customers and markets in customer-oriented capital market business. It does this by developing and supplying products, providing infrastructure for capital market transactions and acting as a liquidity platform for the savings banks and institutional customers.

REAL ESTATE

The Real Estate business division's range of services includes property-based investment products for private and institutional investors, credit funds and commercial property finance. DekaBank's combined presence in investment fund and lending business is a significant competitive advantage in this field.

SECURITIES

The Securities business division deals with actively managed securities funds, passively managed index funds, fund-linked asset management and special funds and mandates for institutional customers. Its products encompass all major asset classes.

Deka
Investments

SAVINGS BANKS SALES

Savings Banks Sales provides an important link between production and marketing. Its activities focus on providing the savings banks with comprehensive sales support for their business with private end customers, spread across six sales regions in Germany. It works closely with the Marketing, Sales Management, Product Management and Market Management teams.

DekaBank plays a central role in the world's largest finance group, the *Sparkassen-Finanzgruppe,* a fact made clear not just by its close involvement in the sales process, but also its shareholding structure – the German savings banks are the sole owners of DekaBank.

Deka
Institutionell

INSTITUTIONAL SALES

Institutional Sales supports savings banks, their corporate customers and the Deka Group's own institutional clients, both in Germany and abroad. These include banks, insurance providers, pension funds, companies, not-for-profit organisations and the public sector. Specialist teams work to develop tailored products, services and solutions.

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FINANCING
TRADING
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ADVICE

Dr. Georg Stocker | Michael Rüdiger | Martin K. Müller | Dr. Matthias Danne | Oliver Behrens

Dear Shareholders and Investors,

There are many ways to describe the securities service provider for the savings banks, but it is not just words that matter to the Board of Management and employees of the Deka Group. Every day we put words into action to deliver solutions. In our report on financial year 2013, we describe the action we took during 2013, on the strength of which we achieved an economic result of €501.5m. This provides a solid foundation for us as a fully-fledged securities service provider – the *Wertpapierhaus*.

In 2013, we focused mainly on three aspects that have accompanied our transformation into the *Wertpapierhaus*: customer focus, a culture of quality and cost flexibility. For example, the D18 transformation programme set up to achieve this began delivering results just twelve months after it was launched, in terms of product quality and cost management.

Our customer focus in 2013 was mainly on further development of our customer-oriented organisation and sales support for the savings banks. A key aim was to ensure support for advisers throughout the entire investment and advisory process, which almost all savings banks had implemented by the end of the reporting year. To achieve this level of support, we increased our on-site presence significantly during the year and appointed more than 50 new staff to the sales support team. By the end of 2015, we aim to have recruited around 180 sales staff. This will enable us to provide far more targeted on-site support to the savings banks so they can enhance the securities-related advice they give customers. In addition, we have aligned our range of solutions even more closely with the requirements of the savings banks.

These measures reflect our commitment to building a culture focused on quality, which we will establish even more firmly within the Deka Group in future. We want to continue providing our customers and sales partners with high-quality products and services over the long term. The expansion of our product range is also geared to achieving this. In January 2013, the Deka Group expanded the range of securities available to the savings banks' retail customers to include certificates. The focus here was on issuing standardised products that are suitable for nationwide sales. DekaBank's new retail certificates enable the savings banks to offer their customers securities from an issuer with a strong rating with which they themselves have invested in for many years. This particular example illustrates how we are evolving from a product provider into a provider of solutions. Rather than merely delivering individual elements for securities investments, the Deka Group works closely with the savings banks to provide comprehensive solutions based on specific customer requirements, for both retail customers and institutional investors.

This approach has also resulted in the repositioning of our product brands. The new *Deka Investments* brand covers all products and services for private investors and replaces the previous *Deka Investmentfonds* brand, which focused on investment fund business. In institutional business, we have brought our range of products and services together under the *Deka Institutionell* brand. It encompasses the entire value chain from strategic analysis to selecting and implementing the right product solutions, as well as reporting and control. Business with institutional investors forms an essential element of our business model, something that is also reflected by the integration at the end of last year/beginning of this year of Landesbank Berlin's customer-oriented capital market business and the acquisition of investment fund company LBB-INVEST.

The third aspect, cost flexibility, is a very important requirement if the Deka Group is to continue to succeed. Flexible cost management will enable us to finance the investment associated with expanding our scope as a securities service provider and meeting ever more stringent regulatory requirements. We have put a great deal of work into preparing for the challenges that lie ahead in this respect, such as the European Central Bank's asset quality review and the forthcoming stress tests to be carried out by the European Banking Authority.

In the new financial year, our profile as *Wertpapierhaus* will continue to develop, and we will add further key elements. Above all, 2014 marks the first full year in which the savings banks used the new investment and advisory process nationwide. We are confident that this process will enhance the quality and efficiency of advisory services. This in turn will drive forward securities business in the savings banks.

Together with our partners in the *Sparkassen-Finanzgruppe*, we intend to shape a successful shared future. We are confident that our business model as the *Wertpapierhaus* represents a clear strategy and sound basis for moving forward.

Sincerely,

Rüdiger   Behrens   Dr. Danne

Müller   Dr. Stocker


CREDIT
SOLVENCY
INDIVIDUALITY
INFRASTRUCTURE
CAPITAL MARKETS
UNDERWRITING BUSINESS
EMIR
TRADING
SAVINGS BANKS
REFINANCING
INTEREST
AIFMD
REAL ESTATE
SPARKASSE
VALUE RETENTION
SUSTAINABILITY
RENTS
TANGIBLE ASSETS
SECURITIES
SHARES
PROVISION
ASSET BUILDING
RETURN
STOCK EXCHANGE
CONFIDENCE
CAPITAL PROTECTION
DEKA
STRUCTURE FINANCE
EXPERIENCE
EXPERTISE
INSTITUTIONELL
EMTN
CERTIFICATES
LIQUIDITY
PLATFORM
ADDED VALUE
TREASURY
COMPASS
SPECIAL FUNDS
DEKA-IMMOBILIENEUROPA
GREEN
BUILDING
COMMERCIAL PROPERTIES
TARGET SELECT
PROPERTY FUNDS
QUALITY
INVESTMENT FUNDS
DEKA-BASISANLAGE
ASSET ALLOCATION
ETF
ADVICE
DEKA INVESTMENTS

Securities: Protecting value – building assets

There is no alternative to making private pension arrangements but, faced with persistently low interest rates, building up a pension is becoming a real challenge. Once popular forms of financial investment, such as life insurance policies, government bonds, call money and the good old savings passbook, have lost their appeal. With nominal interest rates sometimes less than one per cent, investors are caught in the "real interest rate trap", where assets are eroded rather than accumulated because the interest earned is lower than the rate of inflation.

This poses a problem, especially for the generation that will soon have to finance pensions for the baby boomers of the 1950s and 1960s as well as funding their own retirement. "In the present environment, it is virtually impossible to accumulate assets without utilising the opportunities for a return that the stock market offers," stresses Ulrich Kater, Chief Economist at DekaBank. And there is no sign of the situation changing in the near future – the European Central Bank has made it quite clear to the markets that they should expect a protracted phase of low interest rates.

However, this market environment also offers opportunities. The German economy remains robust and economies in most of its European neighbours are starting to recover. In spite of the potential falls that are part and parcel of the way the stock market works, equities and other types of asset-based investment provide investors with the chance to participate in real economic growth and give them long-term protection from the silent erosion of wealth that inflation brings.

Promoting a securities culture

Investment funds offer advantages here, because they diversify risk and are therefore less susceptible to fluctuation than individual stocks. They also allow investors on a budget to invest in the equities market. The cost average effect means that assets can be accumulated gradually using savings plans, and the legal structure of an investment fund provides additional protection.

Nevertheless, Germans find it hard to invest in securities, because the fear of losing money is more pronounced here than in the USA and many other European countries. Consequently, investors rarely take advantage of the potential returns offered by the upswing in the economy. Ironically, the central banks' policy of low interest rates threatens to hamper the accumulation of private assets in Germany, the very country that has been the mainstay of stability throughout the European sovereign debt crisis.

As the fully-fledged securities service provider (*Wertpapierhaus*) for the savings banks, DekaBank is therefore promoting a strengthening of the securities culture. The *Sparkassen-Finanzgruppe* already fulfils the necessary criteria with its broad-based business activities with private and institutional customers, the long-term stability offered by its public shareholder structure, its years of experience, tailored products and high real net output ratio – all coupled with the savings banks' extensive sales network in Germany.

Better advice together

To make even better use of this framework, DekaBank's business model is precisely tailored to the needs of the savings banks; for example, the software used by advisers on the DekaNet platform has been brought into line with the new investment and advisory process at the savings banks. From information on market stimuli and targeting specific customers, through to research into individual securities, the platform offers savings bank advisers all the support they need to provide sound advice to their customers. The service provider's range of solutions is complemented by tailored products that combine opportunities for returns with hedging components and fit seamlessly into the advisory process.

For Victor Moftakhar, Chairman of the Board of Management at Deka Investment GmbH, the savings banks' decision to use DekaBank as their central service provider for securities-related business is also an incentive: "As a securities service provider, offering competitive products to our savings bank partners on an ongoing basis is clearly part of our role," he stresses. In order to continue to satisfy this requirement in future, while at the same time offering institutional customers solutions tailored to their specific needs, Deka Investment put together a comprehensive package of measures in 2013. These include, for instance, expanding risk management and strengthening team structures. "This programme has helped us position ourselves on a more forward-looking basis. In conjunction with a prudent investment strategy, it has ensured that our customary high product quality has been maintained," says Moftakhar.

For example, investment processes have been adjusted in line with changes in the market and the range of products has been streamlined further. These refinements have paid off, with Deka once again garnering numerous awards in 2013. It is one of the leading group of fund companies awarded the top five-star rating by business magazine *Capital*. Moreover, it is the only German fund company to improve its ranking in all of the categories assessed in the test, with a notable rise in the score for product quality in particular. Deka was also a winner in the Fund Awards organised by the *Euro* and *Euro am Sonntag* magazines, with several equity, bond and certificate funds achieving top places. Several Deka products also achieved top scores in the quantitative analysis carried out by fund rating agency Telos in 2013, which focused on the mixed and equity fund segment.

Fresh momentum in securities business

As a fully-fledged securities service provider, Deka aims to offer the entire range of competitive products and services for securities-based financial investments, and to complete its transformation from product provider to solutions provider. The success of the *Deka-Vermögenskonzept* (Deka Wealth Concept) highlights the fact that savings bank customers are open to innovative solutions. As at the end of 2013, €2.4bn had been invested on the basis of this investment concept, where customers work with their adviser to put together an individual investment portfolio that is precisely tailored to their personal requirements.

Working closely with the savings banks, the DekaBank developed the flexible *Deka-BasisAnlage* concept (Deka Basic Investment), in order to introduce investing in securities to a broader customer group. The successful sales recorded by this relatively new product illustrate what can be achieved when the savings banks and their securities service provider work as one. Since the concept was launched in spring 2012, customers have invested some €1.3bn in *Deka-BasisAnlage*. The fund of funds concept has brought fresh momentum to the savings banks' securities business all across Germany.

The *Deka-Vermögenskonzept* and *Deka-BasisAnlage* are particularly suitable for customers with little experience in securities, or who find it hard to interpret fast-moving stock market trends. "Using our innovative investment concepts, customers can largely hand investment decisions over to us and still sleep soundly thanks to the innovative hedging components," explains Steffen Selbach, Head of Asset Management at DekaBank. "After all, not every savings bank customer is a stock market trader in their spare time."

However, the securities service provider delivers more than just tailored investment concepts. Marcus Dölling, Head of Sales Support North, puts it succinctly: "We offer the savings banks comprehensive solutions for all securities-related business." These include assistance for advisers, for instance, who often find the subject of securities investments a challenging one, because of the turbulence seen on the stock markets in the past and the increasing level of administration involved.

Like the regions they serve, the savings banks all have their own individual qualities. The Sparkasse LeerWittmund is looked after by Andre Schomaker, and caters to a sparsely populated region in East Frisia up to the North Sea island of Spiekeroog.

Close to the customer and close to the market – together

A day with Andre Schomaker, Deka Sales Consultant at Sparkasse LeerWittmund

8:53 a.m. Andre Schomaker shuts the door of his car. It's a grey morning in East Frisia. Containers and construction vehicles dominate the car park of the savings bank on the market square in Wittmund. A notice on the glass door of the clinker brick building apologises for the inconvenience caused by the geothermal works that are aimed at making Sparkasse LeerWittmund energy self-sufficient. East Frisia's largest financial institution is breaking new ground, and not just in engineering terms. When DekaBank started to expand its sales partnership with the savings banks, LeerWittmund was involved from the outset. It was involved in the pilot project, taking up DekaBank's offer of an in-house sales consultant to provide support for its securities business.

9:00 a.m. Meeting with Sarah Havemann. For the first time in her career, the young adviser is not meeting with people her own age who want to arrange a contract for capital-forming benefits or open a current account. Instead, she will be talking to an affluent couple. They are longstanding customers and are coming to the branch to discuss an issue that has been a hot topic for some time now, given the present low interest rate environment. Is it still a good idea to keep money in an instant access savings account?

9:17 a.m. Chance meeting with Detlef Oetter, a member of the savings bank's Board of Management, by the coffee machine in the communications section of the branch's light and airy offices. "These days it's all about open spaces – the days of long corridors with individual offices are gone," explains Oetter, who also has meetings at the Sparkasse Wittmund today. "And we wouldn't want to be without our colleague from Deka," he stresses.

9:30 a.m. Customer meeting. The couple follows Havemann into one of the consultation rooms. Schomaker joins them. Roles in the meeting are clearly defined – the adviser leads the conversation, while the Deka sales consultant contributes only sparingly to the discussion. "Sarah and I talked through the potential investment solutions for the couple before the consultation."

10:20 a.m. Havemann and Schomaker discuss how the meeting went – what worked, when it would have been better to push harder and the best way to organise the follow-up meeting. Schomaker knows what he's talking about. After all, he started his own career by training as a banker with a savings bank. Havemann is pleased with the outcome. "Such detailed feedback on a consultation session is really helpful," she says.

10:48 a.m. Phone call with Marcus Dölling, Head of Sales Support North at DekaBank. Schomaker is scheduled to talk to new recruits in Sales about his experience as a Sales Consultant in East Frisia. "Close to the customer and close to the market – the savings banks and their securities service provider do it better than anyone else," emphasises Dölling. The aim is to take advantage of this potential all over the country in future.

11:00 a.m. Group training with customer advisers. The focus is on the right sales pitch for a period when the DAX is at record highs. The atmosphere is relaxed and everyone is on first name terms. "A real discussion is always better than a lecture," explains Schomaker. It allows advisers to talk about the arguments they face every day. Conversely, the practical knowledge gained from these discussions is fed back into the development of new Deka products and services, making this a valuable exchange of ideas and experience for both sides.

»Once the adviser and customer have worked out the individual investment horizon and requirements together, it's usually easy to decide which of the product variants to go for.«

1:15 p.m. Meeting with Frank Fastenau, Head of Sales Management. They discuss the plans for a peer-to-peer training programme where particularly talented advisers will learn how to share their knowledge with their colleagues. "This will enable us to achieve even more," emphasises Schomaker, who covers an area of sparsely populated East Frisia that extends from the North Sea island of Spiekeroog down to Rhauderfehn some 90 kilometres away. "It's simply not possible to hold more than three or four meetings with each adviser every year." In-house training courses should reduce the intervals between coaching sessions in future and enable savings bank advisers to identify more strongly with securities products.

3:10 p.m. Phone call with Thomas Weichers, Head of the Southern Division. They discuss the schedule for the coming month. Schomaker looks after all three private customer divisions at Sparkasse LeerWittmund. To ensure that the branches receive exactly what they need, he asks detailed questions about current issues and support requirements. As well as visiting individual branches for the day, Schomaker can also run general training events.

3:30 p.m. Follow-up meeting with customer adviser Timo Wellmer. Following a consultation in the previous week, his customer, who is an administrator, has decided to buy units in the A40 variant of *Deka-BasisAnlage*. Her investment target: "To save enough money to buy my daughter her own car". Her investment horizon: "When she completes her *Abitur* school-leaving exams in six years' time." A variable equities quota of up to 40% ensures earnings opportunities, while the in-built capital protection and peak management features provide safety. "More and more customers are making the same decision," says Wellmer. This is because *Deka-Basis-Anlage* offers opportunities for returns but limits the risk – exactly what customers want, as Schomaker knows: "Once the adviser and customer have worked out the individual investment horizon and requirements together, it's usually easy to decide which of the four product variants to go for." As its bestselling product, *Deka-BasisAnlage* has made an important contribution to the revival of securities business at Sparkasse LeerWittmund.

5:00 p.m. The savings bank closes. Schomaker quickly checks his e-mails and calendar again before getting into his company car.

5:15 p.m. Sales team meeting in Remels. Branch manager Sandra Weyers is happy as she provides an overview of their sales of securities. They have achieved their in-house targets for 2013 – not something that could be taken for granted, since purchasing securities is not an everyday occurrence in East Frisia. "With its safety mechanisms, *Deka-BasisAnlage* is just perfect for this type of customer," comments Schomaker. However, the Sales team also have questions for the Deka Consultant relating to the new regulations for property funds. It's good to have a Deka person there to talk to.

6:45 p.m. Schomaker sets off home. Tomorrow is another day and he'll be spending it near the coast, at the savings bank branch in Esens.

To help advisers provide their customers with the best possible service and support, a sales initiative was launched in 2013. As part of this, DekaBank will be recruiting around 180 additional sales staff by the end of 2015. Every savings bank will then have access to a sales consultant who can prepare and assist customer advisers in all matters relating to securities investments, including consultation sessions and sales pitches. "At the request of the savings banks, we are expanding our tried-and-tested network of Deka sales directors, who advise the managing directors of savings banks and the sales managers on strategic matters. This means we can now also work with the sales consultants to provide operational support during the advisory process," explains Dölling.

Comprehensive advice for institutional customers

The Deka Group has also transformed from product provider to solutions provider in its business with institutional customers. With assets under management of around €70bn, which also include special fund and advisory mandates, the Group is a heavyweight in institutional asset management. Here too, a rigorous focus on the needs of the customer paved the way for the Group's transformation into a fully-fledged securities service provider. Consequently, all institutional business activities have been brought together under the *Deka Institutionell* umbrella brand.

"We are a full-service provider and as such we are able to offer a comprehensive advisory approach that sets us apart from the competition," highlights Klaus-Dieter Böhme, Head of the Institutional Clients division at DekaBank. The savings banks enjoy a dual benefit here, both as primary customers in institutional business and as owners of DekaBank.

As customers of DekaBank, one way the savings banks benefit is through portfolio optimisation. By linking capital markets and asset management, DekaBank is able to service both direct holdings and investment funds. Böhme underlines the point: "This gives us a comprehensive overview of the range of requirements that an investor has." DekaBank makes this expertise available to the savings banks free of charge via Treasury Compass, a tool that was used by a total of 163 of them in financial year 2013.

This involves devising a proposal for optimising the portfolio based on an analysis of individual securities in the Depot A account, cash flows in private customer business and of the loan portfolio. Whether the recommendation is to invest more in real estate funds or to bring an existing investment fund into a *Master-KVG* investment management company with better administration, integration of Deka's business divisions means that customers benefit from the versatility and expertise of a full-service provider.

As owners of DekaBank, the savings banks share in the growth opportunities offered by its extended business model. Professional solutions for securities investments are in demand in the present interest rate environment – including among customers outside the *Finanzgruppe*. Addressing pension funds and insurance companies delivers cost advantages through economies of scale, thereby contributing to the commercial success of the *Wertpapierhaus*.

Equity funds

Real returns rather than the "real interest rate trap"

Investors looking for growth opportunities these days will find they are few and far between in the money and bond markets. Defensive, dividend-oriented equity funds, such as *Deka-DividendenStrategie*, offer an attractive alternative. The fund was launched in August 2010 and invests in the global equity markets according to fundamental criteria. Total fund assets amounted to almost €300m by year-end 2013.

Because we know that not all dividends are the same, the experienced fund management team also analyses the respective company's market position, profits and balance sheet strength before deciding to invest. The fund opens up opportunities for investors on two levels, because *Deka-DividendenStrategie* pays attractive half-yearly distributions in addition to any price gains achieved.

With a performance of 18.9% over the year and 29.5% over the past three years, *Deka-DividendenStrategie CF* is not just winning over equities fans. As the fund primarily focuses on high-quality companies that offer sustainable dividend payouts, its volatility is relatively low compared with other equity-based investments. By investing in different stocks, investment funds diversify the risk and are therefore less susceptible to fluctuations than individual securities.

Deka-DividendenStrategie CF (A) performance

Source: DekaBank; 31.12.2010–31.12.2013


SOLVENCY
INDIVIDUALITY
INFRASTRUCTURE
CAPITAL MARKETS
UNDERWRITING BUSINESS
EMIR
TRADING
SAVINGS BANKS
INTEREST
REFINANCING
AIFMD
REAL ESTATE
SPARKASSE
VALUE RETENTION
SUSTAINABILITY
RENTS
TANGIBLE ASSETS
SECURITIES
CONFIDENCE
CAPITAL PROTECTION
SHARES
PROVISION
ASSET BUILDING
RETURN
STOCK EXCHANGE
DEKA
EXPERIENCE
FINANCE
INFRASTRUCTURE FINANCE
DEKA INSTITUTIONELL
EXPERTISE
CERTIFICATES
EMTN
LIQUIDITY
TREASURY
COMPASS
PLATFORM
ADDED VALUE
SPECIAL FUNDS
DEKA-IMMOBILIENEUROPA
GREEN
COMMERCIAL PROPERTIES
BUILDING
TARGET SELECT
PROPERTY FUNDS
QUALITY
INVESTMENT FUNDS
ASSET ALLOCATION
DEKA-BASISANLAGE
ETF
ADVICE
DEKA INVESTMENTS

Real Estate:
Diversification and stability – investing in property

Investing the savings banks' assets profitably while adhering to a prudent investment policy is no easy balancing act in the current market situation. Reinhard Gausling, Head of Treasury at Sparkasse Westmünsterland notes that "Depending on their maturity, interest on safe investments is often below the rate of inflation." His response to this is diversification, based on weighing up risks and opportunities. According to Gausling, "The biggest danger in this kind of situation is to take too high a risk in order to achieve the necessary return. As a savings bank, we want to stick to our cautious investment policy." Ultimately, as market leader in the districts of Borken and Coesfeld, the financial institution has a particular responsibility to provide financial and banking services to the population and economy as well as the local districts, towns, cities and municipalities.

For a treasurer, portfolio diversification means including corporate bonds with strong ratings and a limited expansion of the share of equities. Since 2013, it has also meant investing in property funds. Reinhard Gausling explains: "They have the advantage of providing a steady income with little fluctuation even when there are disturbances in the financial markets." Property investment funds are therefore predestined to be the mainstay of stability, especially in times when a turnaround in interest rates is imminent or other external factors could result in turbulence on the stock markets.

Once the basic decision had been taken about the investment class, it was not difficult for Sparkasse Westmünsterland to decide who to work with. "Deka Immobilien has a long and very successful track record," says Gausling. It is no coincidence that the property funds have been generating positive returns with little price fluctuation for more than four decades – quite the opposite. It is the result of a research-based investment approach and close cooperation between investment fund managers and DekaBank experts in domestic and international property financing. This cooperation enables fund managers to rely on first-hand market knowledge when deciding whether to buy or sell, at the international as well as the national level. Reinhard Gausling emphasises that "The fact that such a big provider is a member of the *Sparkassen-Finanzgruppe* is something that inspires confidence and trust." Two funds now supplement the Westmünsterland savings bank's portfolio, adding a property element to the mix. First, there are units in a special property fund with a focus on Germany and second, a mutual fund for institutional investors which primarily invests in Europe.

Credit funds benefit from financing expertise

Credit funds are another possible option for positioning the asset class of property in the portfolios of institutional investors. They are still relatively new in the German market. Close cooperation between investment fund managers and property finance specialists is required in managing credit funds. Deka Group customers benefit from the advantage of Deka's many years of experience in commercial property financing. An example is Deka Realkredit Klassik, a credit fund launched in 2009 and the first of its kind under German investment law. The fund focuses on exclusively buying tranches of loans for existing commercial properties, which are always secured by a first mortgage. In 2013, the credit fund invested in five loans totalling around €85m, which included a transaction for financing the modernisation of New York's Empire State Building.

DekaBank holds a substantial share of the loans bought by the credit fund until the end of the loan term in each case. Similar to its funds, in the property financing segment, DekaBank invests in office, retail, logistics and hotel properties. Among the hotels financed in 2013 were the Waldorf Astoria in New York and the Savoy in London, with portions of the claims under the loan agreements placed externally. Savings banks wishing to diversify their Depot A portfolio additionally have the option of using the stable value service, a syndication platform for property fund related loans. The savings banks then act as syndicate partner of DekaBank, generating genuine lending business which is reported accordingly on their balance sheets. The top rating of DekaBank's funds generally has a positive impact on the average rating of the loan portfolios of savings banks.

Attractive alternative to direct investment

Diversification and stability are also key topics for private investments. Manfred Vögtlin, member of the Board of Management at Sparkasse Bensheim, confirms this. With a volume of almost €1.3bn in customer deposits, the medium-sized financial institution's market penetration in its geographical business region is considerable. As part of the Rhine-Main and Rhine-Neckar conurbations, the region is home to many high-earning commuters.

Torsten Wienold, Head of Sales Management at Sparkasse Bensheim, remarks that "Low interest rates and yields are a major challenge for our advisers." Hoping for an early turnaround in interest rates, many customers are unwilling to invest their money for more than six months – despite the fact that income for that time span is particularly low. Customer advisers use savings banks' investment and advisory process to focus on counteracting this trend. Torsten Wienold explains the process: "Once the adviser and customer have analysed the customer's investment requirements together, the adviser prepares a proposal for optimising the asset structure." Deka's open-ended property investment funds provide a stable foundation. "Depending on the risk profile, the mix should comprise up to 10% of units in this type of investment fund."

The deep trust placed in Deka's property investment funds by the Bensheim savings bank and other savings banks is partly the result of a responsible sales strategy. Dieter Berg, Head of Sales Support for Property Investment Funds at Deka Immobilien GmbH, explains: "We have made a clear distinction between products for private investors and those for institutional clients for many years now." This ensures that short-term switching of investments by institutional investors will not cause liquidity bottlenecks in the property investment funds geared to private investors. A rigorous quota-based approach to funds inflows provides additional protection in the event of turmoil in the financial markets. According to Torsten Wienold, this restrictive policy is greatly appreciated at Sparkasse Bensheim, where quotas are generally already placed by the middle of the year.

Investing like a pro

When it comes to open-ended property funds, the key advantage for retail customers is their investor-friendly denomination. Even those investing small amounts can have access to an asset class which would otherwise usually be closed to private investors. For retail customers, this makes open-ended property funds an attractive investment alternative to directly investing by buying their own home or a buy-to-let flat. In addition, the investment funds only invest in commercial property.

The Deka Group's open-ended property funds primarily invest in office, retail and logistics properties as well as hotels, in Germany, Europe and around the world. Dieter Berg points out that "This gives investors the chance to share in a range of growth opportunities." Fund unit holders participate in income from rent and lease agreements, and benefit from the profits which fund managers achieve by actively managing acquisitions and sales of properties.

There is no shortage of recognition from outside the Group when it comes to fund performance. In 2013, rating agency Scope named the *Deka-ImmobilienGlobal* fund as best global open-ended property investment fund for the fifth time in a row. The panel of judges highlighted the award-winner's excellent occupancy rates and also praised the astute buying and selling strategy adopted by the fund managers to exploit market conditions for targeted disposals.

Sustainable success

The property experts at Scope also gave *WestInvest InterSelect* the award for best investment fund in the sustainable portfolios category. Thanks to its strict certification policy, which is based on DekaBank's sustainability strategy, this mutual fund has the highest number of sustainable properties found in one portfolio, measured in terms of total market value. The target is to increase the proportion of certified properties to 40% by 2015, across the whole range of fund assets in the Real Estate business division.

Olaf Kretke, Sustainability Coordinator in the Real Estate business division, emphasises this fact: "For years, we have favoured investments in properties that are rated by internationally recognised certification companies." Sustainability also plays a key role in the refurbishment of existing properties, such as the Sunyard project in Munich, Germany. According to Olaf Kretke, "Wherever possible, we aim to get these properties certified as well, provided it makes sense to do so."

This approach has proved successful in two ways. On the one hand, it is in line with DekaBank's sustainability strategy and on the other, it takes account of the trend for tenants to look increasingly at environmental considerations when choosing a property, which in turn impacts positively on occupancy rates. Olaf Kretke explains: "Large companies, in particular, are keen to use buildings that protect resources and the environment, in order to meet their sustainability targets." As a result, it is not just the environment that benefits from the high ratio of certified buildings in Deka's property funds – investors also profit in the form of steady long-term returns.

Sunyard project

Sustainable redevelopment – good for the environment, tenants and investors

The revitalised Sunyard office complex has become a focal point in the Giesing district of Munich, thanks to its child daycare facilities and public access to its inner courtyards.

Green buildings are popular with tenants and offer investors returns that are sustainable in the long term. By 2015, 40% of the real estate holdings in Deka's property funds should therefore carry a sustainability seal awarded by a recognised certification body. These include the Green Building Certification Institute (GBCI), the *Deutsche Gesellschaft für Nachhaltiges Bauen* (German Sustainable Building Council, DGNB), Leadership in Energy and Environmental Design (LEED) and the Building Research Establishment Environmental Assessment Method (BREEAM). To reach this ambitious target, property redevelopments also focus on sustainability, as illustrated by the "Sunyard" refurbishment project in Munich.

Building: Sunyard office complex
Location: Giesing (Eastern Munich)
Built: 1990
Gross floor area: 21,738 m²
Owner: Deka-ImmobilienEuropa
Investment: €28m
Start of planning: May 2010
Completion: May 2012
Objective: Environmental refurbishment, increased attractiveness for tenants and local residents.

Planning approach: Fundamental change of concept for leasable area from single to multi-tenant use. Connection with public space. Architectural redesign of façades, interior rooms and courtyards to meet current environmental standards. Consistent use of resource-efficient and attractive materials with a long life and high percentage of recycled content.
Energy efficiency: High level of insulation from façade and new windows with triple glazing reduce heating costs by around 70%. Despite increased comfort levels thanks to cooling systems and mechanical ventilation, energy requirement cut by 30%.
Primary energy requirement: 162 kWh/m² per year. This is 40% lower than the requirement specified in the German Energy Saving Regulation (EnEV 2009) for refurbishments.
CO_2 emissions: 32 kg/m² per annum
Certificate: LEED Gold
Occupancy rate before redevelopment: 8%
Occupancy rate in January 2014: Around 90%
Electromobility: Four parking spaces with power supply for electric and hybrid vehicles.
Water conservation: Drinking water consumption reduced by 12–15% through use of rainwater tanks for watering green spaces.
Climate protection: Green roofs with terraces reduce "heating" of building in the summer months and make it more attractive for tenants.
Connection with public space: Child daycare facilities, a fitness studio and restaurants integrate the building into city life. Opening the inner courtyards to the public creates a shortcut to the "St. Martin-Straße" urban rail station.

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UNDERWRITING BUSINESS
EMIR
TRADING
SAVINGS BANKS
REFINANCING
INTEREST
REAL ESTATE
AIFMD
SPARKASSE
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SUSTAINABILITY
RENTS
TANGIBLE ASSETS
SECURITIES
SHARES
PROVISION
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PROTECTION
COMMITMENT
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TRANSPORT FINANCE
EXPERIENCE
INFRASTRUCTURE FINANCE
DEKA INSTITUTIONELL
EXPERTISE
CERTIFICATES
EMTN
LIQUIDITY
PLATFORM
ADDED VALUE
TREASURY
COMPASS
SPECIAL FUNDS
DEKA-IMMOBILIENEUROPA
GREEN
COMMERCIAL PROPERTIES
BUILDING
TARGET SELECT
PROPERTY FUNDS
QUALITY
INVESTMENT FUNDS
DEKA-BASISANLAGE

Capital Markets: Mastering regulation – with one-stop solutions

Europe is converging – including in terms of banking regulation. Yet the road towards a uniform financial market architecture, so often based on the business models of major international banks, poses serious challenges for banks with a regional focus such as the savings banks. The framework created by their public service remit, along with a long-term regional business model and decentralised structures, mean that implementing some of the new regulatory requirements comes at a great cost for financial institutions working alone. This is where the Deka Group can help, with one-stop solutions. And the *Wertpapierhaus* offers the best of both worlds, because not only is DekaBank part of the *Sparkassen-Finanzgruppe*, it is also one of around 130 banks in Europe categorised as 'too big to fail'.

As one of the big players in the market, DekaBank has contact with national and international supervisory bodies. To ensure that it stays on top of the regulations, the bank implements new requirements internally as quickly and comprehensively as possible, whilst at the same time developing solutions for the savings banks. Stefan Hachmeister, Head of Capital Markets at DekaBank, describes the process: "We deliver services from within the alliance, for the alliance."

Ensuring compliance with liquidity standards under current banking regulations is a case in point. "We have the appropriate structure to act as a liquidity platform within the *Sparkassen-Finanzgruppe* so that we can provide additional stability," stresses Stefan Hachmeister. This is something the savings banks can use in two ways: they can place surplus liquidity with DekaBank so that it can be put to good use, or draw on the supply of liquidity to avoid temporary bottlenecks. "The great thing here is that the income stays within the *Sparkassen-Finanzgruppe*."

Added value through integration

The close integration of DekaBank within the *Sparkassen-Finanzgruppe*, as well as between the business divisions themselves, is the key to the success of the *Wertpapierhaus*. Making existing structures and expertise available across all the divisions generates cost benefits and opens up additional opportunities.

For example, trading systems for repo/lending business in the Capital Markets business division have been expanded further. Both funds and the savings banks benefit from these business activities. The investment funds improve their returns by lending out securities from their portfolios in exchange for a fee. The Capital Markets team, on the other hand, can use these securities as collateral, for example to generate additional liquidity for the savings banks.

This close cooperation with the savings banks is proving its worth in other areas too. Take the clearing service for instance, which is a solution designed and successfully implemented by the Capital Markets business division. Under the European Market Infrastructure Regulation (EMIR), capital market participants will be required to use a central counterparty for most OTC derivative transactions in future. To implement fully this requirement at an early stage, DekaBank was one of the first banks in Europe to enter into a direct partnership with the LCH Clearnet clearing house and to develop the IT infrastructure required for clearing via LCH's platform.

"From the outset, we also intended to provide a solution for our partners in the *Sparkassen-Finanzgruppe*," says Hachmeister. DekaBank's investment is paying off for the entire finance group. For example, savings banks which hedge currency and interest rate risks, using OTC derivatives that are not subject to a loss sharing agreement, can access DekaBank's clearing service. This forward-looking and efficient concept helps keep the costs caused by increased regulation under control. Hence the bank's transformation into a fully-fledged securities service provider also plays a role in ensuring the *Sparkassen-Finanzgruppe* remains competitive in the long term.

Successfully joining forces

One important milestone in this context is the integration of the customer-oriented capital market business of Landesbank Berlin AG (LBB) into DekaBank's capital market business. This addition increases the bank's presence in the marketplace, reduces duplication and enhances DekaBank's earnings potential. "We will be able to offer the savings banks and their customers an even wider range of products and services in future," stresses Hachmeister.

At the same time, this cooperation within the alliance paves the way for new dimensions in the partnership, as DekaBank also took over some of LBB's customer relationships with the Asset Management department of Berliner Sparkasse as part of the integration. The savings bank has been utilising DekaBank's expertise and capital market access in its commission business since the start of 2014.

"What's new for us here is the link with retail business, because in the past we generally only acted on behalf of institutional customers in our commission business," explains Christoph Arzt, Head of Commission Business at DekaBank. Berliner Sparkasse, however, carries out a large number of customer requests in the capital market every day thanks to its strong presence in the segment dealing with wealthy private customers. "When it comes to complex customer requests or large volumes, our traders are on hand to provide support," says Arzt. As a recognised name in the market, DekaBank has the necessary network and know-how to implement even challenging transactions in the interests of savings bank customers, while giving due consideration to the effect on the market.

The transition from LBB to DekaBank was seamless, according to those involved. This success is the result of meticulous preparation, including several test runs. But it is also down to the hard work put in by Claudia Bloß. A commission business trader, she moved from Berlin to Frankfurt as part of the integration of LBB's customer-oriented capital market business, bringing the required retail expertise to DekaBank's Commission Business unit. As Arzt points out, "The collaboration with Berliner Sparkasse could definitely be a blueprint for future cooperation with other savings banks." And Stefan Hachmeister is pleased, too: "We are delighted that our partners in Berlin have faith in our solutions."

Making better use of expertise

A focus on the customer, pooled expertise and a higher real net output ratio: the *Wertpapierhaus* boasts an integrated business model that also opens up growth opportunities in capital market business. A good example is the certificates business launched for the savings banks' private customers in 2013, where the Capital Markets business division achieved an issue volume of some €1bn from a standing start.

DekaBank was recognised in the "Scope Awards" for this successful market entry, with the jury drawing particular attention to its strong diversification strategy and rigorous approach to implementing it. It also noted that DekaBank has been able to win a respectable share of the market in only a short period of time. This is reflected in the fact that over 380 savings banks are now selling Deka certificates for private investors. For Thorben Lüthge, Head of Trading & Structuring at DekaBank, this positive customer response is the result of a consistent focus on the customer: "Our team works closely with Sales to structure the certificates precisely in line with the needs of the savings banks and their customers."

"Whether it's the latest regulatory requirements, proprietary investments in the Depot A securities account or the new investment needs of private customers, the Capital Markets business division sees itself as driving forward innovation," summarises Hachmeister. After all, it is in the very nature of the capital markets to be dynamic, so the savings banks can rely on their *Wertpapierhaus* to offer them tailored and efficient solutions to suit every market situation and regulatory environment.

Interview with Hussam Masri, Head of Product Management at DekaBank

"We only issue certificates that we ourselves would buy"

Mr Masri, savings bank customers are seen as particularly conservative investors. Are they a good fit for certificates, the asset class that DekaBank has been offering since the start of 2013?

Of course. It's a long time since investing conservatively was just about parking funds in a savings account or fixed-term account. Investors are increasingly aware that with interest rates at their present level, assets are losing value rather than growing. This is another reason why certificates are an important addition for asset accumulation, especially as you can earn profits with structured products even when stock markets are weak.

Doesn't this mean that DekaBank is creating competition for its own fund products?

No. We take very great care to ensure that there are no overlaps. It's not about changing course, but about a meaningful supplement to our proven range of products. Almost all of the structures we develop are not feasible in the funds segment. That means customers can invest their assets appropriately, whatever the market situation.

How is DekaBank's extended range of products being received by the savings banks?

We are very pleased with the response. We're already doing business with around 80% of the savings banks and after just one year, the issue volume has already passed the one billion mark.

That sounds as if sales were the main reason for entering this market.

From our perspective, this factor did play a part as well, since certificates are not new territory for us. After all, DekaBank has been issuing certificates for institutional investors for many years. We have the corresponding IT infrastructure in place and we are an established name in the market.

There are many other players as well though. What sets DekaBank's products apart from the competition?

Unlike some of our competitors, we don't flood the market with issues. We only issue certificates that can be practically integrated into the savings banks' investment and advisory process. In the first year, we issued a total of 450 products. Some of our competitors might launch the same amount in a week or even on just one day. But that approach doesn't fit with our market entry strategy. At the moment it's not about offering every possible variant of every product.

How do you ensure that?

By listening very closely when savings banks or customers come to us with ideas. A significant proportion of the issues last year was custom-tailored. However, we developed most of the certificates ourselves, and put a lot of care and attention into them – the way we work is a bit like an artisan workshop.

What do you mean by that?

Every issue starts with a thorough analysis of the circumstances. In our opinion, it's not enough to know that equity-linked bonds are attractive in a particular market climate, for example; we also look at which maturities are appropriate. And we only offer underlyings with buy or hold recommendations from our research department. This is because we want the advisers to be able to recommend our certificates with a clear conscience.

With so much effort involved, can we assume the range of products on offer will stay small?

That's right. It's also what the savings banks expect of us – a reasonably-sized range of high-quality products that covers everything the savings bank customers need. But no more than that. Two things are important to us here – we want our products to be a good fit for the needs of investors, and we only want to issue certificates that we ourselves would buy.

Following the takeover of LBB's customer-oriented capital market business, isn't it likely that activities will expand somewhat in the future after all?

Naturally. We have had a successful start, but it's still early days. We're taking over the certificate product lines from LBB that fit our product strategy and will continue them as part of our own issues. It means the merger gives us the opportunity to pool the expertise of both banks. We are very confident that we will reach our targets and become a sought-after issuer of certificates for private investors in the coming years.


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EMIR
UNDERWRITING BUSINESS
TRADING
INTEREST
SAVINGS BANKS
REFINANCING
AIFMD
REAL ESTATE
SPARKASSE
VALUE RETENTION
SUSTAINABILITY
RENTS
TANGIBLE ASSETS
SECURITIES
SHARES
PROVISION
ASSET BUILDING
EXPERTISE
TREASURY
COMPASS
CERTIFICATES
EMTN
LIQUIDITY
PLATFORM
ADDED VALUE
SPECIAL FUNDS
DEKA-IMMOBILIENEUROPA
COMMERCIAL PROPERTIES
GREEN
BUILDING
TARGET SELECT
PROPERTY FUNDS
QUALITY
INVESTMENT FUNDS
BASISANLAGE
ASSET ALLOCATION

Financing:
Shaping the future – with professional financing

The energy turnaround represents one of today's biggest challenges – not just for engineers, but also for the banking industry. The policy adopted by German legislative bodies to expand renewable energies will result in investments totalling hundreds of billions over the coming years – investments which will require financing. DekaBank has over 30 years of experience in infrastructure projects, and its Financing division is one of the first ports of call for many project sponsors.

In line with its sustainability strategy, the Deka Group also gives preference to financing projects that are related to "green energy". Alongside the European Investment Bank and other renowned players, it is co-financing a North Sea wind farm that is currently under construction. Once hooked up to the grid, the 80 wind turbines will generate enough electricity to supply around 445,000 private households. To date, the Deka Group has provided financing totalling around €600m for projects in the renewable energy sector.

However, an extraordinary project like the energy turnaround can only succeed if the burden is shared by many. The savings banks' *Wertpapierhaus* plays a special role here by combining traditional financing business with fund management. In concrete terms, this means that the Deka Group offers investors the opportunity to participate in the loans that have been granted, either via a fund or other structures. There is no shortage of demand: under the terms of their investment guidelines, insurance companies, pension funds and other institutional investors are required to use investments that are low-risk but still deliver a return of 3.5% to 4% a year. "In the current low interest rate environment, they frequently have no choice but to invest in new asset classes," explains Stefan Bauer, Head of Sales Institutional Clients Germany at DekaBank. "The field of infrastructure financing in particular still offers real opportunities."

Capital market access for infrastructure financing

Here DekaBank offers tailored solutions with stable, attractive returns. The offering ranges from classic syndication and club deals, i.e. joint financing by a small group of banks, through to participation in credit funds. This is made possible by close cooperation between the Financing and Real Estate business divisions and Institutional Sales. "Traditionally, infrastructure financing has been something people would get from a bank, and the key skill of the securities service provider is to facilitate access to the capital markets for this form of finance," explains Bauer.

It is not just by lending its name to loans that DekaBank vouches for their quality, but also because as a matter of principle it only offers investment projects in which it is investing as well. This is true across the board, whatever the structure, and creates trust among potential investors. “Even when demand is strong, we believe it is important to retain a significant portion of the loans on our own books,” emphasises Stephan Wagner, Head of Infrastructure Financing at DekaBank.

To limit the risks for all involved, the Deka Group pursues a conservative lending policy. “A thorough and detailed analysis is carried out before any loan commitment is made, and we will not go ahead unless the risk/reward profile is attractive,” stresses Wagner. Institutional customers can benefit from the process. “Naturally, this approach is particularly attractive for those investors who are buying in professional expertise along with the asset management mandate,” explains Wagner.

Structuring to suit every requirement

Pension funds and other investors can also rely on the fact that DekaBank experts are familiar with the relevant regulatory idiosyncrasies. “Smaller players especially can sometimes struggle to cope with the growing complexity of supervisory requirements on their own,” notes Bauer. To offer its customers real added value in this respect, DekaBank has expanded its range of consulting services. Its specialist team of experts not only provides strategic advice on professional risk/return management, but also reporting services if required. “As a securities service provider, we offer so much more than just products,” says Bauer. “We offer solutions.”

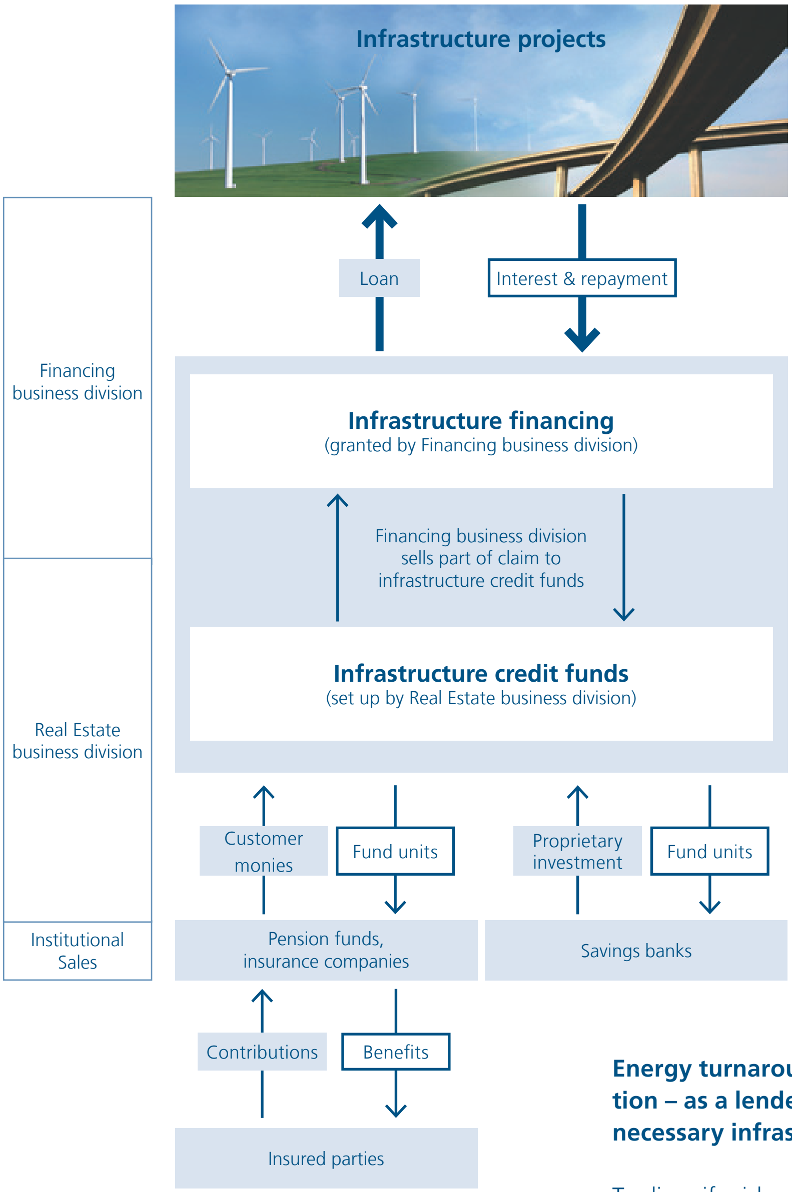
This unique all-round service enables DekaBank to augment its financing power by involving third parties, which is a responsibility it takes very seriously. “This allows us to make a contribution towards establishing a broad base for the implementation of the energy revolution,” explains Wagner. The financing arrangements for the acquisition of 18 wind farms in Germany by the subsidiary of Swiss investor Swisspower Renewables AG show just how successful this can be. With eleven Swiss utility companies currently in its portfolio, the investment company is aiming to increase the share of green power it produces itself through joint investments in Switzerland and neighbouring countries.

Part of DekaBank’s role was to act as initial lender and sole arranger for a financing deal, which was negotiated in financial year 2013. A portion of the long-term infrastructure loan of €125m was placed with institutional investors under asset management mandates. This involved splitting the loan volume into floating and fixed-rate tranches. The fixed rate tranche is particularly tailored to the needs of pension funds which are looking for stable long-term earnings. The floating rate tranche was specially structured for the *Deka-Infrastrukturkreditfonds* (DIK) and offers an attractive return for this credit fund, which was set up for proprietary investment by the savings banks.

Everyone benefits from this structure. The savings banks and other institutional customers gain tailor-made investment opportunities, while the equity investor’s participation adds around 280 million kilowatt hours a year to its output of onshore wind energy. Plus the participation of outside investors enables DekaBank to free up capital for other financing projects. “By pooling our expertise in financing and asset management, we are helping the savings banks use their investing power to finance the energy revolution,” says Wagner.

Credit funds

From infrastructure financing to securities products



Energy turnaround, fibre optic network, road construction – as a lender, DekaBank aids the implementation of necessary infrastructure projects.

To diversify risk and facilitate the financing of more projects, DekaBank involves additional investors via its Real Estate business division. However, it always retains a significant portion of the loans on its own books. The Real Estate division pools the acquired loans to produce securities that comply with the specific investment requirements and guidelines of institutional investors. In the present environment of low interest rates and returns, credit funds such as DELI or DIK thus provide an attractive addition for the savings banks' own investments and for the portfolios of insurance companies and pension funds.

Group management report 2013. We have strengthened our sales support, expanded the product range and improved advisory processes across the board: the Deka Group has made excellent progress in its transformation into a fully-fledged securities service provider for the savings banks. Despite substantial investment in our future – including the acquisition of Landesbank Berlin's activities – improved fund sales, the normalisation of risk provisioning and strict cost management produced an economic result close to the previous year's figure.

Group management report

At a glance

2013 was a year of transition for the Deka Group, which evolved from asset manager into a fully-fledged securities service provider for the savings banks. The transformation programme launched to achieve this started to produce results just twelve months after it began. Sales support provided to the savings banks was increased and reorganised, the product range has been realigned and enhanced to include certificates, and advisory services for institutional customers have been expanded under a separate brand.

The Deka Group has achieved meeting its ambition of supporting the savings banks as extensively as possible in securities-related retail business and asset/liability management by adopting a comprehensive advice-based sales approach and solution-oriented investment concepts. Taking over the customer-oriented capital market business of Landesbank Berlin (LBB) and fund company LBB-INVEST at the end of 2013/beginning of 2014 Deka Group further strengthened its importance for retail and institutional customers.

In 2013, the Deka Group once again generated high added value for its shareholders. At €501.5m, the economic result almost matched the previous year's level. This figure included investment for the future totalling in excess of €100m for the acquisition of LBB's customer-oriented capital market business as well as restructuring provisions for future-proof adjustments to the Group's business model, which were charged to the income statement. The decrease in net interest income was partly related to volume. At the same time, net commission income remained at an almost steady level, reflecting higher net sales and a strong fund performance. Risk provision levels normalised following the transfer of high net amounts in the previous year. This in turn impacted positively on profit performance. Through to the Deka Group's strict cost management, additional expenses – particularly in connection with stepped up sales and higher regulatory costs – were funded by means of Group resources.

The Deka Group's value- and risk-oriented management ensured that overall risk-bearing capacity utilisation remained at a modest level while the liquidity supply was at its usual healthy level. This contributed to consistent maintenance of the Bank's strong ratings compared with the sector as a whole. In view of regulatory requirements, strengthening the core tier 1 capital remains an important target.

Information about the Deka Group

Deka Group profile and strategy

The Deka Group is the fully-fledged securities service provider for the savings banks. Its services comprise investments, asset management and support for the savings banks throughout the entire investment and advisory process for securities-related business. In addition, the Deka Group offers comprehensive advice and solutions to the savings banks and other institutional customers for their investment, liquidity, funding and risk management requirements.

Legal structure and corporate governance

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

The Deka Group strictly adheres to the principles of good and responsible corporate management. The corporate governance concept for the management and supervision of the Group defines clear and distinct responsibilities for boards and committees and enables efficient decision-making processes. As a member of the *Sparkassen-Finanzgruppe* (Savings Banks Association), DekaBank is committed to the principles of subsidiarity and a focus on the greater good. They form the basis of its code of ethics, which provides binding guidelines for the actions of corporate bodies and employees. These principles and guidelines represent the basic structure of the Deka Group's corporate culture, which complies with the law, is open, transparent and aimed at adding value.

DekaBank is jointly managed by the Board of Management, which comprises five members. On 1 May 2013, Martin K. Müller joined the corporate body. He was previously a member of the Management Board of Landesbank Berlin. Dr. h. c. Friedrich Oelrich, who was responsible for Risk Control and Loan Monitoring, chose to step down from the Board of Management at the end of 2013. With effect from 1 January 2014, the responsibilities of the Board of Management members were altered as follows:

- Michael Rüdiger is CEO and responsible for Strategy, Communications and Risk,
- Oliver Behrens, Deputy CEO, is responsible for Institutional Customers, securities investments and Capital Markets,
- Dr. Matthias Danne is responsible for Real Estate, lending and finance,
- Martin K. Müller is responsible for business operations, IT, Human Resources and Treasury,
- Dr. Georg Stocker has responsibility for Savings Banks Sales and Marketing.

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

The close cooperation of the Board of Management and Administrative Board is based on trust. The Administrative Board comprises representatives of the shareholders and employees as well as representatives from the *Bundesvereinigung der kommunalen Spitzenverbände* (German Federal Association of Central Municipal Organisations), who act in an advisory capacity. The work of the Administrative Board is performed in part by the full Board and in part by various committees. To this end, the Administrative Board has formed the General and Nomination Committee, the Audit and Risk Committee, the Remuneration Supervision Committee and the Credit Committee. The committees were renamed in line with the further development of the requirements under the German Banking Act (*Kreditwesengesetz* – KWG) from 2013 (in connection with the Capital Requirement Directive IV, CRD IV), and members were appointed for the first time to some of the committees. The German Federal Minister of Finance is responsible for general governmental supervision.

Business model

The Deka Group's business model primarily focuses on the requirements of its key clients in the German market – the savings banks and their customers. Products and solutions are also offered to other institutional clients, for example insurance companies, pension funds and foundations, provided that critical mass is achieved to ensure economies of scale.

The Deka Group supports the investment and advisory process at savings banks via its Savings Banks Sales organisation, providing targeted advice and services. The requirements of the savings banks and other institutional customers are addressed by the Institutional Customers sales team.

The Deka Group's core business consists in making relevant securities and property investments available to retail and institutional investors as well as implementing transactions which support and complement asset management along the entire value chain. Accordingly, the Group acts as finance provider, issuer, structurer, trustee and custodian. In addition to these roles, the Group's business activities also comprise its function as a liquidity platform for the savings banks. The Deka Group also provides support for the savings banks when purchasing and processing securities. DekaBank's role as clearing broker for the centralised clearing of OTC derivatives involving counterparties within the alliance of guarantors will also be significant in future. This service is likely to be available from the second quarter of 2014 onwards.

Deka Group strategy

As the fully-fledged securities service provider for the savings banks, Deka Group's strategy is geared to strengthening the *Sparkassen-Finanzverbund* in both German and European competitive environments on a sustained basis and consolidating its important role in helping German households to build up their assets. Working closely with the savings banks and the DSGV, the Deka Group makes a fundamental contribution towards positioning the savings banks as forward-looking securities providers. The Deka Group launched its transformation to become a fully-fledged securities service provider at the end of 2012 with a view to fulfilling this role even better. The Group's transformation programme, D18, spans several years and essentially focuses on supporting the savings banks at the best possible in securities-related retail business and asset/liability management, on the basis of a comprehensive advice-centred sales approach and solution-oriented investment concepts. At the same time, the Deka Group intends to continue to add significant value for its shareholders.

Support for the savings banks in retail business

As part of the DSGV securities process, the Deka Group is strengthening the significance of securities investments for private investors by supporting the savings banks on a targeted basis in the investment and advisory process. For this purpose, the Deka Group makes available comprehensive research, precisely-tailored investment solutions and sales and marketing support.

Expansion of Savings Banks Sales

The Deka Group is significantly expanding its Savings Banks Sales to maximise collective sales potential. This particular campaign focuses on intensive support for the savings banks, which is provided by sales directors and sales representatives.

Because of the decentralised structure of the *Sparkassen-Finanzgruppe*, the expansion requires a considerable increase in staff numbers. The target is to recruit approximately 180 additional sales staff by the end of 2015, which will ensure more extensive support for the savings banks across the regions.

The complementary programme of training courses for specialist advisers and managers in the savings banks was further expanded in 2013. The first graduates from the *Deka-Patenschmiede* (Deka mentoring scheme) were presented with their certificates during the reporting year.

The Deka Group expects the uniform investment and advisory process to bring additional benefits to fund unit sales. More than 400 savings banks had already implemented the process by the end of the reporting year. Having geared a range of solutions to the process, the Deka Group offers investment committees and customer advisers a full spectrum of services to help them give comprehensive advice to their end customers. These services include information about the market consensus, research on specific securities and the development of specimen portfolios.

The transformation to become a fully-fledged securities service provider also includes ongoing development of private banking services. DekaBank aims to establish a closer relationship with the savings banks in the private banking segment.

Further development of the product range

At the beginning of 2013, the Deka Group enhanced the range of securities it offers to help private households build up assets to include certificates. The focus was on issuing standard products which are suitable for selling on a broad scale. They include equity linked bonds, interest rate products and capital protection certificates as well as express, discount and bonus structures. DekaBank already has many years of experience in issuing individual certificates for proprietary investments by the savings banks and institutional customers. As a result, the Bank has been able to rely on an established infrastructure in this business segment. With the new DekaBank certificates, savings banks will now also be able to offer their customers bonds from an issuer with a strong rating, the kind in which they themselves have been investing for many years.

In addition, the Deka Group is examining further options for expanding its product range to include new solutions based to meet specific requirements. For instance, plans are in place to develop additional product solutions specifically for the current low interest rate environment. Factors that will contribute to the development of successful products include the Deka Group's extensive experience based on its own issues for institutional investors, the reliability of its trading and structuring processes, the Group's strong rating and its proven sales platform, which is run in partnership with the savings banks. At the same time, the Deka Group is continually streamlining its range of investment funds in order to minimise the level of complexity for the savings banks and DekaBank itself as much as is reasonably possible.

Another strategic focus is continually to improve product quality, for example through closer integration of adviser requirements in the *Deka-Vermögenskonzept* (Deka Wealth Concept). This service will remain a sales focus in 2014 as part of the savings bank finance concept. The same applies to *Deka-BasisAnlage* (Deka Basic Investment), open-ended property funds and mixed funds, which specifically respond to investors' need for security.

New brand launched in retail business

The sales campaigns and product developments that are part of the transformation programme are accompanied by a fresh approach to the brand, which centres on expertise in securities and solutions, in combination with the quality of the products and advisory services delivered by the savings banks. In the retail segment, the new Deka Investments umbrella brand has broadened its marketing spectrum since the beginning of 2014. It encompasses investment funds, certificates, pension products and asset management. The Deka Investments brand is the successor to the more narrowly defined Deka investment funds brand.

Support for the savings banks as institutional customers

The Deka Group supports savings banks in its capacity as a liquidity platform and funding provider. It is continuously developing the comprehensive range of investment opportunities for institutional investors as well as advisory and general services to meet the treasury needs of the savings banks. This enables savings banks to exploit opportunities in a stringent regulatory environment while reducing costs and risks. These services are also offered to other institutional customers.

Expansion of the range of services

The Deka Group is also continuing its development from product to solution provider in institutional business. As part of a comprehensive advisory approach, the savings banks and other institutional customers are increasingly offered individually tailored services for managing direct investments and liquidity as well as for tactical capital allocation. In this context, the asset classes and formats provided will also be expanded with a view to making a full spectrum of services available to customers for their asset/liability management, while meeting all regulatory requirements. The Treasury Compass, for example, highlights the Deka Group's advisory expertise as a fully-fledged securities service provider.

Following implementation of the risk minimising techniques required by the European Market Infrastructure Regulation (EMIR) in financial year 2013, the Deka Group has been used by a growing number of customers as service provider for processing standardised OTC derivatives. DekaBank has been a clearing member of the London Clearing House (LCH), a central counterparty for clearing OTC derivatives, since 2012. Starting in 2014, savings banks will have the option of using DekaBank as clearing broker to ensure the mandatory clearing of OTC derivatives as stipulated by the EMIR.

Expansion of the customer base

The range of products and services for institutional investors has been pooled under the Deka Institutionell umbrella brand since September 2013. It encompasses the full spectrum of institutional asset management and liquidity management, as well as credit and risk. In addition, it comprises services such as the fulfilment of the roles of joint venture fund manager (Master-KVG) and depositary.

On the strength of the new umbrella brand, additional investors who are bound by the German Insurance Supervisory Act (*Versicherungsaufsichtsgesetz* – VAG), such as pension funds, foundations and SMEs, are to be targeted alongside the savings banks, building societies and insurance companies within the *Sparkassen-Finanzgruppe*.

Takeover of Landesbank Berlin activities

As at 31 December 2013, DekaBank took over the customer-oriented capital market business of Landesbank Berlin (LBB) and then acquired fund company LBB-INVEST with effect from 1 January 2014. This has further strengthened the Bank's role as fully-fledged securities service provider for the savings banks vis-à-vis retail and institutional customers.

As part of the acquisition of the customer-oriented capital market business, LBB customers and the corresponding employees in this area were transferred to DekaBank. Existing product portfolios in customer-oriented capital market business have remained with LBB, with the exception of certificates issued by LBB, which will be transferred to DekaBank at a later date. LBB ceased its customer-oriented capital market operations on 31 December 2013 and now passes on any customer enquiries to DekaBank.

LBB-INVEST will continue to operate as an independent company in Berlin, with fund assets totalling €9.3bn as at year-end 2013, under the definition set out by the German Association for Investment and Asset Management (*Bundesverband Investment und Asset Management* – BVI). The company manages mutual and special funds and will continue to market these under its own name.

Optimisation processes at the Deka Group

The Deka Group generates significant value on behalf of its shareholders by managing business cost-effectively via its high-performance asset management and bank platform to ensure an appropriate balance between risks and rewards. Value-oriented growth coupled with the efficient use of equity is also aimed at securing an ambitious target rating, which is essential to DekaBank's business model.

The expenses in connection with the implementation of the transformation programme to become a fully-fledged securities service provider are a worthwhile investment for the Deka Group and the *Sparkassen-Finanzgruppe*. However, continuous cost control at all levels of banking operations is designed to achieve largely cost-neutral implementation of the programme. Furthermore, additional expenses expected in subsequent years will be offset by the anticipated rise in income as a result of the measures taken.

Sustainable business policy

DekaBank's sustainability strategy aims at the economic, environmental and social aspects of business. The Bank intends to provide a forward-looking response to global and social challenges while at the same time leveraging economic opportunities in the interest of its shareholders – with a long-term, risk-oriented and responsible approach.

The Bank's sustainability-related activities extend across four central pillars: environmental management/sustainable banking, sustainable HR management, sustainable banking products and social responsibility. Details regarding principles and current developments are provided in the sustainability report, which is published every year as an integral part of the annual report.

Since 2009, DekaBank has provided investment products meeting very high ethical, social and environmental standards. In the reporting year, Deka Investment GmbH signed up to the European SRI Transparency Code, which was introduced by the European Sustainable and Responsible Investment Forum (Eurosif), for the sustainable investment funds Deka-Stiftungen Balance, Deka-Nachhaltigkeit Aktien, Deka-Nachhaltigkeit Renten and Deka-Nachhaltigkeit Balance.Overall, Deka Investment GmbH managed assets totalling around €1.2bn in sustainable investment funds as at year-end 2013.

Additionally, the Deka Immobilien Investment GmbH and WestInvest Gesellschaft für Investmentfonds mbH are also continually expanding their commitment to sustainability. Many of the fund properties aim to obtain certification from recognised providers such as the U.S. Green Building Council (Leadership in Energy and Environmental Design, LEED) and *Deutsche Gesellschaft für Nachhaltiges Bauen* (DGNB). At the end of 2013, just under 34% of all fund properties were certified to one of the internationally recognised sustainability standards. The target figure is intended to be increased up to 40% by 2015.

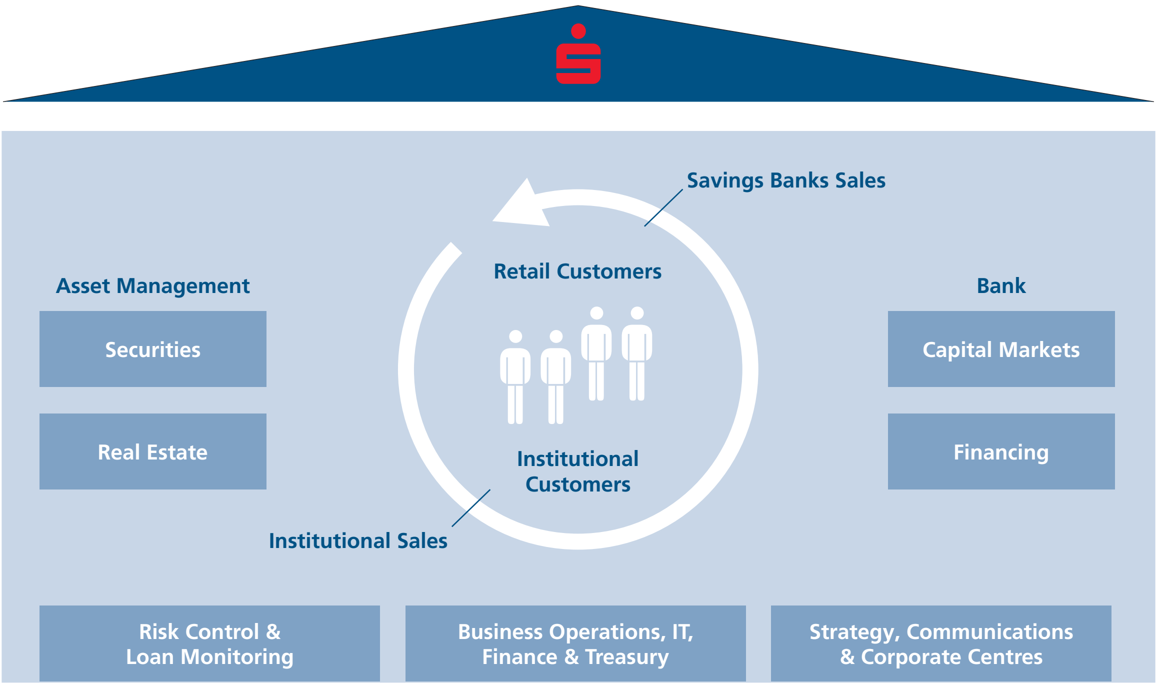
Organisational structure and locations

The business divisions work together with the head office unit Savings Banks Sales & Marketing and the other centralised business units within the scope of Deka's integrated business model, in order to achieve the best possible solutions for the Group's customers.

As part of the transformation to becoming a fully-fledged securities service provider for the savings banks, DekaBank realigned its organisational structure in mid-2013 (Fig. 1). The asset management functions of the fully-fledged securities service provider were assigned to the essentially unchanged Securities and Real Estate business divisions. Almost all customer-oriented banking functions of the fully-fledged securities service provider are covered by the Capital Markets and Financing business divisions, which evolved from the former Corporates & Markets business division. The segments mentioned above correspond to the structure of the Group's business divisions, which is also reflected in internal reporting. All segment-related figures from the previous year were adjusted accordingly.

In connection with the realigned structure of the business divisions, DekaBank introduced German names for the various organisational units. This enhances transparency with regard to the corporate structure, both in-house and externally, and creates a better understanding among shareholders, sales partners and customers in the German-speaking locations.

New structure of the Deka Group *(Fig. 1)*



Securities business division

The Securities business division emerged from the former Asset Management Capital Markets division. Active management of securities funds and fund-linked asset management for private investors as well as special funds and mandates for institutional counterparties are brought together in this business division. At the beginning of 2013, business involving passively managed exchange-traded funds (ETFs) was also integrated into the Securities business division. For this purpose, ETFlab Investment GmbH was merged with Deka Investment GmbH with effect from 1 January 2013.

Thus, the product range includes:

- actively managed mutual funds in all major asset classes (equities, bonds, money market, mixed funds, capital protected funds and any combination of these),
- products relating to fund-linked asset management, including Deka-Vermögenskonzept (Deka Wealth Concept), funds of funds such as Deka-BasisAnlage (Deka Basic Investment) and fund-linked pension products,
- special funds, advisory/management mandates and master fund mandates for institutional customers, and
- passively managed exchange-traded funds (ETFs).

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

LBB-INVEST, which was taken over with effect from 1 January 2014, offers mutual funds and special funds that primarily invest in Europe or worldwide. It also deals with mandate-based business and individual asset management for the savings banks. The Securities business division's market positioning has been strengthened by the addition of the portfolio of fund products under the LBB-INVEST brand.

Real Estate business division

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

Investment fund business concentrates on buying marketable commercial properties in liquid markets, the value-oriented development of such properties and their sale. The product range includes open-ended mutual property funds, special funds and individual property funds for institutional customers – primarily the savings banks. In addition, the business division manages credit funds that invest in property, infrastructure and transport asset financing. The Deka Immobilien GmbH subsidiary is responsible for global buying and selling of properties, property management and all other services related to property investment funds, covering all of the funds offered. The two investment management companies, Deka Immobilien Investment GmbH and WestInvest Gesellschaft für Investmentfonds mbH, focus on active portfolio and investment fund management.

Capital Markets business division

The Capital Markets business division emerged from the former Markets sub-division within the Corporates & Markets business division. It 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-generated capital market business. As a developer and supplier of capital market products, an infrastructure provider for capital market transactions and as the liquidity platform for savings banks and institutional customers, the business division provides the link between customers and the capital markets. A tailored range of services relating to securities repurchase transactions, securities lending, and money market and foreign exchange trading make DekaBank the central securities and collateral platform within the association. As LCH clearing member, DekaBank also offers interest rate derivative transactions via central counterparties (CCP) to the savings banks, helping them to fulfil regulatory requirements efficiently.

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

- The Commission Business unit essentially executes orders relating to equities, bonds and stock exchange traded derivatives on behalf of customers within and outside the Group. It primarily carries out activities on behalf of the Asset Management units of the Deka Group and other organisations within the savings banks association.
- The Trading & Structuring unit is the centre of competence for trading and structuring capital market products (spot instruments, bonds and equities), and for derivatives in all asset classes that are used by the investment funds and in the Depot A securities account of the savings banks or issued for other customers. This unit is also responsible for issuing business (bonds and certificates).

- The Cash/Foreign Exchange & Repo/Lending unit pools all short-term capital market activities with a term of up to two years. They include, for example, short-term interest rate hedging and collateralised money market transactions. As a liquidity platform, the unit supports savings banks with liquidity supply and management. Repo/lending business is an important factor, which generates liquidity as well as additional income for investment funds and the savings banks. Within the Group's business model, the unit is also responsible for DekaBank's funding and liquidity management for maturities of up to and including two years.

The customer-oriented capital market business of LBB, which was taken over at the end of 2013, supplements existing activities in the Capital Markets division.

Financing business division

The Financing business division – the former Credits sub-division within the Corporates & Markets business division – focuses on financing infrastructure measures, means of transport and trades backed by export credit agencies (ECA) alongside funding the savings banks. Outside of savings bank finance, new business activities centre on loans eligible to tap the capital market which, at the date of the financial statements, offer strong prospects of being passed on to other banks, savings banks, institutional investors and the Deka Group's own investment funds at a later date.

As part of savings bank funding, loans are granted in all maturity bands. The financing of infrastructure measures predominantly focuses on European transport, energy and social infrastructure. Transport and export financing is geared to financing aircraft and ships as well as ECA-covered export finance.

Sales

Savings Banks Sales and Marketing

All of the business divisions are closely integrated with Savings Banks Sales and Marketing, which are separate responsibilities of a Board of Management member. The unit focuses on comprehensive sales support for the savings banks in retail business. It therefore represents an important link between the Deka Group's Asset Management and customer advisers in the savings banks, as well as between production and marketing within the Group.

To ensure nationwide support, Sales are divided into six sales regions in Germany. Sales directors ensure ongoing market-oriented and customer-centred dialogue with the savings banks and savings bank associations. At the same time, Deka sales support staff and other employees assist the savings banks with marketing and sales activities and provide on-site help for advisers.

Institutional Customer Sales

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

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

Corporate Centres

Treasury

The Treasury Corporate Centre was previously a sub-division within Corporates & Markets. It is now incorporated into the overall Bank management. Last year, the importance of the overall management of the Bank's resources by Treasury continued to increase in view of regulatory requirements. Resource management covers market price risks in the portfolio held to maturity as well as the Deka Group's liquidity supply and funding. Treasury manages the strategic liquidity reserve for the Deka Group, finances investment funds and raises securities in the cover registers.

The intra-Group, market-aligned management of structural liquidity is ensured on the basis of a transfer pricing system. This system was further developed in the reporting year to reflect associated companies and the transactions involved. On the funding side, Treasury is responsible for issuing Deka Group bonds with maturities of more than two years and for equity management.

In its capacity as central resource manager, Treasury supports all business divisions acting as a contact for market price and liquidity risk related queries.

Treasury is listed as a separate segment in segment reporting.

Other Corporate Centres

Alongside Treasury, a further twelve Corporate Centres support Sales and the business divisions. As at the reporting date, these were the Corporate Office & Communications, Legal, Corporate Development, Cost Management & Organisation, Audit, Compliance, Human Resources, Risk Controlling, Credit Risk Office, IT, Transaction & Custodian Services and Finance.

On 1 January 2014, the Corporate Centres were expanded to include the new Risk Controlling Capital Market Funds (previously assigned to the Securities business division). This new business unit is responsible for risk control relating to the investment funds of the joint venture fund managers (KVG subsidiaries), which are integrated in the business division at functional level.

Non-core business

The Deka Group's business activities that are to be discontinued have been pooled into non-core business. This includes, in addition to corporate financing, leveraged loans, trade financing and non-ECA-covered export finance, structured capital market products and financing of regional and local authorities which is not eligible for *Pfandbrief*-based funding.

The relevant portfolios are reduced while safeguarding assets. Based on the analysis of potential appreciation in value, default risk and expected net interest income, a decision is taken as to whether to sell or hold specific positions.

Major companies and locations

The Deka Group's business is managed from the head office in Frankfurt am Main. There the major investment management companies are located, too. WestInvest Gesellschaft für Investmentfonds mbH is based in Düsseldorf, and the employees of the former ETFlab are based in Munich.

DekaBank Deutsche Girozentrale Luxembourg S.A. in Luxembourg is the most important international subsidiary. The Deka Group also maintains companies and representative offices in Amsterdam, Brussels, London, Madrid, Milan, New York, Paris, Tokyo, Vienna and Zurich. The Zurich-based subsidiary Deka(Swiss) Finanz AG, which signed under the name Deka(Swiss) Privatbank AG until the end of 2013, is to be closed with effect from 31 December 2014.

Together with the public sector insurance companies, DekaBank offers products and consultancy services relating to company pension schemes via its associated insurance company S Pensions-Management GmbH in Cologne (Deka Group shareholding: 50%). Fund accounting in Germany and some areas of fund administration are handled by Dealis Fund Operations GmbH, a joint venture with Allianz Global Investors (Deka Group shareholding: 49.9%). S Broker AG & Co. KG in Wiesbaden (Deka Group shareholding: 30.6%) is an online broker. In close cooperation with the DSGV, DKC Deka Kommunal Consult GmbH (Deka Group shareholding: 100%) in Düsseldorf provides advice to local authorities and public sector companies in Germany.

Markets and influencing factors

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

In securities-related asset management, the capital market environment, sales environment for the *Sparkassen-Finanzgruppe* and product quality influence the business trend and profit performance to a significant extent. These factors impact on sales to retail and institutional investors as well as on the performance of portfolios.

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

The situation on the money and capital markets at any given time is also highly relevant to the Capital Markets and Financing business divisions as well as to Treasury. For example, customer demand for liquidity partly depends on the volume of liquidity made available by the European Central Bank (ECB). Typically, the situation in the market for fixed-income securities impacts on the issuing activities of the Capital Markets business division. Lending business is partly impacted by the economic trend in the sectors of the industry financed and by market interest rate developments.

Changes in regulatory requirements are also of great importance in all business divisions and for the Deka Group as a whole. Current economic conditions are described on pages 38 to 42.

The Deka Group's business divisions all have a strong position in their respective markets (as at year-end 2013):

- With fund assets (according to BVI) of around €96bn, the Securities business division is Germany's second largest provider of mutual securities funds.
- The Real Estate business division has (BVI) fund assets totalling roughly €22bn, making it the second largest mutual property fund manager in Germany, although fund assets of around €21bn mean it is the market leader in mutual property funds for private customers.

Risk and profit management at the Deka Group

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

Financial performance indicators

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

The economic result is the key in-house management and performance indicator and is based on the IFRS accounting standards. In addition to net income before tax, it includes changes to the revaluation reserve before tax as well as the interest rate and currency related valuation result from original lending and issuance business. Furthermore, potential future charges are included in the economic result if the probability of such charges arising in the future is assessed as possible but they cannot yet be recorded in IFRS reporting at the present time, due to the fact that accurate details are not yet available. The aim of adjustments compared with net income before tax (under IFRS) is to reflect actual growth during the period under review more accurately. The economic result has already been used in external reporting at Group and business division level for several years. Measurement and reporting differences with regard to the consolidated financial statements under IFRS are clearly explained in note [2], where they are reported in the reconciliation column relating to Group net income before tax. This ensures that it is always possible to reconcile the figures presented with net income before tax.

The core tier 1 capital ratio is used as key performance indicator for assessing the adequacy of the total amount of capital and reserves of the Deka Group in line with regulatory requirements. It is therefore also of major importance for rating agencies' assessments of the Deka Group. The core tier 1 capital ratio is defined as the ratio of core tier 1 capital to the risk-weighted assets (RWA) of all relevant counterparty, market and operational risk positions. Risk-weighted assets are managed in line with the Deka Group's strategy, balance sheet structure and the capital market environment. DekaBank aims to maintain its core tier 1 capital ratio above the target level of 12% in the long term.

Utilisation of the risk cover potential, applying the leading liquidation approach, is the key risk management parameter. The monthly risk-bearing capacity analysis involves comparing the Deka Group's risk cover potential that may be used to cover losses with total risk determined across all risk types which have an impact on profit or loss (pages 67 to 69). This makes it possible to establish whether total risk limits have been adhered to at Group and divisional level.

Non-financial performance indicators

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

Net sales represent the key performance indicator of sales success in Asset Management (Securities and Real Estate business divisions and Savings Banks Sales). This figure essentially consists of the total direct sales of the Deka Group's mutual and special funds, fund-based asset management, funds of partner organisations, master funds and advisory/management mandates, and ETFs. Sales generated through the Bank's proprietary investment activities are not taken into account.

Key elements of assets under management (AuM) include the income-related volume of mutual and special fund products (including ETFs) in the Securities and Real Estate business divisions, direct investments in the funds of partner organisations, the portion of fund-based asset management activities attributable to partner organisation funds, third party funds and liquidity, and advisory/management mandates. Assets under management have a significant impact on the level of net commission income.

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

Economic report

Economic environment

General economic conditions provided no significant impetus for the Deka Group's business in the reporting year. The extremely strong share price performance on stock markets failed to boost demand from private investors for securities funds to any considerable extent. Overall share of investment fund business in the financial asset formation of German households remained small. In addition, the market environment for retail certificates was weaker than in previous reporting periods.

Compared with 2012, there was no substantial change in the situation on money and capital markets. An ample supply of liquidity on the markets and a further cut in the eurozone's key interest rate restricted the return achievable by many types of investments. Furthermore, they resulted in modest demand for liquidity from institutional counterparties. Conversely, the Deka Group benefited from the further tightening of credit spreads. This once again produced positive valuation effects in both bond portfolios and capital market credit products.

Overall economic conditions

Global economic growth slowed somewhat last year. Emerging markets, in particular, were unable to maintain the previous year's growth rates overall. However, by year-end 2013, China had exceeded dampened expectations to match the previous year's high growth rate of 7.7%. As in other emerging markets, modest growth also affected exports in industrialised countries. In addition, financial market investors held back after the early announcement by the US central bank of its intention to reduce the bond buying programme, i.e. to begin tapering, which the Fed then eventually implemented in December 2013. This made financing conditions more difficult.

In established national economies across the globe, growth rates, although low, started to gain momentum again. However, the USA failed to fulfil its potential, partly owing to the fiscal dispute in the first half of 2013. Its economic growth was more dynamic in the second half of the year, and the partial spending freeze in October made practically no impact at all. This suggests that the effects of the automatic spending cuts resolved in spring 2013 are gradually diminishing.

After negative growth in the first quarter of 2013, the eurozone overcame the recession during the remaining months of the year. A robust trend in Germany was particularly significant in this respect. Economic conditions in the peripheral countries, notably Spain, also improved slightly. However, the problems linked to growth in France, Italy and other countries highlight the fact that the eurozone recovery remains fragile. It will only be consolidated if reforms are consistently implemented in affected countries on a sustainable basis.

Prospects in the German market brightened throughout the year, partly as a result of the stabilisation in the eurozone environment. Year-on-year, GDP was up by 0.4%. The rise in demand for investments reflects better sales prospects for German companies. In a further pleasant development, consumption continued to grow steadily.

Ongoing modest economic growth, a moderate trend in commodity prices and declining wages in the countries most affected by the crisis meant that the rate of increase in prices also remained at an extremely low level. However, in view of the new impetus for growth, DekaBank considers the risk of deflation to be low.

The downward trend in inflation further increased the central banks' leeway for expansionary monetary policy. This proved to be a key factor which provided impetus in the global financial markets throughout the year in 2013. The European Central Bank (ECB) continued its unlimited liquidity supply to the markets and has made no announcement to date that it will change this policy. In November 2013, the ECB responded to the falling rate of inflation by cutting the key interest rate to a record low of 0.25%, giving a clear signal that there is no end in sight with regard to low interest rates.

In view of the currently low rate of inflation, the risk of continuing asset erosion as a result of the 'real interest rate trap' is increasing. Consequently, securities are becoming a more important part of households' efforts to build up assets. However, private investors are only very slowly becoming aware of the risk of asset erosion.

Sector-related conditions

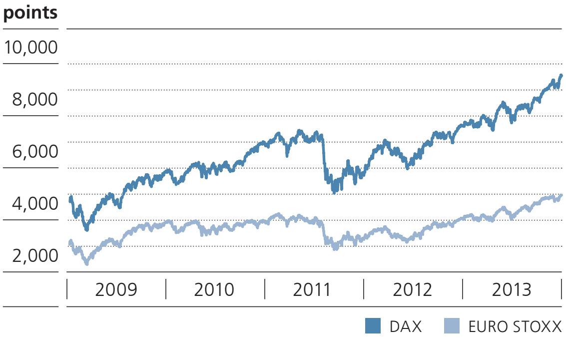
Trends in capital markets

In 2013, the equity markets achieved record levels in many countries. The DAX closed the year up 25.5% (Fig. 2). Second-tier and technology stocks also recorded a double-digit increase on average. The withdrawal of foreign capital from many emerging markets caused considerable turmoil on stock exchanges in the second and third quarters of 2013. However, the negative impact on the real economy remained limited.

In the bond markets, yields on low-risk government bonds increased perceptibly for a time, in response to expectations that a turnaround in interest rates was slowly approaching (Fig. 3). The Fed's tapering announcement halfway through the year, indicating that it would gradually phase out its programme of quantitative easing (QE3), impacted heavily on the bond markets. Even German government bonds with long maturities were affected by the sudden increase of almost 100 basis points. However, when the expected reduction in bond buying by the US central bank initially failed to materialise and the ECB cut interest rates further, buying of US Treasuries and

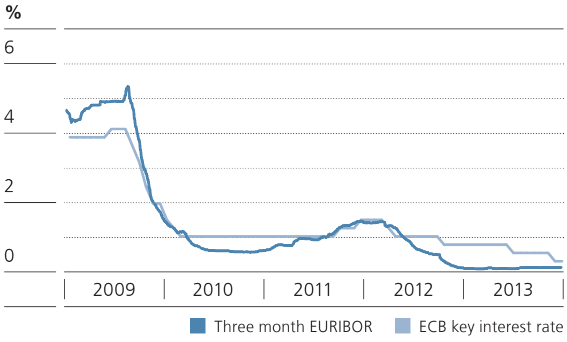
Bunds rose again. Nevertheless, the upward trend in yields on long maturities reflects expectations that liquidity supply is set to diminish and the recovery in the eurozone will gradually take hold. The Fed's announcement in December 2013 that it would begin tapering from the start of 2014 had very little impact on the capital markets.

Performance of the DAX and EURO STOXX 2009–2013
(Fig. 2)



Source: Bloomberg

EURIBOR and ECB key interest rate 2009–2013
(Fig. 3)



Source: ECB, Bloomberg

Yields on *Pfandbriefe* and European corporate bonds fell slightly overall. Risk premiums (credit spreads) tightened on a broad scale again in 2013 as the financial markets stabilised. Narrowing in spreads was particularly marked in the peripheral countries. Improved funding conditions resulted in brisk issuing activities. However, investors were once again forced to accept yields that were down on the previous year's level.

Trends in property markets

The low interest rate environment also adversely affected European property markets in the course of the year. Just as yields on government bonds from countries with high credit ratings were low, investors also faced very low yields on top properties. Within Europe, yields in London and Paris were particularly low, along with locations in Germany and Scandinavia, whereas yields rose in the southern eurozone countries.

In view of ongoing difficulties in the labour markets of many southern European countries, top rents were stagnant in most office property markets. However, there was only a modest increase in vacancy rates in the course of the year. In Germany, the continuing reduction of surplus supply produced a minor increase in rents in the major locations.

Overall, earnings prospects for the European property markets are currently limited. Investors are therefore increasingly focusing on markets outside Europe. Limited availability of attractive investment properties at justifiable prices represents a major challenge in property-related asset management.

In the USA, the recovery continued in the office rental markets. Demand for class A office space rose steadily in the course of the year. Decreasing vacancy rates indicate that smaller markets, which had been hit particularly hard by the decline in house prices, are closing the gap to other markets.

The trend in Asian office property markets from the beginning of the year was weaker than in the previous year. Growth in rents for the region as a whole has remained flat for almost two years, with the exception of Tokyo where top rents rose slightly. In Australia, a weak economy considerably dampened the demand for office space. This was reflected by a decrease in the actual level of rent achieved in some cases.

Investor attitudes

Despite very low interest on deposits and an associated erosion of assets, German private investors have been very hesitant about including securities in their investment decisions. The upturn in equity prices was primarily driven by institutional investors and largely passed retail investors by.

Nevertheless, the stabilisation of the financial markets and brighter prospects for companies impacted positively on sales of mutual fund units. The BVI's investment statistics indicated net funds inflows of €15.3bn (excluding open-ended property funds), compared with €21.6bn in the previous year. Equity funds in particular lost ground again in the second half of the year. At the same time, mixed funds remained in demand. Alongside equity funds, capital protected funds and money market funds recorded net funds outflows, albeit at a lower level than in the previous year.

For open-ended mutual property funds, the environment in the sector continued to be adversely affected by the temporary closure and imminent winding-up of some competitor investment funds. Interest in the final months of 2013 also waned in view of the changes in regulatory conditions. However, following a high level of funds inflows in the first half of the year, net funds inflows of €3.4bn in total exceeded the previous year's level (€2.8bn).

At €76.7bn, the volume of net funds inflows for special funds for institutional investors was slightly higher than in the previous year (€75.5bn).

The volume of transactions in retail certificates traded in the Euwax trading segment of the Stuttgart stock exchange and on the Frankfurt stock exchange was 4.8% down on the previous year's level. The decrease was more marked for leveraged certificates (–7.4%) than that for investment certificates (–3.1%).

Regulatory provisions

Planned regulatory changes and further regulatory changes that are under discussion will result in more stringent capital requirements and reporting duties – for both the Deka Group and the savings banks. They require even closer cooperation with the aim of avoiding regulatory risks and limiting the associated expenses.

Regulatory topics

The Basel III reform package was adopted at EU level during the reporting year. The new regulatory requirements were stipulated in the EU's Capital Requirements Regulation (CRR) and the EU's Capital Requirements Directive (CRD IV). The Regulation applied immediately on coming into force, without implementation into national law. Accordingly, all the provisions stipulated regarding the composition of equity and capital requirements, large-scale loans and the leverage ratio as well as liquidity supply and disclosure have applied throughout the EU from 1 January 2014. The CRD IV directive includes regulations governing the authorisation of financial institutions and securities companies as well as governance and the supervisory framework. The Act on implementing the CRD IV also came into force on 1 January 2014. In the run-up to its implementation, the regulatory authorities already presented further proposals. However, some details of the proposed provisions have yet to be established. DekaBank prepared extensively for implementation of the new provisions in the CRR and CRD IV and will submit its first report under the new regulatory requirements on 31 March 2014.

Negotiations among the eurozone member states on the proposed banking union were almost concluded at the end of 2013. The first step will involve the ECB taking over supervision on 1 November 2014 of the approximately 130 banks which have been categorised as too big to fail. These banks, among them DekaBank, have been subject to a comprehensive risk assessment by the ECB since the fourth quarter of 2013. In addition to all major banking risks, balance sheets will also be examined from 2014 onwards, primarily to assess quality and measurement of material assets, but also to consider the valuation of the banks' loan collateral and risk provisions. A forward-looking stress test forms the third element of the review. It will be conducted in consultation with the European Banking Authority (EBA). The results are scheduled for publication in November 2014.

In June 2013, the German *Bundesrat* (Federal Council) approved legislation on protection against risks and on planning the reorganisation and winding up of banks and financial groups (*Trennbankengesetz* – Separate Banks Act). As is the case with the draft minimum requirements for recovery plans (*Mindestanforderungen an die Ausgestaltung von Sanierungsplänen* – MaSan) set out by Germany's Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – BaFin), Article 1 of the Act, which came into force in August 2013, includes a requirement to ensure that systemically important banks have the capacity to act in crisis situations. In accordance with the MaSan, banks classed as too big to fail – including DekaBank – must develop their own restructuring plans and update them annually. Accordingly, DekaBank submitted a plan to BaFin during the 2013 financial year. Article 2 of the Separate Banks Act, which came into force on 31 January 2014, stipulates that banks must undertake to hive off specific proprietary transactions into subsidiaries that are legally independent of deposit-taking business. It is not yet possible to foresee the impact of these provisions on the Deka Group, due to the fact that no parameters have been specified for calculating threshold values.

Product and performance-related regulatory proposals

On 23 December 2013, the Act on amending the Investment Tax Act and other acts to align them with the Alternative Investment Fund Managers Tax Adjustment Act (AIFM-StAnpG) was published in the Federal Gazette. It includes provisions for product tax regulation independent of supervisory law. The long-awaited act removes legal uncertainty about tax, which had arisen since the introduction of the German Investment Code (*Kapitalanlagegesetzbuch* – KAGB) in July 2013 due to the absence of adjustments regarding taxation of investments. No significant impact is expected on the Deka Group as a result of the new regulations.

The KAGB introduced new provisions on the redemption of units in open-ended property funds. The allowance applicable to same trading day redemption of up to €30,000 per calendar half-year, which came into force as specified in the Act to strengthen investor protection and improve the functioning of the capital market (AnsFuG) on 1 January 2013, now only applies to investors who bought the relevant fund units before 22 July 2013. The 24-month minimum holding period and 12-month redemption period therefore apply for any fund units bought after 22 July 2013, starting from the first euro, whereas they only apply to fund units bought earlier if the relevant redemption volume exceeds €30,000 per calendar half-year. For fund units acquired before 1 January 2013, the minimum holding period continues to be considered as met. Initial findings show that investor interest in the Deka Group’s steadily performing property investment funds has been only marginally affected by the new provisions.

Another regulatory project that may impact on the financial sector and DekaBank’s business activities is the planned introduction of a financial transaction tax (FTT) in eleven EU member states, including Germany. The FTT will cover a wide range of financial instruments and control speculative trading. At present, no details are available on the exact structure of the financial transaction tax and the date on which it will come into force. Taxation of non-speculative buying and selling of units in the Deka Group’s investment funds would impact on the Group’s earnings and make long-term pension products, for example, less attractive. However, such regulations would also affect competitor products and the marketplace as a whole.

The switch to the single euro payments area (SEPA) was implemented by the Deka Group before the required deadline.

On 14 January 2014, the German Federal Court of Justice (*Bundesgerichtshof* – BGH) dismissed an action brought by the Federation of German Consumer Organisations (*Verbraucherzentrale Bundesverband*) against a major bank which uses the *Behaltensklausel* (retention clause) for sales commission, confirming the legality of the disputed clause. The inclusion of this clause in documentation meant that customers confirmed the bank’s entitlement to keep any commission obtained as part of commission business, regardless of customers’ potential claim to recovery. However, in its decision, the BGH deliberately left open the question as to whether customers have a claim to recovery. The decision has no immediate impact on securities business in the *Sparkassen-Finanzgruppe*. In the *Sparkassen-Finanzgruppe*, it is assumed as before that no claim to recovery exists on the part of customers. Nevertheless, it cannot be ruled out that the BGH may affirm customers’ claim to recovery in future proceedings. DekaBank has amended the general terms and conditions of the DekaBank securities account to the effect that execution based on a fixed quotation is also possible alongside the previously envisaged commission business. The amendments to the general terms and conditions will apply from 1 April 2014 onwards.

Business development and profit performance in the Deka Group

Overall statement on the business trend and the company’s position

In the reporting year, the Deka Group recorded good business development and a sound profit performance. As forecast, the economic result virtually matched the previous year’s high level and was therefore very satisfactory considering the current market environment. This is particularly true in view of the fact that the result included charges relating to investment for the future totalling in excess of €100m arising from the acquisition of LBB's customer-oriented capital market business and restructuring provisions for the alignment of the Group's business model.

In Asset Management, the sales situation improved. At €4.8bn, the volume of net sales was clearly positive (previous year: €0.1bn). It was primarily attributable to funds inflows in institutional business. With regard to mutual funds and fund-based asset management, the Deka Group achieved an increase in net sales compared with 2012. The aim is to further exploit the potential of the *Sparkassen-Finanzgruppe*. This underscores the need for the measures taken on the product and sales sides. The Deka Group's investment funds achieved a good overall performance for investors. Assets under management amounted to €169.8bn, which represents an increase of 4.4%. Furthermore, business with retail certificates was successfully launched.

In capital market and financing business, the fully-fledged securities service provider achieved its operational targets. The Deka Group's role as a liquidity platform and key funding provider of the savings banks was further expanded. Contributions from net interest income, net commission income and net financial income met ambitious targets. However, in a market with a surplus supply of liquidity and low yields, the figures were below the previous year's level. The level of risk provisions normalised following the transfer of high net amounts in the previous year. This reduced charge impacted positively on income.

Overall, the Deka Group generated a high added value contribution of around €1.3bn, matching the figure of the previous year. Utilisation of overall risk-bearing capacity remained at a comfortable level, as was also the case for liquidity. The Deka Group is in a position to absorb the cost of ongoing implementation of the transformation programme, including the integration of the LBB activities acquired, as well as for future regulatory adjustments.

However, in addition to managing risk-weighted assets actively, future reinvestment on the basis of high net income will also be required to achieve the target core tier 1 capital ratio of 12% in 2016.

Comparison of forecast and actual growth

The targets published in the 2012 Group management report were consistently met, and, as expected, the economic result of €501.5m came close to matching the previous year's strong performance.

A slight downward trend had been forecast for the Deka Group's total income. In fact, this figure remained at a steady level overall. Net interest income was down, as expected, due to a lower volume of business. However, lower risk provisions required in line with expectations more than offset this development. Net commission income was similar to the previous year's figure, as had been forecast.

In terms of costs, the Deka Group also matched expectations. A slight reduction in administrative expenses was achieved despite the additional cost of the transformation process.

With regard to sales of asset management products, the net performance of the Securities business division was positive, in line with expectations, and significantly exceeded the previous year's level. As expected, net sales in the Real Estate business division were as high as in 2012.

Ratings

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

In the reporting year, the Bank consistently maintained its strong ratings compared with the sector as a whole. In October 2013, Standard & Poor's (S&P) affirmed DekaBank's ratings with a stable outlook as part of its regular review. The ratings have therefore remained A (long-term) and A-1 (short-term).

The long-term rating from Moody's for DekaBank was A1 – as was the case in the previous year – and the financial strength rating was C–, both with a stable outlook. The short-term rating of P-1 also remained unchanged.

Profit performance in the Deka Group

With an economic result of €501.5m, the Deka Group came close to matching the previous year's figure (€519.3m) (Fig. 4). Income totalled €1,436.2m and was similar to the level reported in the previous year. The biggest income components were net interest income and net commission income as well as net financial income from trading book portfolios. On a combined basis, in the current market environment they fell short of the comparative figure for 2012, which reflected expectations. The level of risk provisions returned to normal compared with the previous year, which in turn impacted positively on profit performance. The Deka Group achieved a modest reduction in administrative expenses through stringent cost management, while investment in the transformation to become a fully-fledged securities service provider went ahead. The cost/income ratio increased from 55.6% to 61.2%, and the return on equity (before tax) amounted to 14.1% (previous year: 15.6%).

Net interest income reflected the difficult market conditions. Compared with 2012 (€431.1m), it was down 12.9% to €375.5m. In a low interest rate environment, margins on new business were generally lower than in the previous year. Conversely, margins on existing business remained stable. In addition, a lower average financing volume for the year affected the figures. The lower volume resulted in part from strict management of risk assets and in part from the steps taken to reduce portfolios in non-core business while safeguarding assets. Year-on-year, the income contributions of the Financing and Capital Markets business divisions were lower. At the same time, the contribution of the Real Estate division based on customer terms was virtually unchanged. Net interest income from Treasury was below the high figure achieved in the previous year. However, it once again contributed significantly to the Deka Group's total net interest income.

Risk provisions amounted to €–21.0m in the reporting year, considerably lower than in the previous year (€–189.7m). This reduced level of risk provisions contributed to achieving a steady economic result. Lending accounted for €–26.9m (previous year: €–194.9m) of this. Specific provisions were still required for some ship, project and property financing transactions. However, the total amount was down on the previous year's level. In addition, a higher volume of specific provisions, which were no longer required, was released in lending and impacted positively on income. Risk provisions for securities in the loans and receivables (lar) and held to maturity (htm) categories were positive, at €5.9m, following the reversal of a provision. As in the previous year (€5.2m), the figure was not material.

Net commission income totalled €937.1m and was close to the comparative figure for 2012 (€946.1m). Income was reduced by lower contributions from banking transactions, in particular a decline in commission from lending business, which was anticipated. Conversely, commission from investment fund business remained at an almost steady level. Positive fund performance and resultant rise in assets under management impacted favourably on portfolio-related commission, which was slightly up on the previous year. Income from buying and construction fees was also up.

Net financial income comprises all income elements of the trading book portfolios, the valuation result and net income from selling relating to the banking book portfolios and the above-mentioned risk provisions for securities in the lar and htm categories. At €309.0m, the figure exceeded the previous year's amount of €280.2m.

As expected, net financial income from trading book portfolios of €244.9m was below the previous year's level of €304.5m. This figure was affected by the fact that the contribution to earnings made by securities repo/lending transactions was high, in a volatile market environment. In the reporting year, demand declined as a result of market stabilisation and the ample supply of central bank money to the market. In view of the diminishing effects on income from spread tightening in bond portfolios, profit contribution from bond trading also decreased. The downturn was partly offset by derivatives trading and issuing business.

Net financial income from banking book portfolios increased by €87.7m to €58.2m. The figure includes, in particular, positive valuation effects in non-core business as a result of tightening market spreads.

In the reporting period, a general provision of €–67.6m was set up to cover potential risks that may crystallise in the coming months. Most of this amount is reflected in the economic result outside the IFRS income statement and, aside from €–17.6m attributable to Capital Markets, is not specifically allocated to business divisions. In the previous year, a general provision of €–55.0m was set up to cover potential risks in securities and lending business, which was then written back in full in the first half of 2013. The net effect on financial income for 2013 was therefore €–12.6m.

The other operating income item of €–158.5m (previous year: €–28.1m) comprised expenses relating to provisions for legal risks set up in the reporting year. Charges in connection with the acquisition of LBB's customer-oriented capital market business are also reflected here, accounting for approximately half of the negative balance referred to above.

Personnel expenses of €422.6m were marginally higher than in the previous year (€405.2m). This resulted in part from a higher transfer to provisions, particularly in relation to pensions and adjustments to salaries under collective bargaining agreements. Staff capacity (expressed as full-time equivalent) totalled 3,538 and included 67 new employees from LBB's customer-oriented capital market business as at year-end 2013. The transfer of these employees was the principal reason for the rise compared with the year-end 2012 figure of 3,506.

Despite additional expenses for the transformation programme, a non-recurring payment to the hedging reserve of the *Landesbanken* and *Girozentralen* as well as integration and project costs as part of the acquisition of the customer-oriented capital market activities of LBB and LBB-INVEST, strict cost management meant that a 4.5% reduction in operating expenses (excluding bank levy) to €421.8m was achieved compared with the previous year (€441.6m). The bank levy of €27.9m was virtually unchanged compared with the previous year (€28.5m).

At €23.1m, depreciation and amortisation were below the previous year's figure (€31.2m), which included higher scheduled amortisation of intangible assets.

In the reporting year, total restructuring expenses of €39.3m (previous year: €8.6m) were reported as part of the transformation process to become a fully-fledged securities service provider and for the scheduled closure of the subsidiary in Switzerland with effect from 31 December 2014.

Profit performance in the Deka Group *(Fig. 4)*

€m	**2013**	**2012**	Change	
Net interest income	375.5	431.1	–55.6	–12.9%
Provisions for loan losses	–26.9	–194.9	168.0	86.2%
Net commission income	937.1	946.1	–9.0	–1.0%
Net financial income	309.0	280.2	28.8	10.3%
Other operating income	–158.5	–28.1	–130.4	(< –300%)
Total profit	**1,436.2**	**1,434.4**	1.8	0.1%
Administrative expenses (including depreciation)	895.4	906.5	–11.1	–1.2%
Restructuring expenses	39.3	8.6	30.7	(> 300%)
Total expenses	**934.7**	**915.1**	19.6	2.1%
Economic result	**501.5**	**519.3**	–17.8	–3.4%

Business development and profit performance of the business divisions and Treasury

Business development and profit performance in the Securities business division

Overall, the Securities business division's performance in the year under review was encouraging. Net sales in mutual securities funds improved compared with the previous year, but redemptions outweighed sales. Thanks to inflows in special funds and mandates, new business grew for the division as a whole. Assets under management also increased, partly due to good value growth. The division's economic result of €250.9m was above target, but fell short of the strong result achieved in 2012.

Net sales performance

Net sales in the Securities business division were €3.1bn (previous year: €–1.5bn) (Fig. 5). For mutual securities funds and fund-based asset management (including ETF index funds), net sales performance improved year-on-year from €–3.4bn to €–1.6bn. For direct sales of actively managed mutual funds, the negative balance of €–1.9bn reported in the previous year narrowed to €–1.4bn, largely because of reduced net outflows from capital protected funds. Mixed funds achieved a net sales performance of €1.5bn, primarily due to substantial purchases of units in the first half of the year, thereby surpassing the already high comparative figure for 2012 (€1.3bn).

In fund-based asset management, net sales performance improved to €–0.5bn (previous year: € –1.8bn), aided in large part by Deka-Vermögenskonzept (Deka Wealth Concept), whose net sales performance increased to €0.9bn (previous year: €0.6bn). Funds of funds also performed considerably better than in 2012, thanks in particular to the success of Deka-BasisAnlage (Deka Basic Investment). As in the previous year, ETF index funds achieved a positive balance.

For special securities funds, master funds and mandates for institutional investors (advisory/management mandates), the business division's net sales performance more than doubled to €4.7bn compared with the previous year's figure of €1.9bn.

Net sales performance in the Securities business division *(Fig. 5)*

€m	2013	2012
Direct sales mutual funds	–1,378	–1,912
Fund-based asset management	–476	–1,770
Mutual funds and fund-based asset management	**–1,854**	**–3,682**
ETF index funds	280	318
Special funds and mandates	4,699	1,867
Net sales performance Securities business division	**3,125**	**–1,497**
For information purposes:		
Net funds inflow Securities business division (according to BVI)	**2,214**	**–2,348**

Assets under management and performance

Assets under management in the Securities business division grew from €137.4bn to €143.3bn in the year under review (Fig. 6). The 4.3% increase was primarily due to good value growth. At the end of the year, 79.4% of equity funds (end of 2012: 51.2%) outperformed their respective benchmarks. The outperformance rate for bond funds fell to 78.4% (previous year: 94.9%). Morningstar rated 34.7% of funds (end of 2012: 35.0%) as above-average.

For institutional products, assets under management increased to €56.3bn (previous year: €53.0bn), in particular due to strong performance from special securities funds.

Assets under management in the Securities business division *(Fig. 6)*

€m	31.12.2013	31.12.2012	Change	
Equity funds	19,452	18,018	1,434	8.0%
Capital protected funds	2,231	3,243	–1,012	–31.2%
Bond funds	32,334	33,583	–1,249	–3.7%
Money market funds	235	225	10	4.4%
Mixed funds	13,225	11,666	1,559	13.4%
Other mutual funds	3,834	4,483	–649	–14.5%
Own mutual funds	**71,311**	**71,218**	93	0.1%
Partner funds, third party funds/liquidity in fund-based asset management	7,876	6,746	1,130	16.8%
Partner funds from direct sales	2,431	2,121	310	14.6%
Mutual funds and fund-based asset management	**81,618**	**80,085**	1,533	1.9%
ETF index funds	**5,456**	**4,308**	1,148	26.6%
Special securities funds	39,528	37,132	2,396	6.5%
Advisory/management mandates	8,367	8,566	–199	–2.3%
Advisory from master funds	8,357	7,318	1,039	14.2%
Special funds and mandates	**56,252**	**53,016**	3,236	6.1%
Assets under management Securities business division	**143,326**	**137,409**	5,917	4.3%
For information purposes:				
Fund assets – mutual funds Securities business division (according to BVI)	**96,087**	**94,784**	1,303	1.4%
Fund assets – special funds Securities business division (according to BVI)	**61,075**	**54,576**	6,499	11.9%

Profit performance in the Securities business division

As expected, the business division's economic result declined from €290.8m in the previous year to €250.9m (Fig. 7). This was due, firstly, to net financial income, which fell compared with 2012 because of start-up financing. Secondly, net commission income declined by 2.0% to €663.4m (previous year: €677.0m), largely owing to a drop in performance-related income.

Administrative expenses fell from €421.1m in the previous year to €404.6m. This reduction was mainly due to a fall in the level of project and IT expenses attributable to the Securities business division. However, the division incurred unplanned restructuring expenses of €19.3m, such as for the planned closure of Deka(Swiss) Finanz AG. The realisation of the transformation programme led to an increase in sales and marketing expenses during the year under review.

In 2013, the business division was again the largest contributor to the Deka Group's economic result.

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

€m	2013	2012	Change	
Net commission income	663.4	677.0	−13.6	−2.0%
Other income	11.4	41.8	−30.4	−72.7%
Total income	**674.8**	**718.8**	−44.0	−6.1%
Administrative expenses (including depreciation)	404.6	421.1	−16.5	−3.9%
Restructuring expenses	19.3	6.9	12.4	179.7%
Total expenses	**423.9**	**428.0**	−4.1	−1.0%
Economic result	**250.9**	**290.8**	−39.9	−13.7%

Business development and profit performance in the Real Estate business division

Though market and sector conditions remained difficult, net sales performance in the Real Estate business division increased slightly year-on-year. The division came close to meeting its predefined sales quotas in open-ended property funds for private customers in full. In addition, the division raised institutional capital for special funds and individual property funds at roughly the same level as the previous year. Strict management of liquidity and returns meant that the funds performed in line with the market. The significant rise in the economic result to €140.2m was due above all to lower provisions for loan losses and higher net commission income.

Net sales performance

Sales of open-ended mutual property funds, which are managed via sales quotas, remained at the previous year's level of €1.3bn, of which €1.2bn (previous year: €1.1bn) was attributable to retail funds (Fig. 8). Again, roughly one third of this figure was due to reinvestment of distributions. As in 2012, the largest quota related to Deka-ImmobilienEuropa, which accounts for more than half of the fund assets of the Deka Group's open-ended property funds and meets with strong demand from savings bank customers.

Institutional products achieved combined net sales equal to the previous year's figure of €0.5bn. The main sales contributors were again WestInvest ImmoValue, which is available for savings banks' own investments, the Deka Immobilien Investment credit funds and the single-sector property funds in the TargetSelect range. Together they recorded net sales of €310m (previous year: €384m). A further €34m flowed into WestInvest's institutional products via Deka-Immobilien StrategieInstitutionell, which was launched at the end of 2012. The Domus Deutschland fund, designed to provide optimal, tax-efficient distributions, was launched at the end of 2012 and was fully placed thanks to strong demand from savings banks, insurance companies and public-sector pension associations. The division continued to build up the fund's property portfolio successfully in 2013, resulting in sales of €87m.

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

€m	2013	2012
Mutual property funds	1,300	1,302
Special funds (including credit funds)	314	215
Individual property funds	20	67
Net sales performance Real Estate business division	**1,634**	**1,584**
of which to institutional investors	460	447
For information purposes:		
Net funds inflow Real Estate business division (according to BVI)	**1,648**	**1,289**

Assets under management and performance

Assets under management performed well. Compared with the end of 2012, volume increased by approximately €1.2bn to €26.5bn (Fig. 9), due to high demand from mutual funds in particular, but also thanks to growth in the value of the assets held. At the end of 2013, the mutual property funds' assets under management stood at €22.5bn, representing a year-on-year increase of around 5% (€21.4bn). As measured by the mutual funds' assets according to BVI, the Real Estate business division increased its market share to 27.6% (end of 2012: 26.0%), and thus ranks second in the sector according to the BVI definition.

At the end of 2013, institutional products accounted for €5.5bn of assets under management (end of 2012: €5.1bn).

Thanks to a conservative strategy and approach to liquidity management, open-ended mutual property funds generated an average annualised volume-weighted yield of 1.9% during the year (previous year: 2.4%). Compared with other investment products with a similar risk profile, the Deka Group's property funds continue to represent an attractive investment. The average liquidity ratio of open-ended mutual property funds remained unchanged at around 20%.

The average occupancy rate improved by approximately one percentage point compared with the previous year to 92.7%. Total transaction volume (property purchases and sales) totalled €2.7bn in the year under review, of which roughly 75% related to property purchases. Deka Immobilien secured contracts to purchase 23 properties in 2013, once again making the business division one of the world's largest property investors. Due to ever more serious stresses in peripheral countries, buying opportunities were increasingly sought outside the eurozone, particularly in the United Kingdom.

The percentage of properties in the portfolio certified as sustainable – as a proportion of property assets – increased to 34%. In October 2013, the open-ended mutual property funds WestInvest InterSelect and WestInvest ImmoValue received awards from the Scope rating agency in the "Sustainability" category. In particular, Scope highlight the fact that WestInvest InterSelect had the largest number of sustainable properties ever contained in one portfolio.

Deka Immobilien Investment's credit funds acquired a total of 24 loans in the year under review with a volume of €251.3m. The number of loans purchased since the fund was launched thus rose to 75. At the end of 2013, the loan volume in the financing categories of property, infrastructure and transport amounted to €671.9m. The portfolio comprised five credit funds for institutional investors. As well as *Deka Realkredit Klassik* and *Deka Infrastrukturkredit*, which invest in commercial property and infrastructure financing worldwide, we are increasingly catering for individual fund mandates, specifically geared to individual investors' needs.

Assets under management in the Real Estate business division *(Fig. 9)*

€m	31.12.2013	31.12.2012	Change	
Mutual property funds	22,469	21,437	1,032	4.8%
Special funds (including credit funds)	3,298	2,985	313	10.5%
Individual property funds	703	816	–113	–13.8%
Assets under management Real Estate business division	**26,470**	**25,238**	1,232	4.9%
For information purposes:				
Fund assets Real Estate business division (according to BVI)	**25,150**	**23,788**	1,362	5.7%

Real estate lending

New business arranged in real estate lending totalled €1.8bn, including extensions in the amount of €0.4bn (previous year: €0.6bn). Due to increased price competition compared with previous years and a greater appetite for risk among other providers, it was not possible to match the previous year's excellent figure of €3.1bn. At

€1.2bn, the level of external placements was high (previous year: €1.8bn), despite a significant reduction in new business. Once again, over half of the loans placed with third parties were granted to members of the *Sparkassen-Finanzgruppe*, in order to meet demand for loan participation.

Gross loan volume fell to €6.1bn against €7.7bn at year-end 2012, partly in view of the decline in new business, but above all because of higher repayments and currency effects. The average rating for the loan portfolio according to the DSGV master scale improved from 7 to 6 during the year under review. This corresponds to a rating of BB+ on S&P's external rating scale. Including the portfolio secured by collateral, the rating stood at A- (previous year: 4), which is likewise A– on S&P's scale (previous year: BBB–).

Of the total portfolio, €4.8bn (end of 2012: €5.7bn) related to commercial property financing, approximately €1bn (end of 2012: €1.6bn) to open-ended property fund financing and €0.3bn (end of 2012: €0.4bn) to financing for public-sector construction projects, a segment which is being phased out.

Profit performance in the Real Estate business division

The economic result of the Real Estate business division increased by around 60% year-on-year to €140.2m (Fig. 10). Due to the increase in assets under management and higher acquisition and construction fees, the division's net commission income of €203.6m was also well above the previous year's level (€179.8m). At €76.5m, net interest income again accounted for a substantial proportion of revenue but, partly as a result of a smaller revenue base in real estate lending, fell somewhat short of the previous year's figure (€83.8m). At €–1.6m, the requirement for loan loss provisions was lower than expected and less than the previous year's figure (€–22.4m).

The expenses of €137.2m were nearly 4% above the comparative figure for 2012 (€132.3m). This was essentially due to the need to hire additional staff in order to implement regulatory requirements and manage the continually growing property portfolio, improved levels of sales support and restructuring measures, which were, however, partially offset by a reduction in project expenses.

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

€m	2013	2012	Change	
Net interest income	76.5	83.8	–7.3	–8.7%
Provisions for loan losses	–1.6	–22.4	20.8	92.9%
Net commission income	203.6	179.8	23.8	13.2%
Net financial income	–1.7	–14.7	13.0	88.4%
Other operating income	0.6	–6.3	6.9	109.5%
Total income	**277.4**	**220.2**	57.2	26.0%
Administrative expenses (including depreciation)	135.6	132.7	2.9	2.2%
Restructuring expenses	1.6	–0.4	2.0	(> 300%)
Total expenses	**137.2**	**132.3**	4.9	3.7%
Economic result	**140.2**	**87.9**	52.3	59.5%

Business development and profit performance in the Capital Markets business division

The Capital Markets business division encountered difficult market conditions, but nevertheless achieved its operating targets. Despite the declining trend of interest rates during the year, the repo/lending business contributed significantly to earnings, thus underlining the division's importance as a liquidity platform for investment funds, savings banks and the Deka Group. Income from bond trading activities was on target, and the division exceeded its income targets in derivatives trading and commission business. Structuring and issuance activity was successfully extended to include certificate business for private investors. In view of lower earnings caused by market conditions and one-off factors, the economic result of €111.1m fell short of the comparative figure for 2012.

Business development in the Capital Markets business division

Customer demand for liquidity was subdued compared with the previous year, due to continuing oversupply of the market with liquidity from central banks. In repo/lending operations, the business division nevertheless transacted the planned level of customer-driven business. As expected, the result did not keep pace with the previous year's positive figure, which was affected by very high volatilities. In money market and foreign exchange trading, the business division benefited from higher valuations of bond holdings. Customer-driven business was expanded in the area of structuring and own issues. DekaBank was able to use its extensive experience of institutional certificate business and close contacts with savings banks to launch the retail certificate business at the beginning of 2013. At the end of the year, these products were already being offered by around 80% of savings banks.

The savings banks' ability to use the business division's status as a clearing member (CCP) had a positive impact on business activity. The business division recorded increased activity among savings banks and other institutional customers in derivative and bond trading. Commission trading made a higher than expected contribution to earnings, which nevertheless fell short of the comparative figure for 2012 in view of declining market volatility.

Profit performance in the Capital Markets business division

The Capital Markets business division exceeded its operating target with an economic result of €181.0m (before one-off factors). The result was affected by one-off factors relating to the creation of provisions and a general allowance for potential risks originating from past years, as well as the acquisition of LBB's customer-oriented capital market business. These effects were mitigated by the reversal of write-downs following the sale of a claim against an Icelandic bank. After taking these effects into account, the economic result amounted to €111.1m (Fig. 11). The decline compared with the previous year's figure (€222.6m) also reflects the altered market environment. The repo/lending business remained on track but, as expected, did not match the extraordinarily good result achieved in 2012. Derivatives trading and issuance business improved on the previous year's result.

With regard to administrative expenses, cost pressures were reduced owing to lower project costs and other operating expenses. At €180.1m, expenses were generally in line with expectations (previous year: €203.7m).

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

€m	2013	2012	Change	
Net interest income	27.7	40.5	−12.8	−31.6%
Provisions for loan losses (excluding one-off factors)	0.0	1.4	−1.4	−100.0%
Net commission income	71.9	80.1	−8.2	−10.2%
Net financial income (excluding one-off factors)	257.7	303.7	−46.0	−15.1%
Other operating income (excluding one-off factors)	0.2	0.6	−0.4	−66.7%
Total income (excluding one-off factors)	**357.5**	**426.3**	−68.8	−16.1%
Administrative expenses (including depreciation and excluding one-off factors)	174.4	203.1	−28.7	−14.1%
Restructuring expenses	2.1	0.6	1.5	250.0%
Total expenses (excluding one-off factors)	**176.5**	**203.7**	−27.2	−13.4%
Economic result (excluding one-off factors)	**181.0**	**222.6**	−41.6	−18.7%
One-off factors [1]	−69.9	0.0	−69.9	n/a
Economic result (including one-off factors)	**111.1**	**222.6**	−111.5	−50.1%

[1] Consists principally of the reversal of a provision, the creation of provisions, a general allowance for potential risks and costs in connection with the acquisition of LBB's customer-oriented capital market business.

Consolidated financial statements

Business development and profit performance in the Financing business division

In the Financing business division, new business in savings bank financing almost doubled in the year under review, thereby strengthening the Deka Group's role as a central refinancing institution for savings banks. Overall, however, the business division's loan portfolio remained below the previous year's figure. The economic result returned to the more normal level of €22.7m compared with the previous year's result, which was impacted by the need to create substantial risk provisions.

Business development in the Financing business division

Volume of new business arranged increased to €3.3bn in the year under review (previous year: €2.6bn). Savings bank refinancing accounted for approximately 88% of new business arranged. A modest volume of new business was transacted in the other segments (€0.4bn), with the focus remaining on loans with the potential to participate on the capital markets.

Despite the modest level of new business, the volume placed externally amounted to €0.3bn (previous year: €0.6bn), a large proportion of which is attributable to a credit fund for loans to the transport sector.

Compared to the figure at the end of 2012, the gross loan volume decreased as expected by €2.7bn to €20.6bn. Of this amount, €13.3bn related to the savings bank financing segment, €4.4bn to the transport and export finance segment – including ship financing to the value of €1.3bn – and approximately €2.8bn to the infrastructure financing segment.

The average rating for the loan portfolio according to the DSGV master scale improved from 6 to 5 during the year under review. This corresponds to a rating of BBB– on S&P's rating scale.

Profit performance in the Financing business division

The Financing business division's economic result returned to a normal level of €22.7m after the previous year's negative figure (€–81.0m) (Fig. 12). Net interest income amounted to €96.6m (previous year: €110.7m) and provisions for loan losses to €–46.3m (previous year: €–164.7m). The decline in net interest income was due to market performance and the reduction in volume that had been expected. Given the modest level of new business outside of savings bank refinancing, net commission income was below the level seen in 2012.

The business division's expenses fell by around 11% to €28.8m, mainly due to lower project costs.

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

€m	2013	2012	Change	
Net interest income	96.6	110.7	–14.1	–12.7%
Provisions for loan losses	–46.3	–164.7	118.4	71.9%
Net commission income	2.5	14.1	–11.6	–82.3%
Net financial income	–1.4	–9.0	7.6	84.4%
Other operating income	0.1	0.3	–0.2	–66.7%
Total income	**51.5**	**–48.6**	100.1	206.0%
Administrative expenses (including depreciation)	28.8	32.4	–3.6	–11.1%
Restructuring expenses	0.0	0.0	0.0	n/a
Total expenses	**28.8**	**32.4**	–3.6	–11.1%
Economic result	**22.7**	**–81.0**	103.7	128.0%

Business development and profit performance in non-core business

In non-core business, DekaBank continued its strategy of portfolio reduction whilst safeguarding assets. The gross loan volume of lending business and credit substitute transactions that are not part of our core business fell to €3.0bn as at year-end 2013 (end of 2012: €4.3bn). This helped reduce the level of risk to which the Deka Group is exposed.

The gross loan volume in the lending portfolio decreased over the year from €2.4bn to €1.7bn, while the volume of capital market credit products declined from €1.9bn to €1.3bn. As well as certain positions reaching final maturity, selective sales also had an impact.

As in the previous year, the economic result of €87.1m (previous year: €101.1m) was significantly affected by the valuation result for capital market credit products (Fig. 13). The positive performance reflects a tightening of market spreads. However, in view of the further reduction of the portfolio and the limited scope for improvement, the effect was less pronounced than in the previous year. A moderate decline in net interest income is likewise due to reduced loan volumes. At €4.1m, administrative expenses were again below the previous year's low figure (€4.9m).

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

€m	2013	2012	Change	
Net interest income	34.7	35.8	–1.1	–3.1%
Provisions for loan losses	1.8	–9.2	11.0	119.6%
Net commission income	–0.1	0.7	–0.8	–114.3%
Net financial income	54.8	78.7	–23.9	–30.4%
Other operating income	0.0	0.0	0.0	n/a
Total income	**91.2**	**106.0**	–14.8	–14.0%
Administrative expenses (including depreciation)	4.1	4.9	–0.8	–16.3%
Restructuring expenses	0.0	0.0	0.0	n/a
Total expenses	**4.1**	**4.9**	–0.8	–16.3%
Economic result	**87.1**	**101.1**	–14.0	–13.8%

Profit performance in Treasury

As expected, Treasury's economic result of €45.4m was lower than the previous year's figure (€62.7m) (Fig. 14). Net interest income was again the main component of Treasury's revenues, and declined from €113.1m in the previous year to €94.5m, partly as a result of changing volumes.

Administrative expenses fell from €41.8m in the previous year to €35.4m, primarily as a result of lower project costs.

Profit performance in Treasury *(Fig. 14)*

€m	2013	2012	Change	
Net interest income	94.5	113.1	–18.6	–16.4%
Net commission income	–4.4	–5.6	1.2	21.4%
Net financial income	–9.4	–3.5	–5.9	–168.6%
Other operating income	0.4	0.5	–0.1	–20.0%
Total income	**81.1**	**104.5**	–23.4	–22.4%
Administrative expenses (including depreciation)	35.4	41.8	–6.4	–15.3%
Restructuring expenses	0.3	0.0	0.3	n/a
Total expenses	**35.7**	**41.8**	–6.1	–14.6%
Economic result	**45.4**	**62.7**	–17.3	–27.6%

Financial position and assets and liabilities of the Deka Group

Financial management principles and objectives

DekaBank is the central liquidity provider for funds held by capital management companies and for the *Sparkassen-Finanzgruppe*. To perform this function in an economically viable manner, it actively manages its surplus liquidity.

The Treasury Corporate Centre manages the securities in the strategic liquidity reserve, taking into account the liquidity and credit risk strategy and working within the parameters set by the Management Committee Assets/Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP) (Risk report, page 63).

The ability to generate liquidity quickly and ensure the Bank's solvency even under stress situations has the highest priority. For many years, DekaBank has held a large volume of highly liquid assets of central bank quality. Due to high liquidity in the banking book and the trading book as well as good ratings compared with competitors, it can also generate larger amounts through the repo market.

Treasury also seeks to diversify investments as widely as possible by region, sector and counterparty, within defined limits. Liquidity investments are currently focused on investments in bonds issued by German federal states, German development banks, German run-off institutions, German *Pfandbriefe*, supranational institutions and investment-grade corporate bonds, which serve as a liquidity reserve for the Bank.

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

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

The aim of the Deka Group's equity management activities is to ensure adequate capital and reserves to carry out the business strategy. A target of 12% has been defined for the core tier 1 capital ratio.

Derivative financial instruments are used for trading purposes and to hedge interest rate risks, currency risks and other price risks. DekaBank does not have extensive open currency positions. Details of derivative transactions can be found in notes [17], [45], [55] and [68] to the consolidated financial statements.

Financial position, capital structure, assets and liabilities

The Deka Group's total assets decreased year-on-year by approximately 11%, or €13.7bn, to €116.1bn (Fig. 15). The total amount due from banks and customers was around 50% of total assets and fell by €5.3bn in the reporting period to €57.7bn. The decline is due to a reduction in money market transactions and lower receivables arising from loans and promissory note loans. Financial assets recognised at fair value through profit or loss fell to €53.1bn (previous year: €58.1bn) and corresponded to around 46% of total assets.

On the liabilities side, amounts due to banks and customers decreased by a total of €1.0bn to €60.0bn, and accounted for 52% of liabilities on the balance sheet. Financial liabilities reported at fair value dropped by €9.4bn to €25.6bn. In particular, the market values of derivative financial instruments included in this item were down on the previous year by €8.4bn to €14.2bn. At year-end 2013, balance sheet equity was up slightly on the previous year at €3.8bn (note [62]). This figure does not include silent capital contributions which, in accordance with IFRS, are not reported under equity but instead under subordinated capital. At the end of 2013, the Deka Group's off-balance-sheet liabilities stood at €0.9bn, falling from €2.6bn in the previous year (note [72]).

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

€m	31.12.2013	31.12.2012	Change	
Balance sheet total[1]	**116,073**	**129,770**	–13,697	–10.6%
Selected items on the assets side:				
Due from banks and customers	57,673	62,960	–5,287	–8.4%
Financial assets at fair value	53,064	58,101	–5,037	–8.7%
Financial investments	3,820	4,226	–406	–9.6%
Selected items on the liabilities side:				
Due to banks and customers	60,001	61,024	–1,023	–1.7%
Securitised liabilities	23,717	27,376	–3,659	–13.4%
Financial liabilities at fair value	25,559	34,956	–9,397	–26.9%

[1] Figures for the previous year have been adjusted. For details, see “Accounting principles” in the notes.

Change in regulatory capital

Capital adequacy is determined in accordance with the German Solvency Regulation (SolvV). In addition to default risks and market risk positions, amounts for operational risks are taken into account when calculating capital adequacy. Capital and reserves requirements under banking supervisory law were complied with at all times during the year under review, both at Bank level and at the level of the Deka Group.

Silent capital contributions are not included when calculating the core tier 1 capital; these are not within the scope of the transitional arrangements under Basel III and are no longer available as core tier 1 capital. The core tier 1 capital ratio amounted to 13.1% at year-end 2013. In view of more stringent regulatory requirements from 2014 onwards following the application of the Basel III regulations, this figure is expected to fall below the 2013 level in future years. It is anticipated that the target ratio of 12% will not be reached until 2016, and only if profits are reinvested according to plan.

The increase compared with the situation at year-end 2012 (11.6%) is due to the retention of 2012 profit and reduced positions in core and non-core business. The increase in market risk positions arises from a slight increase in interest rate risks and share price risks. This is mainly due to the expansion of issuance activity in structured certificates and associated hedging transactions. The equity ratio rose to 17.0% (previous year: 16.2%) (Fig. 16).

Breakdown of equity in the Deka Group *(Fig. 16)*

€m	31.12.2013	31.12.2012	Change
Core capital	3.495	3.301	5.9%
Supplementary capital	329	535	–38.5%
Tier III capital	–	–	n/a
Capital and reserves	**3.824**	**3.836**	–0.3%
Default risks	13.850	15.813	–12.4%
Market risk positions	6.813	6.088	11.9%
Operational risks	1.799	1.710	5.2%
Risk-weighted assets	**22.462**	**23.611**	–4.9%
%			Change %-points
Core capital ratio	**15.6**	**14.0**	1.6
Core tier 1 capital ratio (excluding silent capital contributions)[1]	**13.1**	**11.6**	1.5
Equity ratio	**17.0**	**16.2**	0.8

[1] Excluding potential RWA effects (risk-weighted assets) resulting from Basel III.

Liquidity and refinancing

As a capital market-oriented bank, DekaBank has to comply with the liquidity management requirements set out by the regulator under MaRisk (Minimum Requirements for Risk Management). These requirements stipulate that banks must hold sufficient levels of funds, and highly liquid assets eligible as collateral for central bank borrowing, to enable them to bridge a short-term refinancing requirement in the event of a stress scenario for a minimum of one week. For a period of at least one month, further components of the liquidity reserve may be used, provided they can be turned into cash without significant loss in value and regulatory requirements are complied with.

DekaBank met both requirements comfortably. In accordance with the regulatory definition, the highly liquid securities cover a potential cash outflow in the combined stress scenario across all maturity bands, instead of the first month specified by MaRisk. DekaBank's liquidity position remains very strong even under the specific stress conditions considered. In the short-term maturity band of up to one month, all the stress scenarios analysed resulted in liquidity surpluses.

The regulatory requirements of the German Liquidity Regulation (*Liquiditätsverordnung*) were likewise exceeded throughout the reporting period. The annual average for the liquidity ratio of the first maturity band, determined on a daily basis, was 1.32 (previous year: 1.40), and remained within a range of 1.24 to 1.48 during the year. As at the 2013 reporting date, the ratio stood at 1.41 (end of 2012: 1.27).

Further information regarding the Deka Group's liquidity situation can be found in the risk report on pages 90 to 93.

Refinancing is carried out using conventional money market and capital market instruments, including the issuance of public-sector *Pfandbriefe*, mortgage *Pfandbriefe* and short-term bearer bonds based on the CP Programme, as well as medium to long-term bearer bonds based on the EMTN Programme. DekaBank also uses the repo and lending markets, call money and time deposits to raise and invest liquidity. More information is given in note [69] to the consolidated financial statements. Information on maturities and interest rates, and all securities prospectuses, can also be found on DekaBank's website (www.dekabank.de).

Human resources report

Changes in the staff complement

In the context of the Deka Group's transformation into a fully-fledged securities service provider, the workforce increased slightly to 3,538 (end of 2012: 3,506) during the year under review. By the end of the year, more than 50 new employees had been recruited to increase sales support. A moderate expansion of the Real Estate business division's workforce was also needed in order to implement the extended regulatory requirements and manage the steadily growing property portfolio. The acquisition of LBB's customer-oriented capital market business at the end of 2013 increased the number of staff by 67. This enlargement of the workforce was offset by staff reductions in head office departments. The average number of staff employed over the year was slightly down on the previous year. The number includes people actively involved in work processes at DekaBank calculated as full-time equivalents.

The total number of employees fell to 4,035 (end of 2012: 4,040). 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, part-time staff, trainees and interns.

On average over the year, 82.9% (previous year: 84.0%) of the staff employed were in full-time posts. The average employee age was 44.9 years (previous year: 44.8 years).

Key activities in the year under review

Integration of staff acquired from LBB

A key area of HR activity involved preparations for the integration of staff from LBB's customer-oriented capital market business, which was taken over at the end of the year. These persons were transferred to different departments depending on their professional background. Support was also successfully provided for the integration of staff from LBB-INVEST into the Deka Group at the beginning of 2014.

The HR statistics as at 31 December do not include the 114 employees of LBB-INVEST who joined the Deka Group on 1 January 2014. In accordance with the provisions of Section 613a of the German Civil Code (*Bürgerliches Gesetzbuch*, *BGB*) (Transfer of business), the employees, and those of LBB's customer-oriented capital market business, were transferred to the Deka Group, along with all rights and obligations under their contracts of employment.

Changes at the Switzerland location

The Administrative Board of Deka(Swiss) Privatbank AG decided in December 2013 to close the Zurich location and discontinue its business activities. Consequently, a total of 22 permanent contracts of employment were terminated under termination agreements whereby employment will cease on 31 December 2014.

Ongoing development of the remuneration system

The Bank continued to develop the remuneration system in line with regulatory requirements, with particular emphasis on employees whose roles are relevant to the Bank's risk exposure. Information about the remuneration structure is provided on DekaBank's website and updated on a yearly basis. The remuneration report for 2013 is expected to be published in mid-2014.

Leadership initiative

The various approaches for establishing management principles (Common Understanding of Leadership and Management) adopted in the previous year were utilised intensively in the year under review. Three approaches are available, aimed at management teams and individual managers as well as at team leaders and employees. The main aims are to provide understandable and practical definitions of goals and responsibilities that are accepted by employees, to design efficient decision-making structures and processes, and create a climate characterised by trust and teamwork. By the end of the year, around 56% of managers and 25% of employees had taken part in activities in a workshop and/or one-to-one setting. Moreover, we have been able to obtain an up-to-date picture of the quality of the Bank's management, using two feedback tools – the employee survey and management feedback. The results of the survey are being analysed in the departments and at the individual level. This ensures that the management culture continues to develop further.

Recruitment and HR management

The Human Resources head office department supported the Deka Group's positioning as an attractive employer brand through a number of focused activities. As well as the Deka Group's Facebook page, these also include other social media activities (Xing, Kununu, LinkedIn). In addition, the Social Media Team holds internal information events and advises departments and savings banks on social media issues and on the development of social media activities.

The matching process started in the year under review should help to bring supply and demand together more effectively on the internal job market. To achieve this, the system compares applicants' profiles with the responsibilities involved in a particular position. Employees wishing to change and develop in specific ways can apply to the management adviser concerned. By giving individual advice as part of the talent management process, we offer more accurately tailored career development and allow targeted, cross-divisional placement of employees.

Promoting young talent

As well as investment fund sales professionals and commercial staff for office communications, DekaBank also trains students enrolled on the Applied Information Technology (BSc) dual study course in partnership with the Baden-Württemberg Cooperative State University. Nine trainees successfully completed their training in the Deka Group in 2013. Four students also graduated from the dual study course. In addition, DekaBank offers employees the opportunity to study for bachelor's degrees alongside their job and supports employees who are studying to gain a degree in investment management (*Investmentfachwirt*) at the Frankfurt School of Finance & Management. With more than 100 internships and around 20 traineeships, DekaBank offered valuable entry opportunities to new graduates in 2013. In the year under review, DekaBank's trainee programme received the "Absolventa Traineesiegel" award for a career-focused and fair trainee programme.

Lifecycle-based HR management

The proven, lifecycle-based HR concept adopted by DekaBank allows us to modify and, where appropriate, redevelop HR policies in line with the different phases of the employee's professional lifecycle. DekaBank's HR strategy is derived from the business strategy. It is evaluated on a regular basis and adapted where necessary to the market environment as well as to economic, social, political and legal trends. The goal is to work together, harnessing the passion and energy of Deka Group employees to shape the future.

Post balance sheet events

No major developments of particular significance occurred after the 2013 balance sheet date.

Forecast and opportunities report

Forecast report

Forward-looking statements

The Deka Group plans its future business development on the basis of the assumptions that seem most applicable from a current perspective. However, plans and statements about growth during 2014 are subject to uncertainties.

Actual trends in the international capital, money and property markets or in the Deka Group's business divisions may diverge markedly from our assumptions, which are partly based on expert estimates. The Deka Group's risk position is summarised in the risk report. If the risk scenarios referred to in the risk report should arise, for example as a result of stress situations or counterparty default, this could mean that targets are not met in 2014. Conversely, opportunities may result in expectations being exceeded. These are explained in the opportunities report starting on page 61.

Expected macroeconomic trends

Further progress is being made in tackling the eurozone sovereign debt crisis. Moderate growth of 1.0% is expected for the eurozone in 2014. Amongst other factors, pent-up demand in southern Europe is likely to boost growth. The recovery remains fragile, however. A sustained return to economic health requires continued reform efforts in France, Spain, Italy and elsewhere. Low inflation in 2013 has also fuelled concerns about deflation. Germany will remain an important stabilising factor for the eurozone in 2014, with an expected growth rate of 1.7%.

The USA continues to enjoy moderate growth, though the slow recovery of the labour market compared with previous phases remains a problem area. US GDP is expected to grow by 2.8% in 2014 and 2.9% in 2015.

Emerging markets continue to drive global economic growth. However, exports have been hit by sluggish growth in the industrialised countries and financing conditions are difficult. After an increase of 4.6% in 2013, growth in emerging markets will remain relatively modest in 2014 at 4.8%. In China, the days of double-digit growth are over. Following the Chinese economy's expansion by 7.7% in 2013, DekaBank's Macro Research unit forecasts that it will grow by 7.6% in 2014 and 7.4% in 2015.

Expected trends in the capital markets

Low inflation rates continue to provide central banks with scope to continue their expansionary monetary policy, although the USA has now begun a cautious withdrawal of its bond-buying programme. However, since the labour market is only recovering slowly, the Fed is likely to emphasise that any rise in interest rates remains a long way off. DekaBank does not expect key interest rates to start rising again until mid-2015.

On the bond markets, yield spreads are likely to widen slightly. DekaBank's research analysts anticipate only a very slow rise in yields on short-dated German government bonds, whereas yields at the long end are expected to rise more strongly. Corporate bonds may benefit from continued low interest rates and gradual improvement of economic growth.

In summary, the continued oversupply of the market with liquidity and the low level of interest rates and yields will present the Deka Group with challenging conditions in the 2014 financial year.

In view of continued low interest rates, private investors are again looking for more profitable investment opportunities, but nevertheless remain risk-averse. In DekaBank's opinion, the German equity market can look forward to another good year, supported by stable growth prospects for companies and a generally more positive investor attitude to equities. The DAX may well exceed the 10,000 mark in 2014. Whether private investors will derive greater benefit from this potential upside than they did in 2013 remains to be seen, however.

Outside Germany too, equity markets are likely to continue rallying in view of the lack of higher-yielding alternatives. Provided economies do not perform worse than expected, investors will focus on the strength of company profits, so that equity markets should return to their long-term growth trend. Stock markets in emerging countries have the potential to recover, but react strongly to US Fed policy. A tighter monetary policy could put renewed pressure on equity prices.

Expected trends in the property markets

Pressure on the office property rental market caused by the debt crisis will abate in 2014. Here too, the economic recovery is gradually making itself felt, though surplus vacancies persist in many places. However, due to the low volume of new construction since 2010, these are fairly moderate, so that vacancy rates should gradually decline over the course of the year.

Rental growth is expected to broaden in 2014. Initially the office markets in Germany, along with London and Vienna, should exhibit the highest growth. Particularly in the German office markets, economic growth has caused vacancies to fall substantially. Attractive premises have thus become scarcer, allowing landlords to argue for higher rentals. From 2015 onwards, southern European locations offer the best prospects for rental growth as the economic recovery takes hold there.

With interest rates remaining low in the eurozone, DekaBank's research analysts expect initial yields on office properties to fall in certain areas of Europe in 2014, particularly on German markets and in London and Scandinavian locations. Yields should rise again slightly from 2015 onwards.

Assuming the positive trend identified in key sectors continues, in early 2014 levels of employment among office workers in the USA should exceed the highest level reached prior to the crisis. This provides growth momentum for the office market, particularly in terms of demand for office premises. According to DekaBank's estimates, rental growth will be highest in technology and energy centres such as San Francisco, Seattle and Dallas.

The volume of new construction in Asia has increased significantly. Rentals are therefore expected to increase by only a moderate amount. Only in Tokyo is rising demand in the office market expected to lead to further rental growth. In Australia, the volume of new construction is declining again across the country. Therefore, consolidation is to be expected on the supply side, with largely stagnating rentals.

Expected business development and profit performance

The Deka Group will continue to press ahead with its transformation into a fully-fledged securities service provider during 2014. The initiatives launched at the start of the programme are being pursued on a targeted basis and according to plan. Priority areas include significant expansion of savings bank sales to support investment and advisory processes across the board, solution-driven development and streamlining of the actively marketed product range, and expansion of institutional business under the Deka Institutionell brand. The activities taken over from LBB at the end of 2013 support the transformation into a fully-fledged securities service provider, strengthen the asset management business and complement the Deka Group's capital market activities. The integration process started on schedule and should be completed by 2016.

Overall, the Deka Group expects economic trends to remain stable in 2014.

We expect the economic result in 2014 to be close to the level achieved in 2013.

From an operational perspective, the activities taken over from LBB at the end of 2013 are expected to make a positive contribution to the Deka Group's economic result in 2014. This will be offset by necessary integration costs, which may have a negative net effect on earnings. Following successful integration of the LBB activities into the Deka Group, we expect both LBB-INVEST and our customer-oriented capital market business to make positive contributions to earnings.

Supported by ongoing sales-oriented and product-related measures, the asset management business is expected to continue to grow and net sales of funds and certificates should increase significantly. In securities-based asset management, the Group plans to improve retail sales and sales performance in relation to institutional customers. In the current market climate, tailor-made solutions and alternative asset classes will become more important, while the sales situation for bond and money market funds remains difficult in view of the prevailing low interest rates. Net funds inflow for retail certificates should exceed the comparative figure for 2013 in an overall market that is likely to shrink.

In view of the aim to increase net sales performance, a moderate expansion of assets under management is planned at Deka Group level. This assumes that exchange rate movements do not impact negatively on fund volume.

Based on the intention to keep sales quotas at roughly the same level as last year, the Real Estate business division should achieve a stable performance and consolidate its prominent market position. This assumes that the introduction of the German Investment Code (*Kapitalanlagegesetzbuch* – KAGB) will not have any significant lasting negative impact. In property finance, the division will continue its tried and tested business strategy. In view of strong price competition, margins in new business are likely to remain under pressure.

In its financing operations, the Deka Group continues to focus on selected, strategic core segments. As a minimum, the business division will maintain its role as a leading financier for savings banks.

At the beginning of 2014 the Capital Markets business division completed the operational integration of LBB's customer-oriented capital market business. This supports the Deka Group's position as fully-fledged securities service provider for the *Sparkassen-Finanzgruppe*. Since interest rates are expected to remain low, a slight decline in customer activity is expected, particularly for short-term products.

In non-core business, the focus remains unchanged on reducing the portfolio while safeguarding assets.

Expected financial and risk position

The Deka Group expects no significant changes to its financial position over the forecast period compared with the situation as at year-end 2013. In our planning, we expect total assets to remain virtually stable. The core tier 1 capital ratio is expected to come under pressure due to new regulatory requirements. Foremost among these is the requirement to convert the calculation methodology to the terms of Basel III which, amongst other things, stipulates even more conservative valuation of all positions reported at fair value. Furthermore, the LBB transaction results in a higher capital adequacy requirement. The core tier 1 capital ratio will therefore drop below the target ratio of 12%, even if profits are reinvested according to plan.

Even taking into account the capital effects arising from the LBB transaction, the utilisation rate of overall risk-bearing capacity is expected to remain at a non-critical level. Although the markets are currently stable, there is a possibility that they may become more volatile in future. In view of this, and given that we expect to build up positions following the LBB transaction, we nonetheless anticipate that there could be some circumstances under which the utilisation rate might increase appreciably. This is already factored into our strategy.

The Deka Group's liquidity position will remain adequate in the 2014 financial year.

Ahead of the requirement to disclose the leverage ratio from 2015 onwards, the Deka Group will manage its capital and balance sheet structure so as to adhere to the minimum value, which is still under discussion, earlier than required.

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 the different areas of opportunity are taken on the basis of the expected impact on earnings and probability of occurrence. The assessment of the opportunities portfolio is regularly updated through continuous and intensive market observation – including that carried out by our own research teams – as well as feedback processes established with the savings banks. This allows the Deka Group to actively manage its opportunities and react to new developments swiftly.

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

- Opportunities arising from changes in circumstances result from market developments that are more favourable than expected. These include regulatory changes or changing investment trends on the part of customers.
- Corporate strategy opportunities are mainly linked to the transformation programme to become a fully-fledged securities service provider. The associated positive effects may be greater or occur sooner than anticipated in the forecast report.
- Performance opportunities are based primarily on process improvements, as well as on strict cost management. These are likewise to be seen in the context of the transformation to become a fully-fledged securities service provider.

Current opportunities

The macroeconomic environment may prove more benign than is assumed in the basic scenario. For example, low interest rates and increased confidence may lead to a rapid, strong recovery in Europe and the USA. Growth in China might also be stronger than expected. However, we consider the likelihood of such a positive scenario, which would improve conditions particularly in securities-based asset management and capital market business, to be very low.

The money and capital market environment could also develop more advantageously than assumed in the forecast report. For example, a rise in interest rates could mean higher margins on liquid investments. A stronger than expected rise in bond yields has an impact on valuations in the short term, but allows higher yields to be achieved on reinvestment. However, DekaBank's research analysts do not anticipate any radical change in the market situation compared with 2013.

Finally, market-related opportunities may arise from changes in investor behaviour. The Deka Group expects private investors to remain reluctant to favour securities in their investment decisions. If lower interest rates on deposits were to lead to an increase in the popularity of funds and certificates, this would have a beneficial impact on net sales performance and assets under management.

Strategic and performance opportunities arise in connection with realisation of the transformation programme. The resulting effects are already part of the forecasts for 2014. They will only have a positive impact on the Deka Group's business and profit situation if realisation is accomplished more quickly or if the effects are greater than expected.

Risk report

Risk policy and strategy

To achieve its objectives, Deka Group consciously incurs risk in line with strategic requirements in order to generate sustainable added value for the savings banks. The Deka Group utilises the advantages arising from the interconnection of its activities in the areas of investment funds and real estate, and its lending and capital market business, to successfully implement its vision of providing the full range of services in connection with securities. This involves not only counterparty, market price and operational risks, but also business and reputational risks in particular, as well as liquidity risks. These risks are limited by a comprehensive risk management system that covers all types of risk and all business divisions, sales and corporate centres in order to ensure the business success of the Deka Group.

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

The Deka Group's focus remains on business that is in demand by both the savings banks and their end customers, which generates added value for the Deka Group, whose 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 strategies consistent with it, risks positions are entered into primarily in connection with customer transactions and if 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.

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

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

The objectives of the business and risk strategies are quantified annually during the medium-term business planning process. Profit, capital and risk are planned on an integrated basis for the next three budget years, also taking into account adverse developments.

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

Organisation of risk management and control

Board of Management and Administrative Board

Risk management involves the active management of the Deka Group's risk position (Fig. 17). The full Board of Management plays a crucial role in this regard. It is responsible for establishing, enhancing and monitoring the effectiveness of the risk management system. Within the risk management organisation the full Board of Management makes decisions on the Deka Group's strategy and defines the amount of overall risk permitted at the Group level. It also allocates capital to the respective types of risk and the business divisions, including Treasury and non-core business. In particular, it also decides the limits for the individual risk types at the Group level.

The Administrative Board, together with the relevant committees it has established – the Audit and Risk Committee as well as the Credit Committee – is responsible for monitoring the risk management system of the Deka Group. Prior to every meeting of the Administrative Board, the Audit and Risk Committee meets to discuss in detail the matters impacting profit, the financial position and the revenue of the Group, the risk situation and the risk management system. In addition, it reviews the Group's strategy with the Board of Management. During these meetings, Internal Audit reports to the Committee on the results of its audits. In advance of the Board of Administration meeting, the Credit Committee discusses counterparty-specific matters regarding the structure and development of the loan portfolio. It acts as the committee for approving loans and discusses the business strategy for the Deka Group's lending business with the Board of Management.

Management committees, business divisions and corporate centres

The Board of Management is supported in its management role by various management committees. In this context the MKAP drafts resolutions on matters relating to the management of interest rates, currency, liquidity and refinancing, as well as regarding the capital and balance sheet structure. In addition, it plays a role in limiting market price risk by deciding the overriding limit allocation for the Capital Markets business division and the Treasury Corporate Centre. The members of the MKAP include the departmental heads for Treasury, Risk Control and Finance as well as the head of the Capital Markets business division and the heads of the Treasury, Risk Control and Finance Corporate Centres. In addition, the heads of the Macro Research and Corporate Development departments participate in the bi-weekly meetings as permanent, non-voting guests.

The Management Committee Risk (*Managementkomitee Risiko* – MKR), which was set up during the reporting year and meets once a month, advises the Board of Management on matters regarding significant risks at the Group level and in the assessment of issues that have a significant influence on the total risk profile of the Group. Its voting members include the heads of the Risk Controlling, Credit Risk Office, Compliance, and Legal Corporate Centres and the heads of the risk functions of the asset management companies.

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

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

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

Organisational structure of risk management in the Deka Group *(Fig. 17)*

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

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

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

The Compliance Corporate Centre, which was separated from the Legal Affairs Corporate Centre in 2013, is the unit where the compliance function in accordance with MaRisk resides. This unit is responsible for working to implement appropriate and effective procedures and controls to ensure compliance with legal regulations and requirements. In doing so, the Compliance Corporate Centre has an integrated compliance responsibility that covers the functions pursuant to Article 4.4.2 of MaRisk/Section 25a of the German Banking Act (*Kreditwesengesetz* – KWG), Section 33 of the German Securities Trading Act/Minimum Requirements for Compliance (*Wertpapierhandelsgesetz – WpHG/Mindestanforderungen Compliance* – MaComp), the Risk Management Requirements for Investment Companies (*Risikomanagement für Investmentgesellschaften* – InvMaRisk) and the German Money Laundering Act (*Geldwäschegesetz* – GwG)/Section 25h of the KWG (page 89).

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

Committees

The Stress Testing Committee, which meets quarterly, is responsible for determining the macroeconomic stress testing scenarios and processes, and evaluating the results of the stress tests. It supports the Board of Management with the overall assessment of the risk situation. Regular members of the committee include the heads of the Risk Controlling, Finance, Corporate Office & Communications, and Corporate Development Corporate Centres, as well as the heads of the units COO Markets, COO Asset Management Securities, COO Asset Management Real Estate, Overall Bank Risk & Reporting, and Macro Research.

Additional committees that are relevant to counterparty risk management include the Country Risk Committee to assess country risk, the Monitoring Committee to monitor and manage exposures at risk of default, and the Rating Committee, which monitors the development of internal rating procedures (see counterparty risk on page 77).

Reporting

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

Implementation of new regulatory provisions and further developments in risk management

The fourth MaRisk amendment came into force at the start of 2013. DekaBank had already implemented most of the new requirements ahead of schedule. Compliance with these provisions was mandatory effective 31 December 2013. In terms of implementing individual requirements for which there is a longer implementation period, such as the requirement for a liquidity transfer pricing system, DekaBank has likewise largely already concluded these initiatives; only a few individual activities will continue to be worked on in 2014. For further information on the implementation of the requirements for the compliance function, see page 89.

The Deka Group had already implemented the expanded requirements stipulated in the fourth amendment of MaRisk in terms of risk-bearing capacity concepts of banks in late 2012/early 2013. According to these requirements, alternative perspectives must be taken into account, besides the primary management approach, by adjusting and supplementing the risk-bearing capacity concepts. With regard to capital management, the liquidation perspective (gone concern) remains the leading approach in this context, but it has been supplemented by a complementary approach based on the continuation perspective (going concern) (page 71).

In connection with the maturity of subordinated capital components, during the reporting period DekaBank also modified some aspects of its system of presenting risk cover potential. The definition of total risk-bearing capacity remains unchanged. However, the definitions of primary and secondary risk cover potential have been revised. The previous classification based on the capital source has been abandoned in favour of a classification by capital purpose (page 70). The secondary risk cover potential is therefore now defined as a fixed amount which acts as a buffer for potential stress situations, as it has done in the past, but since the start of the year has also been available for market price and counterparty risks arising in connection with pension commitments. This secondary risk cover potential is fundamentally not available for capital allocation purposes. As before, the basis for capital allocation remains the so-called primary risk cover potential, which results from the difference between total risk-bearing capacity and the aforementioned capital buffers that represent the secondary risk cover potential.

The system for conducting stress tests across risk types was continued and updated in the reporting period. The scenarios were reviewed and their parameters were adjusted to the current market situation. In its analysis of risk-bearing capacity, DekaBank currently continues to review nine stress scenarios covering the major scenarios for the Bank and its portfolio over a two-year period. These are also supplemented with corresponding reverse and ad-hoc scenarios as needed. Furthermore, the stress tests were also used when designing the requirements as per the Minimum Requirements for Recovery Plans (*Mindestanforderungen an Sanierungspläne* – MaSan).

In addition to these points, the Deka Group also launched an initiative during the reporting year to enhance its internal models for determining the (partial) capital charges for market risk positions. The initiative is aimed at achieving regulatory recognition in future.

Furthermore, as part of the enhancement of its risk management approach, the Group's assessment of risk was significantly strengthened with regard to "soft" types of risk such as business and reputational risks. As part of this process, a cross-functional body was established, the MKR, in which the corresponding matters are discussed so that they can be addressed at an early stage. There were two enhancements as far as market price risks are concerned. First, issuer-specific curves were utilised for the first time in the assessment of credit spread risk. Second, the regular assessment was supplemented with explicit items on market price risks from guarantee products, which have become more important overall. In connection with this, the risk capital allocated to the Securities business division was increased moderately. As far as counterparty risk is concerned, the inclusion of correlation effects in the credit portfolio model was developed further, specifically with regard to the method for representing possible parallel credit events in stress situations (crisis correlations).

Overall risk position of DekaBank

Risk types and definitions

The individual types of risk are derived from the annual risk inventory for risk management purposes. The primary risks include market price risk, counterparty risk, operational risk, liquidity risk, business risk and, in terms of a cross-sectional view, reputational risk.

Market price risk

Market price risk describes the potential financial loss from future market fluctuations and hence include interest rate risk (including credit spread risk), currency risk and share price risk.

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

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

Share price risks are identified as risk factors via the individual shares or indices and are influenced by risks from share or index volatility.

Currency risks are affected by corresponding changes in exchange rates and the associated volatility.

Counterparty risk

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

In principle, the Deka Group makes a distinction in counterparty risk between position risk and advance performance risk. Position risk comprises borrower and issuer risk, as well as replacement risk and open positions. Borrower risk is the danger that outstanding payment obligations to the Deka Group are not paid or not paid in a timely manner. Issuer risk is the analogous counterparty risk associated with securities. Replacement risk is the risk that if a business partner defaults, a replacement transaction would have to be conducted at less favourable market conditions. Open position risk results if a delay occurs when a business partner performs a contractually agreed obligation (performance disruption). Advance performance risk represents the risk that a business partner will not pay the contractually agreed consideration after advance performance has been rendered by the Deka Group.

Operational Risk

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

Operational risk also include legal risks if the losses caused by unexpected changes to the legal framework, the courts' interpretation of law or the unenforceability of the Deka Group's position are due to internal errors by the Group or a failure to implement appropriate changes. Other components of operational risk include personnel risk, dependency on outsourced processes (outsourcing risk) and aspects of model risk. As secondary risks, reputational risks are not included in the calculation of the loss potential, but they are taken into account in methods and procedures and are assessed from a qualitative perspective.

Liquidity risk

Liquidity risk is the danger of insolvency and the risks resulting from imbalances in the maturity structure of assets and liabilities. In terms of liquidity risk, the Deka Group makes a distinction between insolvency risk (liquidity risk in the stricter sense), liquidity maturity transformation risk and market liquidity risk.

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

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

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

Business risk

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

Reputational risk

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

Further types of risk

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

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

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

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

Liquidity shortage risk is considered within the context of analysis carried out to supplement considerations of risk-bearing capacity. It describes the hypothetical risk that in the event of an unexpectedly strong redemption of fund units, open-ended Deka property funds will not be able to satisfy the redemptions with their own liquidity. Liquidity shortage risk is currently not a significant risk for the Deka Group.

Risk concentrations

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

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

Business-division-specific risk profiles

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

Securities business division

The focus in this business division on the active management of securities funds and fund-linked asset management creates operational risks in particular, as well as business risks for the Deka Group. These risks can be exacerbated by reputational risks associated with the "Deka" brand. In addition, managed guarantee products create counterparty and market price risks for the Deka Group.

Real Estate business division

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

Capital Markets business division

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

Financing business division

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

Treasury

Treasury's role as the central resource manager and the long-term provider of liquidity for the Deka Group results in counterparty risk, particularly with regard to Germany and the public sector. As a result, this leads to market price risks, primarily in the form of credit spread risks, and liquidity risks.

Non-core business

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

Overall concepts of risk measurement

The Deka Group essentially uses three tools for the overall management of the risks that result as part of the strategic requirements of the Group's business activities. These tools are supplemented with specific individual tools for operational management of individual types of risk. These individual tools are described in the respective sections on the individual risks.

Risk inventory

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

Risk and capital planning

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

Risk-bearing capacity and capital allocation

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

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

As part of this liquidation approach, the Deka Group's total risk is determined by adding together all significant types of risk with an impact on the income statement. Diversification effects are not taken into account as part of this process. The total risk of the Deka Group is measured as a capital amount that is very likely to be sufficient to cover the losses from all significant risk positions at any time within one year.

In order to quantify the individual risks in a standardised manner and to be able to aggregate the total risk into one key figure, DekaBank uses the value-at-risk (VaR) approach. The calculation of VaR for a one-year holding period is made for internal management purposes with a confidence level of 99.9%. This level is derived from the target rating and the Deka Group's business model.

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

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

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

In addition, the Deka Group regularly determines its risk-bearing capacity based on the going concern approach as a supplemental procedure to assess risk-bearing capacity. Here the primary focus is on to what extent and how often (time horizon) the Deka Group can incur risks without endangering its ongoing existence, while simultaneously complying with the corresponding regulatory capital requirements. This means that risks can only be incurred to the extent that capital components are not already committed due to compliance with previously defined secondary conditions. Secondary conditions that are taken into account include both a core tier 1 capital ratio of 10.5% as a warning threshold and a core tier 1 capital ratio of 9.0% as a threshold value. In contrast to the liquidation approach, the risks in the going concern approach are considered based on the assumed continuation and intention to hold investments to maturity and with regard to the time horizon deemed relevant to risk management. DekaBank evaluates risks using the going concern approach with a confidence level of 95% and a holding period of one year, which corresponds to a time horizon of once in twenty years.

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

Stress tests and scenario analyses

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

Extraordinary but plausible scenarios are examined, covering both historical scenarios (such as the crisis on the financial markets) and hypothetical stress situations – such as the default of important individual counterparties. Furthermore, the Deka Group also performs reverse stress tests, in which specific manifestations of scenarios are examined in the Deka Group's specific business model, taking into account the associated risk concentrations, which would lead to the risk-bearing capacity limit being reached. Reputational risks are also systematically included in the stress tests.

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

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

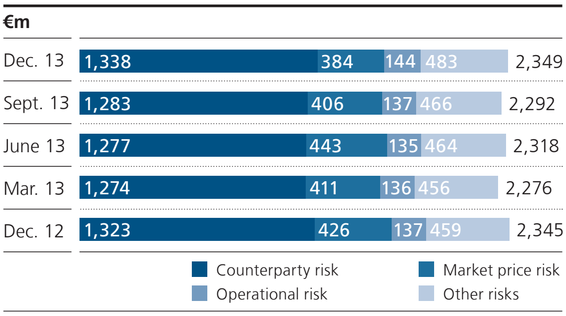
The annual review of the stress scenarios as prescribed by regulators has shown that the existing scenarios continue to be useful and appropriate. The scenario parameters were updated to take into account the current market environment.

Overall risk position in financial year 2013

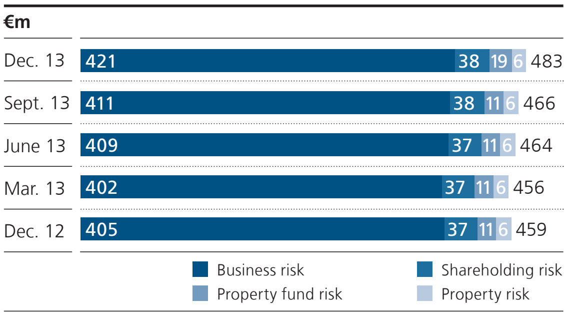
The overall stable trends in financial and capital markets during 2013 are reflected in the total risk position of the Deka Group, which has remained largely unchanged compared to the prior year.

As at the end of 2013, the total risk of the Deka Group as calculated using the management-relevant liquidation approach (VaR, confidence level 99.9%, holding period one year) totalled €2,349m (end of 2012: €2,345m); (Fig. 18 and 19). Lower market price risk was largely offset by slightly higher counterparty and business risk. Due to the stable trend in markets and positions, the primary causes of these changes in risk are methodological enhancements. The decline in market price risk is mostly due to lower credit spread risks – in part due to improved risk identification in the bond portfolio. The increased risk caused by the explicit inclusion of market price risks from guarantee products was more than offset. The slight increase in counterparty risk was predominantly due to the enhancement of the portfolio model to identify "crisis correlations". Business risk increased somewhat, partly as a result of higher net commissions used to determine risk. The other risk types incorporated into the risk-bearing capacity analysis have a VaR that has changed only marginally.

Change in Group risk over the course of the year *(Fig. 18)*



Change in Group risk over the course of the year – other risks *(Fig. 19)*



The risk attributable to the core business increased slightly to €2,075m (end of 2012: €2,040m). In non-core business the further reduction in positions together with lower credit spread risks led to a decline to €333m (end of 2012: €404m).

The utilisation of total risk-bearing capacity, at 47.8% (end of 2012: 45.8%), remained at an non-critical level. Total risk-bearing capacity declined by €205m to €4,913m compared with the end of 2012 (€5,118m). The increase in profit and reserves from retained earnings due to reinvestment from the 2012 annual profit was more than offset, primarily by the early inclusion of capital effects associated with the LBB integration and the lower total volume of subordinated liabilities available for offsetting. The background behind the decline is that only subordinated liabilities with a residual term of more than one year are incorporated into risk-bearing capacity, meaning capital instruments that mature in 2014 are no longer taken into account. The capital buffer for potential market and counterparty risks from pension obligations, which was explicitly taken into account in secondary risk cover potential in the reporting period for the first time, was €85m as at the reporting date.

After deducting the secondary risk cover potential, primary risk cover potential of €3,628m was available (end of 2012: €3,849m), which was 64.7% utilised (end of 2012: 60.9%).

Total risk-bearing capacity was likewise ensured over the entire reporting period in all macroeconomic stress scenarios that were investigated. The forecasted utilisation of total risk-bearing capacity as at the end of 2014 was roughly 90% in two scenarios and below 80% in the remaining scenarios as at the 2013 reporting date.

In the going concern approach that was additionally analysed, risk-bearing capacity was likewise assured at all times. Here, utilisation of free risk cover potential – taking into account a core tier 1 capital ratio of 10.5% – decreased during the year from 45.4% to 39.2% (confidence level 95%) and therefore remained at a non-critical level overall.

Market price risks

Strategic framework and responsibilities

The Deka Group's market price risk strategy, based on the Group's business strategy, stipulates the 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 the objectives, priorities and responsibilities for market price risk management and, together with the liquidity risk strategy, governs the business focus of trading activities (trading strategy).

Within the risk management organisation, the full Board of Management decides the market price risk limits for the Group as a whole, and for the Treasury Corporate Centre and the Capital Markets and Securities divisions. The allocation of limits is based on both the organisational structure and the distinction between the trading and the banking book. Co-ordinating with the head of Risk Control, the respective division head is responsible for defining the underlying limits or to reallocate them between existing limits.

The MKAP makes recommendations on the definitions of the framework for the management of strategic market-price-risk positions to the full Board of Management, which then adopts the corresponding resolutions. The Treasury Corporate Centre and Capital Markets business division are responsible for carrying out transactions and maintaining positions. In terms of market price risks they are solely responsible for the implementation of strategic guidelines and operational management within the prescribed limits.

Focus, structure and degree of risk associated with business activities

The Deka Group has a conservative business model as far as market price risk is concerned. This means that business is mostly conducted in interest-related products and equities. For this purpose, the Group mainly uses established products and markets with adequate market liquidity and market depth due to their international acceptance. Business involving physical delivery of previous metals and goods is not conducted. Open risk positions are entered into only within the allocated market price limits.

As part of the Group's function as a liquidity platform, the Capital Markets business division enters into open positions in a predefined amount in particularly liquid securities with high credit ratings. The primary risks that result from these activities are credit spread risks, as well as interest rate, equity, option and currency risks. Whenever economically justified, risks are hedged with hedging instruments. For further information on the accounting treatment of hedging transactions in accordance with IAS 39 (Hedge Accounting), please refer to note [9]. The requirements for the recognition of hedging relationships do not always correspond with the methods used for internal bank management purposes. It is therefore possible that differences may arise between the economic and accounting hedging relationships.

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

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

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

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

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

The investment companies in the Deka Group are generally not subject to any market price risks beyond those associated with the investment funds. However, market price risks can result if an investment company provides products with a guarantee. Market price risks from guarantee products are incorporated into the analysis of risk-bearing capacity and allocated to the Securities business division.

Management and limit setting

Market price risk is monitored on a daily basis. The basis for this monitoring is a system of operational limits that is consistent with the Group's overall risk-bearing capacity. This system defines limits in line with the business model for the various portfolio levels and risk categories. In addition, limits are set based on operating metrics such as sensitivities. Stop-loss limits are another management tool that the Group has established to limit losses. If the loss in the accumulated net income for the year exceeds the stop-loss limit, the open positions of the corresponding portfolio are immediately closed.

Value-at-risk

While VaR is calculated with a confidence level of 99.9% and a holding period of one year when analysing risk-bearing capacity, DekaBank calculates VaR for a holding period of ten days (for trading one day) and a confidence level of 95% when determining the utilisation of operating limits. The operating VaR therefore corresponds to the maximum loss on a position held over a period of ten days, or one trading day, with a probability of 95%.

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

Sensitivity-based management metrics

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

The input parameters for this risk model are the sensitivity metrics delta, gamma and vega (the Greeks). These first and second ranking sensitivities express the price sensitivity of financial instruments to changes in underlying risk factors and are used to determine overall risk. They are also available as additional management metrics for risk assessment in addition to the limits. Stress tests based on specific risk types are also carried out and the outcomes reported on a daily basis to support the risk measurement process using the VaR procedure.

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.

The risk factors incorporated into the analysis take into account the specific business model. The analysis gives appropriate consideration to issuer-specific curves for credit spread risk – introduced for the first time in the reporting year – sector curves for various country/sector/rating combinations, credit spread curves for credit derivatives, reference curves for different fixed-interest periods, as well as implied interest rate and equity volatility, and basis risks.

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

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

Scenario analyses and stress tests

The limit system is supplemented with regular market-specific stress tests. Using these tests, the sensitivity of the portfolio is constantly tested with regard to a wide variety of trends in the various risk factors. Here, too, the focus is on risks that are particularly relevant, especially credit spread risk, using separate, portfolio-specific analyses.

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

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

Backtesting of VaR risk ratios and validation

Backtesting is regularly conducted for various portfolio levels in order to test the quality of the VaR forecast. In this process, the daily results that are theoretically achieved assuming unchanged positions on the basis of the market developments observed on the following day are compared with the forecasted value-at-risk figures for the previous day. The backtesting findings are also used to enhance the risk model. The results are reported on a quarterly basis. The backtesting results confirm the general suitability of the market risk measurement at both the bank level and at the level of subordinate organisational units.

Reporting

Market Risk Control monitors all risk limits and informs the Board of Management, the head of the Capital Markets business division and the heads of the Treasury, Risk Control and Finance Corporate Centres on a daily basis about market risk positions in the trading and banking books and about the trading results as at the close of business. A report is submitted to the MKAP every two weeks and to the full Board of Management on a monthly basis. Limit overruns are immediately reported to the full Board of Management. The Administrative Board is informed on a quarterly basis.

Current risk situation

The decline in market risk in the analysis of risk-bearing capacity is primarily a result of the calm market environment, and also of improvements in the presentation of risks within the bond portfolio via the introduction of issuer-specific credit spread curves, which was particularly beneficial to Treasury. The positive trend in prices for guarantee products on the capital markets also helped to reduce risk.

At the end of 2013, total utilisation of the operating management limit for Treasury and the Capital Markets business division was moderate, at 53%. With a holding period of ten days and a confidence level of 95%, the VaR for Treasury, the Capital Markets business division and non-core business amounted to €39.1m, compared with €45.3m at the 2012 reporting date (Fig. 20).

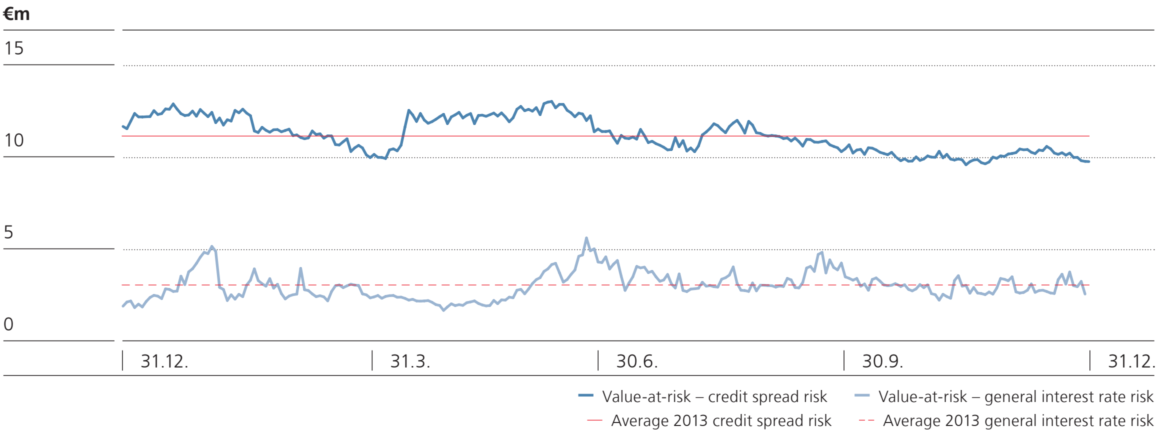
Value-at-risk for Treasury, Capital Markets business division and non-core business [1]
(Confidence level 95%, holding period 10 days) *(Fig. 20)*

€m			31.12.2013			31.12.2012	
Category	Treasury and Capital Markets business division	Non-core business	Treasury, Capital Markets business division and non-core business	Treasury and Capital Markets business division	Non-core business	Treasury, Capital Markets business division and non-core business	Change in risk
Interest rate risk	36.9	8.5	39.2	41.8	13.3	44.5	–11.9%
Interest rate – general	5.9	1.9	4.8	2.7	1.5	2.7	77.8%
Spread	36.7	8.1	38.9	41.5	13.2	44.4	–12.4%
Share price risk	2.7		2.7	3.1		3.1	–12.9%
Currency risk	0.5	0.6	0.4	1.7	1.3	0.6	–33.3%
Total risk	**36.9**	**8.5**	**39.1**	**42.3**	**13.5**	**45.3**	–13.7%

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

Credit spread risk decreased compared with the position a year ago from €44.4m in 2012 to €38.9m. Improvements in the identification of diversification in the bond portfolio through the introduction of issuer-specific credit spread curves helped to reduce risk, as did declining spread volatilities and lower credit spreads. This more than compensated for the risk-increasing effect caused by the expansion of bond positions in the Treasury banking book. The VaR in the Treasury banking book was €28.0m, compared with €30.7m in the prior year. Credit spread risk in the Capital Markets trading book totalled €9.7m (2012: €11.7m); (Fig. 21).

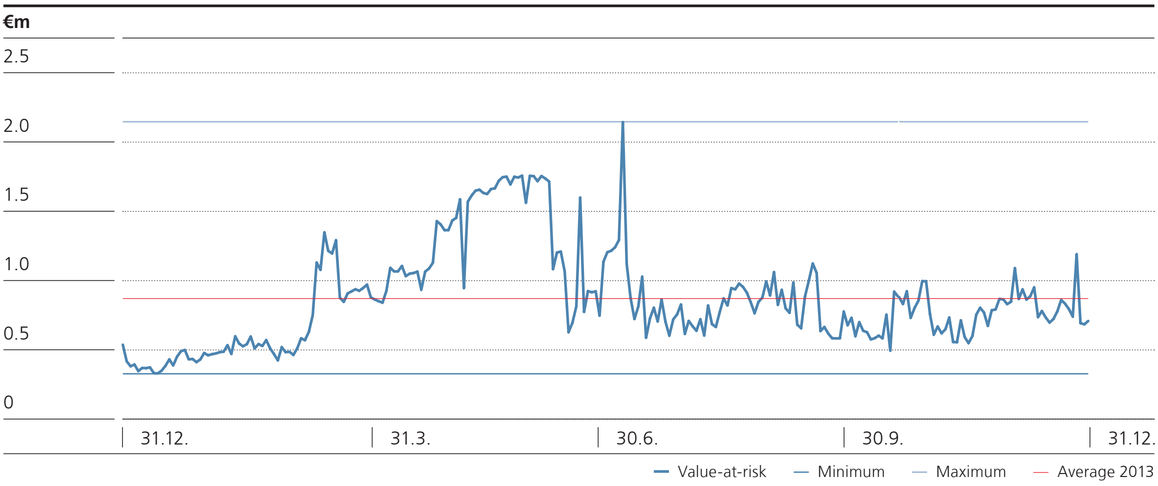
Value-at-risk – General interest rate risk and credit spread risk in the Capital Markets trading book over the course of the year 2013 *(Fig. 21)*



At the end of 2013 general interest rate risk amounted to €4.8m and is therefore higher year-on-year (€2.7m). Higher interest rate volatility in the bond markets was a major factor in this change. However, compared with the balance at the middle of the year, which was temporarily impacted by higher bond yields, general interest rate risk declined again in the second half of the year. There was a particularly strong decline in the level of interest rates in medium and long-term maturities. General interest rate risk in the Capital Markets trading book stood at €2.5m (2012: €1.8m).

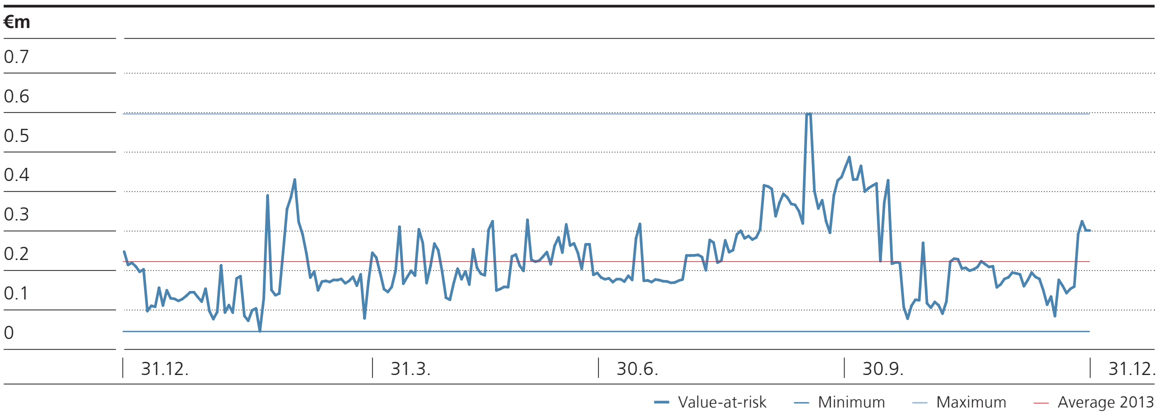
At €2.7m, share price risk at the end of 2013 was immaterial, in line with the position at year-end 2012 (€3.1m). The risk positions built up in the Treasury banking book during the first half of the year were reduced again in the third and fourth quarters. Share price risk in the Capital Markets trading book totalled €0.7m (2012: €0.4m); (Fig. 22).

Value-at-risk – Share price risk in the Capital Markets trading book over the course of the year 2013 *(Fig. 22)*



Currency risk, which results primarily from British pounds, US dollars and Japanese yen, stood at just €0.4m and therefore remained immaterial. At the end of 2013, currency risks in the Capital Markets trading book totalled €0.3m (end of 2012: €0.2m); (Fig. 23).

Value-at-risk – Currency risk in the Capital Markets trading book over the course of the year 2013 *(Fig. 23)*



Counterparty risks

Strategic framework and responsibilities

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

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

In the context of risk-bearing capacity, counterparty risks are limited by allocating risk capital overall and at the business division level. For individual counterparties, risk is restricted using a system of limits based on factors such as creditworthiness, collateral, duration and country and sector considerations. The management and monitoring of risk concentrations (cluster risks) also takes place at the individual counterparty level. In addition, strict lending standards apply regarding, for instance, project structure and adequate risk sharing by the borrower. Loans that involve reputational risk are largely avoided using a negative list.

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

Authority levels for lending decisions are based on the net total limit and the net gross limit or gross amount. Depending on the amount and the rating limits, the approval of the Board of Management and the additional consent of the Credit Committee are necessary.

The initial introduction of a new rating procedure must be approved by the full Board of Management. Once a procedure is in place, maintenance of the procedure is then delegated to the Rating Committee. This includes the approval of the results of the annual maintenance and validation process, the classification of changes to rating systems and the annual assessment of the degree of cover of the existing internal rating systems. The permanent members of the Rating Committee include the heads of the Risk Controlling and Credit Risk Office Corporate Centres, and the department heads of Overall Bank Risk & Reporting, and General and Corporate Lending Functions.

The Board of Management has assigned operational responsibility for monitoring and managing troubled exposures to the Monitoring Committee. This committee classifies the exposures judged to be troubled, commissions and assesses restructuring, reorganisation or winding-up plans, and monitors their implementation. In addition, it decides, based on the volume of the exposure, on changes to provisions for loan losses and other provisions or prepares a decision for the authorised decision maker. In principle, troubled exposures are still managed from an operational perspective by the responsible front and back office units. The Monitoring Committee is comprised of the division heads of the Financing, Capital Markets and Real Estate Financing business divisions, as well as the heads of the Treasury, Credit Risk Office and Legal Corporate Centres. The head of the Credit Risk Office has the right to veto any decision.

The Board of Management has consolidated the responsibilities for the assessment and monitoring of country risks in the Country Risk Committee. Among others, this committee discusses country ratings on both a regular and ad-hoc basis. It also defines country limits and determines measures to reduce overruns of country limits and other risk-reducing measures. The Country Risk Committee is comprised of the division heads of the Financing, Capital Markets and Real Estate Financing business divisions, as well as the Treasury, Credit Risk Office and Risk Controlling Corporate Centres, and the department head of the Macro Research unit. The Credit Risk Office and Risk Controlling Corporate Centres each have the right to veto any decisions.

In addition, there are other management committees covering all risk types for the strategic management of counterparty risks and risk concentrations associated with them. These include the MKAP and the MKR.

Focus, structure and degree of risk associated with business activities

Counterparty risk is generally encountered in all four business divisions and in the Treasury Corporate Centre.

In the Capital Markets business division, counterparty and issuer risks arise primarily from the money-market, currency, securities lending and repurchase transactions entered into, and in the trading of financial instruments. When supporting investment funds and savings banks with the short-term provision and management of liquidity, the division consciously exposes itself to risk concentrations. These concentrations are managed using credit ratings or via a diversified portfolio of securities.

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

In the Financing business division counterparty risks arise in infrastructure financing, mainly in connection with cash flows for specific projects and measures. In transport financing, the creditworthiness of the economic beneficiary of the financing, as well as the performance of the assets being financed, are the primary risk drivers for counterparty risk. This risk is mitigated by obtaining senior collateral to the transport being financed and/or via guarantees from export credit agencies (ECA). Counterparty risks from export financing are only incurred if the financing is covered by guarantees from public ECAs or ECAs acting on behalf of public authorities. The Financing business division also includes business with domestic savings banks as well as financing of the domestic public sector. Due to the limited volume of infrastructure, transport and export financing in relation to the Deka Group's total loan volume, there are no risk concentrations in these areas. The business is focused on Germany due to its close involvement in the *Sparkassen-Finanzgruppe* and its transactions with the domestic public sector. Concentrations at the regional state level can occur as a result of the business model. In addition, the Deka Group's ownership structure and its function in the savings bank association lead to a sector concentration in financial institutions.

In the Real Estate Financing subdivision loans are granted against the provision of collateral security over the property that generates the cash flows. This limits the counterparty risk that can result from payment problems associated with repayments made using the cash flows generated by the property. Given the overall limited financing volume and the broad diversification of the portfolio, risk concentrations are not material.

In the Securities business division, counterparty risk results predominantly from guarantee products.

Management and limit setting

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

Portfolio model

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

Operating management limits

The Deka Group utilises a system of fixed, complementary volume-based limits for daily operational management purposes. In the light of the risk concentrations on specific groups of counterparties, regions and sectors that result from the Group's business model, the limitation of both unsecured volume (net limitation) and the internal framework (gross limitation) of individual counterparties plays a central role in this process. The amount of the limits is primarily oriented towards the internal rating of the corresponding counterparties. To limit the concentration, additional targets are defined for the maximum permissible limit per counterparty. Above a certain amount, particularly important counterparties from a business policy perspective (clusters) are also subject to additional reporting. Additional minimum requirements for the quality of the collateral received apply for especially significant repo/lending transactions. These requirements are contained in the collateral policy (page 81). In addition, the volume of repo/lending transactions is further restricted using supplementary limits in order to take into account potential value fluctuations of the underlying securities based on market-price-fluctuation risk.

The explicit limitation of country risks serves to effectively limit positions in countries with elevated risk. The risk concentration in Germany resulting from the business model is not subject to the limitation.

Quantification of counterparty risk

Market prices are always used to determine gross counterparty risk. The outstanding receivable amount is used for advance performance risk and open items. The adjusted gross position is then calculated by deducting certain insolvency-proof collateral. The net counterparty risk position results after deducting further collateral and positions such as covered securities.

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

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

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

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

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

A key result of the portfolio model is that it determines a CVaR with a holding period of 250 trading days and a confidence level of 95% (going concern approach) or 99.9% (liquidation approach). Risk concentrations are taken into account by considering the dependency structure of risk factors. In addition, the newly introduced modelling of dependencies also considers crisis events. Moreover, the CVaR for certain guarantee products and fund units in the Group's own portfolio are also taken into account. In addition to the CVaR, the expected shortfall (ES) is calculated.

The standard risk costs incorporated into the calculation of the expected return on equity capital 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 capital is determined using risk amounts differentiated by individual transaction and the corresponding sector and regional allocations. By taking into account the cost of equity capital in the structuring of loan terms, risk concentrations are included for individual counterparties (clusters), regions and industries.

Management and monitoring of counterparty risks

The Deka Group's counterparty risk, as determined based on CVaR, is directly compared with the allocated risk capital. In addition, the counterparty limits at the Group and business-division level are monitored based on a redistribution of the CVaR to individual transactions and a renewed aggregation to the business divisions.

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

A plausibility algorithm based on size and creditworthiness is used to determine the respective limits for counterparties. In addition to its volume-based limits, the Deka Group has also introduced thresholds for risk concentrations in connection with individual counterparties, known as clusters. This incorporates large exposures appropriately in further precautionary procedures and monitoring routines for risk concentrations. Thresholds for sectors are not taken into account due to the Deka Group's specific business model.

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

The maximum amount of a country limit is derived from a limit matrix, which is calculated based on a foreign currency (FC) country rating and the gross domestic product. The individual country limits within the limit matrix are approved by the Country Risk Committee. The Risk Control unit monitors compliance with the respective country limits on a daily basis. Overruns are reported immediately to the members of the Country Risk Committee and the Capital Markets Credit Risk Management unit. The Capital Markets Credit Risk Management unit acts as the central administrative office for country limits. From a portfolio model perspective, an analysis of the most important countries is also carried out, based on CVaR.

The Deka Group has defined extensive processing and valuation guidelines for the collateral obtained in lending and trading transactions. The procedures for verifying the 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. The valuation of collateral and of any discounts applied to it is primarily based on the creditworthiness of the party providing the collateral, and in the case of asset collateral, on the market value, fair value or lending value of the financed property.

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

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

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

Performance of stress tests

In addition to the macroeconomic stress tests performed across all risk types, additional sensitivity tests are conducted specifically for counterparty risk. Scenarios include, for example, a rating downgrade for public authorities and federal state banks as well as an increase in loss ratios for certain collateral. The results of the stress tests are determined quarterly and reported to the Stress Testing Committee, the full Board of Management, the Audit and Risk Committee and the Administrative Board. They therefore enable the Group to identify areas for action as early as possible if crisis situations start to appear.

Reporting

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

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

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

Default monitoring

Non-performing items are receivables that meet one of the impairment criteria described in detail in the notes (note [15]). These also include receivables that are in arrears for more than 90 days (Section 125 of the SolvV).

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

When establishing loan-loss provisions, loan receivables are reviewed individually for impairment. If the Bank identifies an impairment need, it recognises a specific provision in the corresponding amount. For receivables against which no provision is made, default risk and transfer risk are taken into account by recognising general provisions at the portfolio level. General portfolio provisions for country risks must be recognised where the internal rating in accordance with the DSGV master scale is 10 or worse (for further information on the establishment of general portfolio provisions for country risks, see note [15]). Departures from this rule must be justified on a case-by-case basis. A specific provision may still be created for countries with better ratings if called for by the specific circumstances. Portfolio-level general provisions for creditworthiness risks relate to impairments in the credit portfolio that have already occurred at the reporting date but which were not yet known. Provisions are created to take account of creditworthiness risks in off-balance sheet lending business.

Current risk situation

In the period under review, the Deka Group's counterparty risk based on CVaR rose slightly to €1,338m (end of 2012: €1,323m). Counterparty risk due purely to market movements and changes in positions declined slightly. The risk-increasing effect from rating downgrades of individual counterparties, particularly from the financial sector, were more than offset by improvements in ratings for other counterparties and by overall lower migration risk. Higher portfolio positions, primarily in the Capital Markets business division and in Treasury, contributed to this increase in risk, while volume effects reduced risk in the Financing and Real Estate business divisions. The overall increase in risk was primarily caused by changes in methodology due to the validation of the credit portfolio model, which increased risk, in part by taking into account crisis correlations.

Gross loan volume, which at DekaBank encompasses more than the definition of a loan in accordance with Section 19(1) of the KWG in order to adequately take into account significant counterparty risks (such as underlying risks from derivative transactions), declined during the year by €17.6bn to €139.9bn (end of 2012: €157.6bn) (Fig. 24). This decline was due, with the exception of the public sector international risk segment, to a marginal increase in all risk segments. The savings banks and financial institutions risk segments were impacted by the decline in money on call and time deposits, decreased bond holdings, as well as lower volumes of both liquidity invested at the German Central Bank (*Deutsche Bundesbank*) and of derivative transactions. The focus on loan assets that can be placed externally in the segments outside of savings bank financing also led to lower gross volumes in transport and export finance, as well as in the risk segments energy and infrastructure utility and property risk. The gross loan volume to corporates decreased slightly as well, primarily because of lower bond holdings. The ongoing reduction in positions in non-core business contributed €1.3bn to the reduction in gross loan volume.

Gross loan volume *(Fig. 24)*

€m	31.12.2013	31.12.2012
Financial institutions	68,073	77,948
Public sector Germany	18,969	19,827
Savings banks	14,508	17,339
Corporates	11,371	11,905
Funds (transactions and units)	9,674	10,091
Property risk	6,294	8,202
Transport & export finance	4,363	5,192
Energy and utility infrastructure	1,910	2,345
Other	4,764	4,717
Total	**139,926**	**157,565**

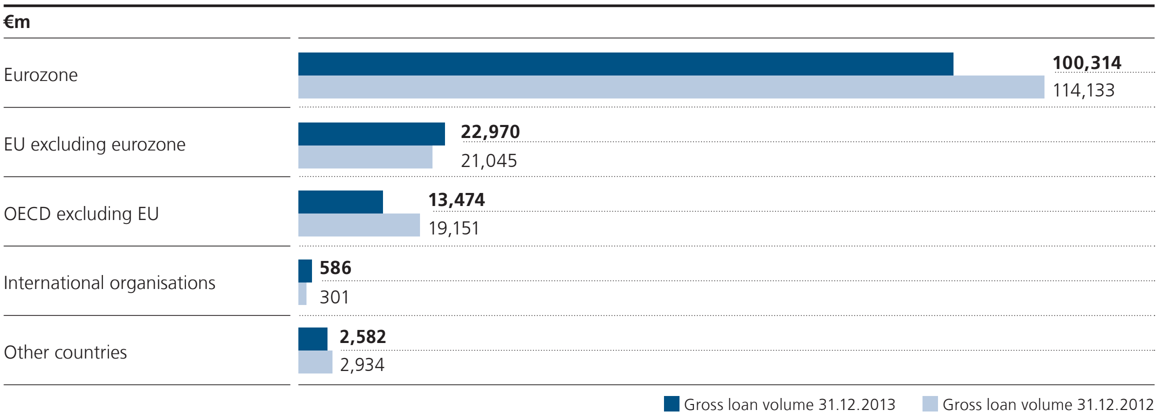
Net loan volume decreased from €50.7bn in the previous year to €47.3bn. As far as risk segments are concerned, the distribution was similar to that seen in gross loan volume, i.e. here too, the largest share was attributable to financial institutions and savings banks (Fig. 25).

Net loan volume *(Fig. 25)*

€m	31.12.2013	31.12.2012
Financial institutions	19,030	19,878
Savings banks	9,899	11,122
Corporates	6,391	5,933
Funds (transactions and units)	5,279	5,331
Property risk	1,278	2,252
Transport & export finance	651	775
Energy and utility infrastructure	1,817	2,242
Other	2,954	3,184
Total	**47,299**	**50,717**

As in previous years, the credit portfolio remained heavily focused on the eurozone. As at the end of 2013, 71.7% (end of 2012: 72.4%) of gross loan volume was attributable to eurozone countries (Fig. 26). The slight decline related primarily to German customers, although Germany was still the source of more than half of the entire gross loan volume. In addition, significant portions were attributable to the United Kingdom, France and Luxembourg, with France and the United Kingdom each posting a considerable increase.

Gross loan volume by region *(Fig. 26)*



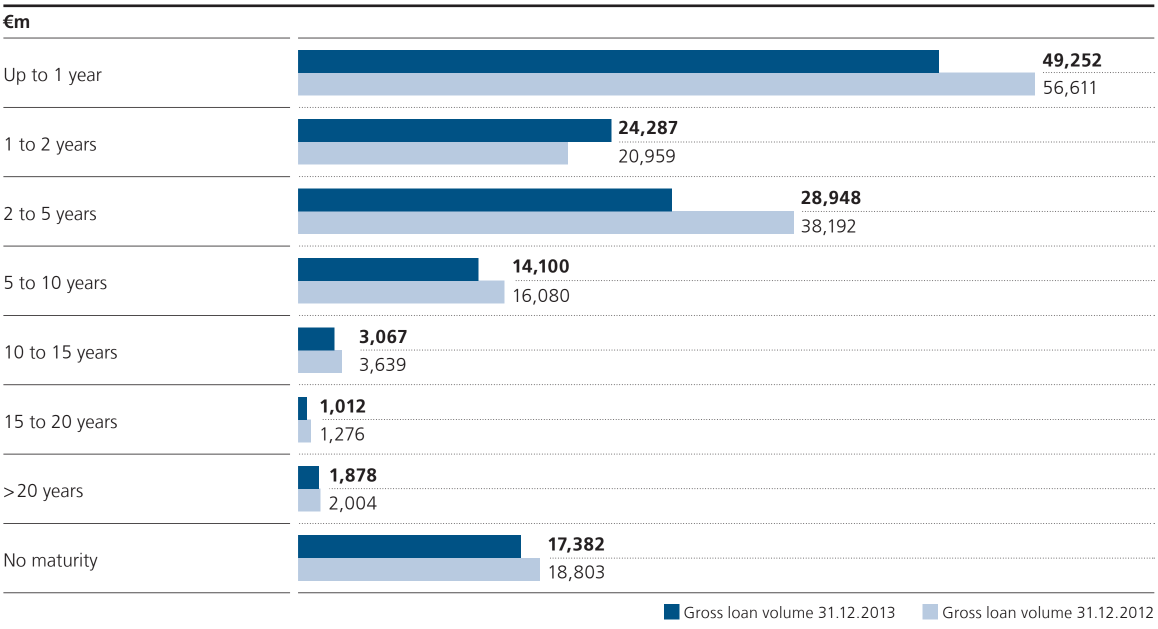
At the end of 2013, the gross loan volume attributable to borrowers in the closely monitored countries of Italy, Spain, Ireland, Greece and Portugal totalled €4.5bn (end of 2012: €4.4bn), which represents 3.2% of total gross loan volume (Fig. 27). The volume related primarily to banks and corporations. Loans to central governments accounted for only €267m of gross loan volume (end of 2012: €311m). The loan volumes attributable to Cyprus and Hungary were both negligible and related primarily to ship financing in Cyprus, and financing of infrastructure in Hungary. The volume of loans attributable to Egypt was negligible overall. As of the reporting date, there were no outstanding loans to counterparties in Slovenia or Ukraine – countries that are currently a source of discussion.

Gross loan volume by PIIGS countries and sector as at 31.12.2013 *(Fig. 27)*

€m	Greece	Ireland	Spain	Italy	Portugal	Total
Central government	0	0	54	204	9	267
Public sector	0	0	64	0	0	64
Banks	0	5	1,708	725	50	2,489
Corporates	0	345	529	580	48	1,502
Other	0	13	57	91	0	160
Total result	**0**	**363**	**2,410**	**1,600**	**108**	**4,481**
Change vs. previous year						
Central government	0	−4	−38	1	−3	−44
Public sector	0	0	−43	0	0	−43
Banks	0	−132	754	19	−1	642
Corporates	−259	−85	−17	−68	−1	−430
Other	0	−7	8	−22	0	−23
Total result	**−259**	**−228**	**662**	**−70**	**−4**	**101**

Due to the importance of the Deka Group as a liquidity platform for the savings bank organisation, the maturity of its credit portfolio remained primarily in the short-term range, as at the end of 2013. 35.2% of gross loan volume was attributable to business with a residual maturity of less than one year, whereas the share of business with maturities greater than ten years declined to 4.3% (prior year: 4.4%). Compared to the end of 2012, the average legal residual term of gross loan volume fell slightly by 0.1 years to 2.9 years (Fig. 28).

Gross loan volume by remaining maturity *(Fig. 28)*



Regarding borrower units, the concentration of the loan portfolio increased slightly. At the end of 2013, 24.8% of net loan volume was attributable to the ten largest borrowers (end of 2012: 23.8%). 80% of net loan volume was concentrated with 4.9% (prior year: 5.6%) of borrower units. In terms of size categories, the emphasis is on borrowers with more than €1.5bn gross loan volume; these positions are mainly made up of collateralised transactions such as repo/lending transactions, most of which are collateralised with securities, derivative transactions concluded under netting agreements, and covered securities such as *Pfandbriefe* or securities backed by the Federal Republic of Germany. Due to this extensive level of collateralisation, a considerably lower net loan volume remains.

As at the end of 2013, the gross loan volume continues to have an average rating of 3 in accordance with the DSGV master scale. The average probability of default declined by two basis points to 15 bps. Viewed from a net perspective, the average rating improved year-on-year from 4 to 3, with an average probability of default of 19 bps (previous year: 24 bps). Within the groupings determined by rating class, the rating of about 85% of net loan volume did not change. As far as the rest is concerned, the changes were mostly downgrades. In terms of risk segments, the rating of financial institutions declined by 4 bps from A to 2 because of a marginally higher probability of default. Savings banks continued to have the best possible rating (AAA) (Fig. 29).

Net loan volume by risk segment and rating *(Fig. 29)*

€m	Average PD in bps	Average rating 31.12.2013	31.12.2013	Average PD in bps	Average rating 31.12.2012	31.12.2012
Financial institutions	11	2	19,030	7	A	19,878
Savings banks	1	AAA	9,899	1	AAA	11,122
Corporates	21	4	6,391	30	4	5,933
Public sector international	7	A	1,500	8	A–	1,431
Public sector Germany	1	AAA	224	1	AAA	209
Public infrastructure	84	7	853	211	9	1,069
Transport & export finance	174	9	651	153	8	775
Energy and utility infrastructure	132	8	1,817	151	8	2,242
Property risk	54	6	1,278	77	7	2,252
Retail portfolio	17	3	292	25	4	381
Funds (transaction and units)	16	3	5,279	14	3	5,331
Equity investments	121	8	84	113	8	92
Total result	**19**	**3**	**47.299**	**24**	**4**	**50.717**

The provisions for loan losses reported in the balance sheet declined very significantly from €724.1m at the end of 2012 to €227.4m (Fig. 30). This was mostly due to the utilisation of specific provisions, and also to the sale of a receivable due from an Icelandic bank. General portfolio provisions for creditworthiness risks and provisions for portfolio risks declined compared with the end of 2012 from €61.9m to now €43.6m, while general portfolio provisions for country risks remained unchanged year-on-year at €1.3m.

Provisions for loan losses by risk segment *(Fig. 30)*

€m	Financial institutions	Funds	Transport & export finance	Energy and utility infrastructure	Property risk	Public infrastructure	Corporates	Other	31.12.2013	31.12.2012
Impaired gross loan volume[1)]	**0.0**	**0.0**	**366.8**	**102.5**	**73.6**	**67.5**	**21.7**	**0.1**	**632.2**	**1,368.9**
Collateral at fair value	**0.0**	**0.0**	**169.1**	**0.0**	**43.2**	**0.0**	**0.0**	**0.0**	**212.3**	**275.1**
Impaired net loan volume[1)]	**0.0**	**0.0**	**197.7**	**102.5**	**30.4**	**67.5**	**21.7**	**0.1**	**419.9**	**1,093.8**
Provisions for loan losses[2)]	**9.1**	**0.3**	**112.2**	**25.4**	**37.3**	**21.7**	**20.8**	**0.6**	**227.4**	**724.1**
Specific valuation allowances	0.0	0.0	97.3	15.6	31.0	19.3	15.9	0.1	179.2	658.2
Provisions	0.0	0.0	0.0	2.6	0.0	0.0	0.7	0.0	3.3	2.7
Portfolio valuation allowances for country risks	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	1.3	1.3
Portfolio valuation allowances for creditworthiness risks	9.1	0.3	13.6	7.2	6.3	2.4	4.2	0.5	43.6	61.9

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

Collateral for exposures against which specific provisions were made consisted mainly of charges on property in the property risk segment, and aircraft mortgages, ship mortgages and sureties for the transport and export finance risk segment. Sureties were taken into account when determining the level of general portfolio provisions for country risks. Specific and general portfolio provisions are calculated taking into account the recoverable amount of collateral. The assets resulting from the utilisation of held collateral in the past financial year are recognised on the balance sheet in the amount of €13m. This mainly relates to liquid funds received as a result of the exercise of mortgage claims.

Operational risks

Strategic framework and responsibilities

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

Roles and responsibilities

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

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

The Risk-Bearing Capacity & OR Control unit is responsible for the key components of OR control in the Deka Group. In particular, it is responsible for the methodology applied to OR management, for independent OR reporting and for specialist support of the infrastructure required to fulfil these responsibilities. As part of the central quality assurance process for risk assessments made by the specialist departments, the assessment of the loss scenarios was systematically compared for the first time with the assessment of the criticality of business processes for business continuity preparedness.

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

In order to ensure that all employees participating in the OR process are qualified, on-line training was developed in 2013 covering the management and control of operational risks. All participants in the OR process attended the training. The training covers the foundations of managing operational risks, the regulatory basis for these and the current organisational and methodological implementation in the Deka Group.

Cross-divisional functions

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

When fulfilling its responsibilities, the Internal Audit Corporate Centre (page 65) also uses information from the OR Control unit, such as risk scenarios and loss events, as supporting information for audit planning and preparation. In return, Internal Audit involves OR Control in its audit findings related to operational risk or loss events.

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

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

The Corporate Security Management (CSM) and Information Security Management (ISM) units are jointly responsible for ensuring that security risks in the Deka Group are recognised and risk-reducing measures are identified. The objective of both units is to fulfil security requirements to minimise risk in the Group in an adequate manner so that operational risks are reduced as well. ISM advises and supports all Group units in order to establish and maintain an adequate level of information security over the long term, taking into account the individual business needs of the unit. CSM brings together the issues of operational security in the Deka Group and is responsible for business continuity precautions, risk management in terms of operational security and crisis management.

Methods used

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

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

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

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

OR loss events are recorded in a structured manner with the help of a central loss database starting from a minimum gross limit of €5,000. As well as providing a description of the loss, these data include documentation that covers the causes of the loss and suitable measures to avoid similar cases in the future. Furthermore, the findings of the loss documentation are used to validate the risk assessment contained in the self-assessments.

To determine the economic capital requirement for operational risks, the Deka Group uses an advanced measurement approach (AMA) that has been approved by regulatory authorities. This approach quantifies the Bank's operational risk based on a loss distribution approach, using methods set out in the approach itself and external loss data to supplement the data on internal losses. The value-at-risk figures thus identified are incorporated into both the regulatory capital requirement and the internal risk-bearing capacity analysis of the Group.

Reporting

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

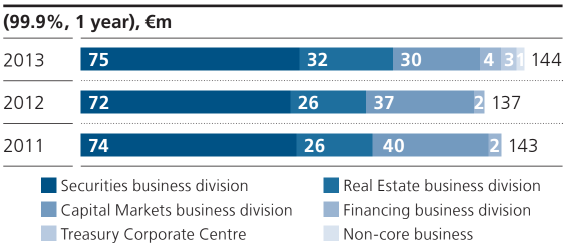
Risk Control also prepares monthly reports that explain the relationship between changes in the loss potential of the events in the scenario analyses and the trends of risk indicators incorporated into these analyses. In this way it helps to ensure that targeted risk management measures are determined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

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

Current risk situation

The VaR for operational risks as determined using an advanced measurement approach (confidence level of 99.9% and a risk horizon of one year) totalled €144m as at 31 December 2013 and therefore rose by 5% compared with the same point in 2012 (€137m) (Fig. 31). The change in value-at-risk is mainly attributable to changes in forward-looking assessments of risk. In particular, the moderate increase was caused by the inclusion of a new scenario analysis concerning the change in requirements in relation to the liability of a custodian towards investors. This change in requirements occurred when the amended German Investment Code (*Kapitalanlagegesetzbuch* – KAGB) took effect. With regard to the losses actually incurred last year due to operational risks, the lower number and amount of internal losses were offset by the inclusion of more severe external losses. Overall, the level of risk remains non-critical.

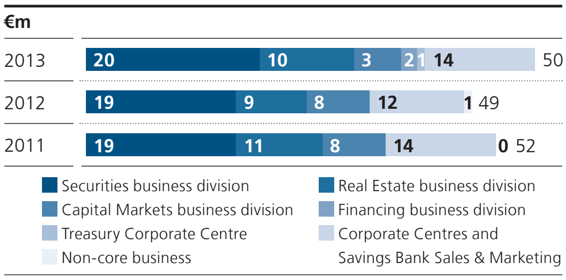
Value-at-risk *(Fig. 31)*



When value-at-risk was allocated to the business divisions and operating units, which is important for internal management purposes, a slight shift resulted during the year from the Capital Markets business division (which was reported last year on a combined base with Treasury and the Financing business division) to the Real Estate business division. This shift occurred as a result of loss events during the year.

The OR loss potential identified in the Group-wide risk inventory totalled €49.7m as at the end of 2013, a 1% increase on the prior-year value of €48.8m (Fig. 32). In contrast to value-at-risk as a loss upper limit, which may not be exceeded with a certain probability, loss potential is an expected value that results from the estimated likelihood and potential loss of all OR scenarios in the Deka Group.

Loss potential *(Fig. 32)*



The loss potential changed only slightly, and was subject to a number of effects which largely offset each other. As a result, the loss potential of the Capital Markets and Financing business divisions (formerly part of the Corporates & Markets business division), and the Treasury Corporate Centre declined because risk was identified more precisely when the former business division was split up. This compares to an increase in the cumulative loss potential of the other corporate centres and the Savings Bank Sales & Marketing unit caused by consideration of new risks and the first-time inclusion of country-specific fraud risk analyses performed for Luxembourg and Switzerland.

Compliance

In accordance with the minimum requirements for the compliance function and the additional conduct, organisational and transparency duties as per Section 31 et seq. of the WpHG for securities trading companies (MaComp), the Deka Group has a separate Compliance unit in order to ensure that the requirements for a durable, effective and independent compliance function are fulfilled. The Compliance unit also covers the requirements under the German Money Laundering Act (GWG)/Central Office (Section 25h of the KWG).

Its responsibilities include the prevention of money laundering and terrorism financing and the prevention of other criminal offences. In addition, it ensures compliance with legal duties associated with securities trading and requirements for capital market and real estate activities, as well as with EU financial sanctions and embargoes. In carrying out its duties, the Compliance unit advises the specialist units on an ongoing basis. It carries out timely reviews regarding adherence to statutory and regulatory requirements related to compliance and the overall compliance guidelines.

The Compliance Officer reports to the Board of Management at least once a year and is also the point of contact for supervisory authorities and other governmental agencies.

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

The fourth amendment of MaRisk, dated 14 December 2012, places new requirements on the compliance function in banks. DekaBank began implanting these requirements in April 2013. By the end of the year, the Deka Group had identified the key statutory regulations and requirements, the Board of Management had passed a resolution to establish a compliance function and appointed the MaRisk Compliance Officer and his deputy. Their tasks and responsibilities were documented in their respective job descriptions. The new compliance function was established within the Compliance unit in the MaRisk Compliance, Basic Functions and Projects group.

The core responsibilities of the MaRisk compliance function are to identify and limit compliance risks, advise the Board of Management and provide advisory services to the specialist units, particularly in connection with the implementation of effective processes and procedures to ensure compliance with significant legal regulations and requirements. Those aspects of the duties required of a MaRisk compliance function that have yet to be fulfilled are covered by an implementation plan for 2014. This plan involves establishing principles (a system of instructions), a reporting system and steps to monitor and oversee compliance requirements for those areas of law that have been identified as significant for the Group.

Accounting-related internal control and risk management system

The Board of Management of the Deka Group has overall responsibility for the internal control and risk management system. The system is based on a transparent Group-wide organisational and control structure. The Finance unit 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 use of posting, reporting and accounting standards, incorrect recognition of business transactions, and due to malfunctions and errors in the IT systems used for accounting purposes.

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

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

The accounting recognition of business transactions is governed centrally by a Group accounting policy. This policy describes key accounting requirements and documents the standard accounting processes that apply throughout the Group. This ensures that the same business transaction is accounted for uniformly in different Group units and companies in compliance with the applicable accounting standards. Specific work instructions are used to implement the Group policy at the operational level in the individual specialist departments. These instructions also describe the control mechanisms to be followed. Guidelines and authorisation concepts have been developed for the central systems that generate accounting information as part of the preparation of financial statements. Compliance with these guidelines and concepts is regularly monitored by Internal Audit.

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

Liquidity risks

Strategic framework and responsibilities

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

As liquidity risk is not an immediate risk to the Group's profit that can be cushioned with equity capital, it is managed outside the risk-bearing capacity analysis. The central objective of liquidity management is to avoid liquidity bottlenecks to ensure that the overall solvency of the Deka Group is guaranteed on a continuous basis. Risks impacting the income statement arising from refinancing gaps (liquidity maturity transformation risk) are currently not material because the limits on liquidity balances in the liquidity matrix (page 92) do not allow negative balances. In view of the ample levels of liquidity available to the Group overall, market liquidity risk is also not regarded as material at present.

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

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

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

The Money Market/Currencies & Repo/Lending unit in the Capital Markets business division performs the operational management of short-term liquidity up to a maturity of two years. To that end, this unit conducts money market transactions in the interbank market, with the savings banks, with the *Bundesbank* or the ECB, with companies and with insurance companies and funds. In addition, it is responsible for the management of the operating liquidity reserve.

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

Management and limit setting

Liquidity status

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

Funding matrices

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

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

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

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

Idiosyncratic scenarios affect DekaBank directly (for example downgrading of DekaBank's creditworthiness by rating agencies). Market-related scenarios are focused on the impact of a funding or banking crisis. Depending on the stress scenario, various modelling assumptions are applied. Among other factors, market liquidity risks arising from a reduction in the market value of the securities in the liquidity potential are taken into account in the stress scenarios.

Liquidity ratio under the Liquidity Directive

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

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

Reporting

The aforementioned FMs used for management and risk monitoring purposes are prepared daily by the Liquidity Risk Management unit as part of its independent monitoring process. The corresponding early warning thresholds and limits for the liquidity balance are also monitored. The liquidity situation is reported to the MKAP twice a week. The Administrative Board is informed on a quarterly basis. Any overruns of the limits are reported immediately to the Board of Management. Moreover, the liquidity ratio pursuant to the Liquidity Directive is monitored daily in the reporting system of the Finance Corporate Centre.

Current risk situation

The Deka Group had ample liquidity during the reporting period. The Group has a high liquidity potential that is readily convertible on short notice. The Group can utilise a large portfolio of liquid securities, most of which are eligible as collateral for central bank borrowings, the available surplus cover in the cover pool and corresponding repo transactions. The liquidity balances were considerably positive in all relevant maturity bands of the leading FM "combined stress scenario" for periods up to 20 years. There were no limit overruns at any time during the reporting period. A significant part of the Group's liquidity generation and provision is driven by its business with the savings banks and funds.

Pursuant to the requirements of MaRisk, an institution must be able to cover any additional refinancing requirement that results from institution-specific stress scenarios over a period of at least one month using the liquidity reserve that must be maintained. DekaBank's institution-specific scenarios are defined far beyond a one month time horizon, and the liquidity balances were considerably positive across all maturity bands.

As at the reporting date, the accumulated liquidity balance of the Deka Group's "combined stress scenario" funding matrix in the short-term range (up to one week) amounted to €6.3bn, which was an increase compared with the balance at the end of 2012 (€5.3bn). In the maturity band of up to one month, the liquidity surplus totalled €9.5bn (end of 2012: €3.8bn), and in the medium to long-term range (three months) it was €13.6bn (end of 2012: €9.5bn) (Fig. 33).

Combined stress scenario funding matrix of Deka Group as at 31 December 2013 *(Fig. 33)*

€m	D1	> D1 – 1M	> 1M – 12M	> 12M – 5Y	> 5Y – 20Y	> 20Y
Liquidity potential (accumulated) [1]	20,284	31,614	5,281	76	43	43
Net cash flows from derivatives (accumulated)	– 200	– 155	– 181	427	– 31	– 54
Net cash flows from other products (accumulated)	– 12,915	– 21,989	13,672	16,144	6,927	– 370
Liquidity balance (accumulated)	**7,170**	**9,470**	**18,773**	**16,648**	**6,938**	**– 381**
For information purposes:						
Net cash flows from derivatives by legal maturity (accumulated)	– 200	– 1,386	– 2,098	– 2,467	– 2,780	– 174
Net cash flows from other products by legal maturity (accumulated)	– 8,367	– 26,769	– 22,011	– 1,048	496	– 664
Net cash flows by legal maturity (accumulated)	**– 8,567**	**– 28,155**	**– 24,109**	**– 3,515**	**– 2,284**	**– 838**

[1] Including synthetic lending substitute transactions.

The refinancing profile was also balanced as at the end of 2013. 62.5% of the Group's total refinancing was obtained in money market products, and 37.5% was derived from capital market products. Therefore, the ratio of money market products remained nearly constant compared with the end of 2012. Most of the investors in money market refinancing are financial service providers such as clearing houses, stock exchanges and funds, or large banks and savings banks. This means that the Group's refinancing was broadly diversified by investor group.

The regulatory requirements of the Liquidity Directive were likewise surpassed at all times during the reporting period. The annual average for the liquidity ratio of the first maturity band, determined on a daily basis, was 1.32 (previous year: 1.40). It fluctuated in a range of 1.24 to 1.48. The ratio at the close of 2013 stood at 1.41 (end of 2012: 1.27).

Business risk

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

A value-at-risk approach is used in the risk-bearing capacity analysis. The significant risk factors for asset management activities in the Securities and Real Estate business divisions are the amount of commission income and expenses, which vary in line with customer behaviour and the market environment. The volatility of these risk factors is simulated based on the asset class, i.e. equities, bonds and property, using reference indices. For activities in the other business divisions and in order to take a conservative approach when determining risk, an additional capital need in the form of a standard surcharge is established for all business divisions.

As business risk is a particularly important type of risk for the Securities and Real Estate business divisions, an additional method of risk analysis, the so-called "self-assessment scenario", is used in these business divisions when the annual revenue and cost budgets are prepared. This assessment is used to identify and assess business risks. The product and competitive environment is taken into account using scenarios, particularly with regard to the impact of specific risk factors on profit.

During the reporting year, business risk increased moderately to €421m (end of 2012: €405m). This increase was primarily caused by net commission income, which is relevant for business risk, in the Securities and Real Estate business divisions. Overall business risk declined slightly compared with the prior year.

Reputational risk

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

In addition to the risk management approaches outlined above for specific risk types, a Group-wide assessment across all types of risk is performed in the macroeconomic stress tests to determine the possible impact of reputational risk. With the involvement of the business divisions and taking into account any loss events that have already occurred or are possible, the effects on both the Group's profit and on the individual risk types are evaluated in order to draw conclusions on the risk-bearing capacity of the Deka Group in this scenario.

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

Other risks

Shareholding risk

Equity investments (shareholdings) include all direct and indirect holdings of the Deka Group in other companies, regardless of their legal form. Equity investments held as credit substitute transactions fall under the credit risk strategy. In principle, Deka Group does not pursue any trading interests when taking an equity interest.

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

At the end of 2013, the VaR related to shareholding risk totalled €38m, which was close to the prior-year value of €37m.

Property risk

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

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

Property fund risk

Property fund risk results from property fund units held in the Bank's own portfolio.

With a VaR of €19m (previous year: €11m), property fund risk remains an immaterial risk for the Deka Group. The increase is primarily attributable to higher volumes in the Group's own portfolio.

Structured capital market credit products

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

Following the considerable reduction in the prior year, the net nominal value declined significantly again and totalled €1.0bn as at the end of 2013 (end of 2012: €1.5bn). This reduction was primarily due to the sale of positions and repayments, and to currency effects to a lesser extent.

The value of structured capital market credit products categorised at fair value is market-oriented. Accordingly, any changes in the positions categorised at fair value are reported directly in the income statement. No actual nominal or interest defaults occurred in the tranches in the reporting year. Indicative prices from pricing service agencies and brokers were used at the end of 2013 to determine the carrying amount of the majority of assets in the at-fair-value category. A theoretical valuation using similar securities was performed for just four positions due to a lack of quoted prices.

88.0% of the portfolio (end of 2012: 90.0%) consisted of investment-grade securities. Upgrades and downgrades were roughly equal. The portfolio was actively reduced primarily in the areas with poorer ratings (Fig. 34).

Structured capital market credit products by rating class (nominal value in €m) *(Fig. 34)*

Product		AAA	AA	A	BBB	Non investment grade	Unrated	Total (previous year)
Structured	ABS	14	0	10	2	27	0	52 (73)
	RMBS	0	27	186	43	22	0	278 (361)
	CMBS	22	32	86	0	27	0	166 (486)
	CLO	18	201	91	67	18	0	395 (454)
	CSO	0	0	0	50	25	0	75 (75)
	Structured Finance CDO	0	0	0	20	0	0	20 (20)
Alternative	CPPI	0	0	0	0	0	0	0 (50)
Total		**53**	**260**	**372**	**182**	**118**	**0**	**986 (1,519)**

The country focus of the residual portfolio remains unchanged in West Europe. As at the end of 2013, 73.8% of the securitisations related to the European market. The only noteworthy positions outside Europe are in CLO and CSO securitisations (Fig. 35). As at the 2013 reporting date, the expected average residual term of the positions stood at 4.6 years. Based on current expectations, more than half of the remaining securitised positions will be redeemed or will mature by the end of 2017.

Structured capital market credit products by risk country (nominal value in €m) *(Fig. 35)*

Product	Structured						Alternative	Total
Land	ABS	RMBS	CMBS	CLO	CSO	Structured finance CDO	CPPI	(previous year)
Germany	0	15	73	0	0	0	0	88 (146)
UK	14	92	58	0	0	0	0	165 (281)
Spain	0	70	0	0	0	0	0	71 (76)
Italy	6	100	13	0	0	0	0	119 (151)
Benelux	0	0	22	0	0	0	0	22 (207)
Rest of Europe	0	0	0	243	75	20	0	338 (316)
USA	32	0	0	152	0	0	0	183 (343)
Total	**52**	**278**	**166**	**395**	**75**	**20**	**0**	**986 (1,519)**

Based on a confidence level of 95% and a holding period of ten days as at year end, the credit spread risk for the securitisation positions in non-core business totalled €6.1m (end of 2012: €12.4m).

Report of the Administrative Board

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

Key issues of Administrative Board meetings

A total of five meetings took place in 2013, during which the Board of Management informed the Administrative Board about the Bank's current business trends and profit performance, its risk position as well as the Deka Group's strategic direction. The Board of Management reported on and discussed the business and risk strategies with the Administrative Board in accordance with the minimum requirements for risk management of German credit institutions. The Administrative Board approved the medium-term planning prepared on this basis and submitted by the Board of Management for the years 2014 to 2016. The reports on the activities of the Audit and the Compliance Corporate Centres, along with the remuneration report for the 2012 financial year, were also submitted to the Administrative Board.

Between meetings, the Board of Management informed the Administrative Board of 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 repercussions of developments on the international capital markets on the Bank's earnings, liquidity and risk position, as well as the management measures taken by the Board of Management. The Administrative Board also received regular reports concerning the status of ongoing projects, particularly the implementation of DekaBank's transformation programme to become a fully-fledged securities service provider for the savings banks. Another focal point was the acquisition of LBB Invest and the customer-oriented capital market business of Landesbank Berlin, which was approved by the Administrative Board at its meeting on 19 September 2013. Dr. Evers did not participate in the Administrative Board's briefings, consultations and decisions on this matter, since he is also Chairman of the Management Board of Landesbank Berlin AG and Landesbank Berlin Holding AG.

Reports on current regulatory developments and their impact on DekaBank were also presented at the Administrative Board's meetings. In addition, the Administrative Board discussed the asset quality review due to be carried out in the first quarter of 2014 by the European Central Bank, which, as the supervisory authority for financial institutions considered 'too big to fail', will be responsible for overseeing DekaBank in the future.

In financial year 2013, the Administrative Board held two whole-day training events to learn about business activities and associated processes in the Capital Markets and Real Estate business divisions, including risk management and risk monitoring.

Administrative Board Committees

The General Committee, the Audit Committee and the Credit Committee supported the Administrative Board in its work and prepared the issues and resolutions to be covered in the main Board meetings. The committees' tasks are specified in the Administrative Board's rules of procedure.

The General Committee met six times in the past year, focusing primarily on DekaBank's business model and the strategic development of the company, particularly the acquisition of LBB Invest and the customer-oriented capital market business of Landesbank Berlin. It also dealt with Board of Management matters, including the assignment of business and the remuneration policy for the Deka Group's Board of Management and employees.

The Audit Committee met four times in 2013. It conducted a detailed review of the financial statements and consolidated financial statements. It also verified the requisite independence of the auditors, commissioned the auditors to perform their audit based on the specified focal points, and concluded an agreement on their fees.

The Audit Committee extensively reviewed the Deka Group's accounting and risk management systems. It obtained reports on the audit activities of external auditors, the Internal Audit department and the Compliance unit, as well as on the resulting action to be taken. The Audit Committee acknowledged the report on the Internal Control System (ICS) and conducted a detailed examination of DekaBank's risk situation. This examination included credit, market price, liquidity and operational risks, as well as other types of risks, such as business and shareholding risks, and legal and reputational risks.

Another key issue addressed by the Audit Committee was the recovery plan to be developed in compliance with the Minimum Requirements for Recovery Plans (*Mindestanforderungen an die Ausgestaltung von Sanierungsplänen* – MaSan). The Audit Committee received regular progress reports on the development of DekaBank's recovery plan and discussed its content during two meetings.

The members of the Credit Committee met four times in the reporting year. In its capacity as a loan approval body, the Committee passed relevant resolutions and familiarised itself with the risk situation in lending business. In addition, it discussed the business policy alignment in the lending business as well as the lending risk strategy with the Board of Management. It also recommended an amendment to the authorisation guidelines in DekaBank's lending process, which was subsequently approved by the Administrative Board.

The Chairmen or the Deputy Chairmen of the General, Audit and Credit Committees reported to the Administrative Board on a regular basis concerning the results of consultations held by the respective Committees.

Audit and approval of 2013 financial statements and consolidated financial statements

On the recommendation of the Administrative Board and the Audit Committee, the Shareholders' Meeting resolved to change auditors and appointed KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) as auditors for the 2013 financial year. KPMG audited DekaBank's 2013 financial statements and the management report as well as the consolidated financial statements, including the notes and Group management report, and issued an unqualified audit opinion on them.

The specified financial statements and reports of KPMG were promptly forwarded to the members of the Administrative Board. 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. On the basis of its own review, the Administrative Board approved the results of the auditors' report. Based on the final result of its review, there were no objections.

The Administrative Board approved the 2013 financial statements and submitted a proposal to the Shareholders' Meeting regarding appropriation of the accumulated profit.

Changes to the Board of Management and Administrative Board

The Administrative Board appointed Martin K. Müller as a further member of DekaBank's Board of Management with effect from 1 May 2013.

Dr. h. c. Friedrich Oelrich stood down from the Board of Management at his own request on 31 December 2013. The Administrative Board would like to thank Dr. Oelrich for the work he has done for DekaBank during his thirteen years on the Board of Management. His duties as Chief Risk Officer were assumed by Michael Rüdiger. Responsibilities within the Board of Management were also reallocated.

The Administrative Board's new five-year term of office began on 1 January 2014. As President of the Deutsche Sparkassen- und Giroverband ö.K, Georg Fahrenschon continues to serve as Chairman of the Administrative Board. Helmut Schleweis and Thomas Mang were elected first and second Deputy Chairman of the Administrative Board respectively.

At the commencement of the Administrative Board's new term of office, new regulations were implemented under the German Banking Act (KWG), resulting from the EU Directive on access to the activity of financial institutions and the prudential supervision of financial institutions and securities companies (CRD IV). DekaBank established the following committees to advise and support the Administrative Board from 1 January 2014 onwards:

- General and Nominating Committee (Chairman: Georg Fahrenschon),
- Remuneration Supervision Committee (Chairman: Georg Fahrenschon),
- Audit and Risk Committee (Chairman: Dr. Rolf Gerlach),
- Credit Committee (Chairman: Thomas Mang).

DekaBank has made use of the option under the KWG to combine the functions of the Audit and Risk Committees within a single body.

Government supervision of DekaBank is exercised by the Federal Minister of Finance, who can appoint a state commissioner and a deputy state commissioner. He did not exercise this right in 2013.

DekaBank performed well in financial year 2013 in a persistently difficult market environment. This reflects the valuable work performed by DekaBank's employees and Board of Management. The Administrative Board would like to thank them for their achievements and considerable personal commitment.

Frankfurt/Main, 10 April 2014

The Administrative Board

Georg Fahrenschon
Chairman of the Administrative Board

Consolidated financial statements 2013. DekaBank's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The central control variable is the economic result, which represents the key segment information and is reported externally. In addition to net income before tax, it includes changes to the revaluation reserve before taxes as well as the interest rate and currency related valuation result from original lending and issuance business. The economic result also takes into account potential future charges which could possibly occur in the future, but cannot be recorded in IFRS reporting at the present time due to lack of sufficient reliability. The variable therefore takes into account all income components which are relevant for assessing the earnings position.

Consolidated financial statements

Statement of comprehensive income for the period from 1 January to 31 December 2013

€m	Notes	2013	2012[1]	Change	
Interest and similar income		2,094.4	2,731.3	–636.9	–23.3%
Interest expenses		1,791.7	2,397.1	–605.4	–25.3%
Net interest income	[30]	**302.7**	**334.2**	–31.5	–9.4%
Provisions for loan losses	[15], [31], [43]	**–26.7**	**–195.0**	168.3	86.3%
Net interest income after provisions for loan losses		**276.0**	**139.2**	136.8	98.3%
Commission income		2,195.7	2,197.1	–1.4	–0.1%
Commission expenses		1,260.6	1,251.3	9.3	0.7%
Net commission income	[32]	**935.1**	**945.8**	–10.7	–1.1%
Trading profit or loss	[33]	**235.2**	**367.3**	–132.1	–36.0%
Profit or loss on financial instruments designated at fair value	[34]	**151.7**	**–61.7**	213.4	(>300%)
Profit or loss from fair value hedges in accordance with IAS 39	[35]	**5.2**	**11.5**	–6.3	–54.8%
Profit or loss on financial investments	[36]	**10.2**	**5.2**	5.0	96.2%
Administrative expenses	[37]	**895.4**	**904.7**	–9.3	–1.0%
Other operating income	[38]	**–200.4**	**–57.9**	–142.5	–246.1%
Net income before tax		**517.6**	**444.7**	72.9	16.4%
Income taxes	[39]	**173.6**	**106.7**	66.9	62.7%
Interest expenses for atypical silent capital contributions	[28], [61]	**48.1**	**52.2**	–4.1	–7.9%
Net income		**295.9**	**285.8**	10.1	3.5%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		295.9	285.8	10.1	3.5%
Changes not recognised in income					
Items reclassified into profit or loss					
Financial instruments valuation reserve Available for sale	[62]	–0.6	–0.1	–0.5	(<–300%)
Cash flow hedges valuation reserve	[62]	25.4	22.9	2.5	10.9%
Currency translation reserve	[11], [62]	–1.1	0.3	–1.4	(<–300%)
Deferred taxes on items reclassified into profit or loss	[58]	–7.9	–7.2	–0.7	–9.7%
Items not reclassified into profit or loss					
Revaluation gains/losses on defined benefit pension obligations	[56], [62]	–6.2	–84.4	78.2	92.7%
Deferred taxes on items not reclassified into profit or loss	[49], [58]	2.0	26.7	–24.7	–92.5%
Other comprehensive income		**11.6**	**–41.8**	53.4	127.8%
Net income for the period under IFRS		**307.5**	**244.0**	63.5	26.0%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		307.5	244.0	63.5	26.0%

[1] Previous year's figures adjusted, see note [56].

Balance sheet as at 31 December 2013

€m	Notes	31.12.2013	31.12.2012 [1]	Change	
Assets					
Cash reserves	[40]	**527.3**	**3,387.7**	–2,860.4	–84.4%
Due from banks	[14], [41]	**30,727.7**	**32,335.6**	–1,607.9	–5.0%
(net after provisions for loan losses amounting to)	[15], [43]	(3.5)	(367.4)	–363.9	–99.0%
Due from customers	[14], [42]	**26,945.7**	**30,624.3**	–3,678.6	–12.0%
(net after provisions for loan losses amounting to)	[15], [43]	(211.3)	(339.0)	–127.7	–37.7%
Financial assets at fair value	[16], [44]	**53,063.6**	**58,100.6**	–5,037.0	–8.7%
(of which deposited as collateral)	[73]	(8,634.3)	(11,169.6)	–2,535.3	–22.7%
Positive market values from derivative hedging instruments	[9], [17], [45]	**234.6**	**431.2**	–196.6	–45.6%
Financial investments	[18], [46]	**3,819.7**	**4,225.7**	–406.0	–9.6%
(net after provisions for loan losses amounting to)	[18]	(5.9)	(11.7)	–5.8	–49.6%
(of which deposited as collateral)	[73]	(547.5)	(734.4)	–186.9	–25.4%
Intangible assets	[19], [47]	**89.4**	**102.2**	–12.8	–12.5%
Property, plant and equipment	[20], [48]	**30.8**	**32.3**	–1.5	–4.6%
Current income tax assets	[22], [49]	**180.9**	**90.8**	90.1	99.2%
Deferred income tax	[22], [49]	**151.3**	**159.3**	–8.0	–5.0%
Other assets	[21], [50]	**301.9**	**280.6**	21.3	7.6%
Total assets		**116,072.9**	**129,770.3**	–13,697.4	–10.6%
Liabilities					
Due to banks	[23], [51]	**39,000.7**	**37,690.5**	1,310.2	3.5%
Due to customers	[23], [52]	**21,000.5**	**23,333.7**	–2,333.2	–10.0%
Securitised liabilities	[23], [53]	**23,717.3**	**27,376.2**	–3,658.9	–13.4%
Financial liabilities at fair value	[16], [54]	**25,558.6**	**34,956.4**	–9,397.8	–26.9%
Negative market values from derivative hedging instruments	[9], [17], [55]	**200.2**	**363.4**	–163.2	–44.9%
Provisions	[15], [24], [25], [43], [56], [57]	**432.0**	**289.5**	142.5	49.2%
Current income tax liabilities	[22], [58]	**75.7**	**63.6**	12.1	19.0%
Deferred income tax	[22], [58]	**21.0**	**27.1**	–6.1	–22.5%
Other liabilities	[26], [59]	**836.9**	**784.5**	52.4	6.7%
Subordinated capital	[27], [60]	**1,409.6**	**1,314.8**	94.8	7.2%
Atypical silent capital contributions	[28], [61]	**52.4**	**52.4**	0.0	0.0%
Equity	[29], [62]	**3,768.0**	**3,518.2**	249.8	7.1%
a) Subscribed capital		191.7	191.7	0.0	0.0%
b) Capital reserves		190.3	190.3	0.0	0.0%
c) Reserves from retained earnings		3,365.0	3,126.8	238.2	7.6%
d) Revaluation reserve	[7], [9], [17], [18], [22], [62]	–49.8	–62.5	12.7	20.3%
e) Currency translation reserve	[11]	12.1	13.2	–1.1	–8.3%
f) Accumulated profit/loss (consolidated profit)		58.7	58.7	0.0	0.0%
g) Minority interests	[6]	0.0	0.0	0.0	n/a
Total liabilities		**116,072.9**	**129,770.3**	–13,697.4	–10.6%

[1] Previous year's figures adjusted, see note [56].

Statement of changes in equity for the period from 1 January to 31 December 2013

€m	Subscribed capital	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 31.12.2011	**191.7**	**190.3**	**2,899.4**	**67.5**
Revaluation gains/losses on defined benefit pension obligations (retrospective adjustment)				
Holdings as at 01.01.2012	**191.7**	**190.3**	**2,899.4**	**67.5**
Net income for the year				285.8
Other comprehensive income				
Net income for the period under IFRS	**–**	**–**	**–**	**285.8**
Changes in the scope of consolidation and other changes			0.3	
Allocation to reserves from retained earnings			227.1	–227.1
Distribution				–67.5
Holdings as at 31.12.2012[1)]	**191.7**	**190.3**	**3,126.8**	**58.7**
Net income for the year				295.9
Other comprehensive income				
Net income for the period under IFRS	**–**	**–**	**–**	**295.9**
Changes in the scope of consolidation and other changes			1.0	
Allocation to reserves from retained earnings			237.2	–237.2
Distribution				–58.7
Holdings as at 31.12.2013	**191.7**	**190.3**	**3,365.0**	**58.7**

[1)] Previous year's figures adjusted, see note [56].

	Revaluation reserve				Currency translation reserve	Total before minority interests	Minority interests	Equity
	Provisions for pensions	Cash flow hedges	Financial instruments available for sale	Deferred taxes				
	–	−33.1	1.3	10.2	12.9	3,340.2	–	3,340.2
	1.8			−0.6		1.2	–	1.2
	1.8	−33.1	1.3	9.6	12.9	3,341.4	–	3,341.4
						285.8		285.8
	−84.4	22.9	−0.1	19.5	0.3	−41.8	–	−41.8
	−84.4	22.9	−0.1	19.5	0.3	244.0	–	244.0
						0.3	–	0.3
						–		–
						−67.5		−67.5
	−82.6	−10.2	1.2	29.1	13.2	3,518.2	–	3,518.2
						295.9		295.9
	−6.2	25.4	−0.6	−5.9	−1.1	11.6		11.6
	−6.2	25.4	−0.6	−5.9	−1.1	307.5	–	307.5
						1.0	–	1.0
						–		–
						−58.7		−58.7
	−88.8	15.2	0.6	23.2	12.1	3,768.0	–	3,768.0

Cash flow statement for the period from 1 January to 31 December 2013

€m	31.12.2013	31.12.2012[1]
Net income	**295.9**	**285.8**
Non-cash items in net income and adjustments to reconcile net profit with cash flow from operating activities		
+/– Write-downs and write-ups		
on receivables and financial investments	16.7	193.3
on intangible assets and property, plant and equipment	23.1	31.1
+/– Allocation to/reversal of provisions	172.2	40.6
+/– Profit or loss from fair value hedges in accordance with IAS 39	–5.2	–11.5
+/– Other non-cash items	17.2	–918.8
+/– Profit or loss on the disposal of financial investments and property, plant and equipment	–0.1	–1.9
+/– Other adjustments	–715.4	–913.7
= **Sub-total**	**–195.6**	**–1,295.1**
Change to assets and liabilities arising from operating activities		
+/– Due from banks	1,408.0	7,212.4
+/– Due from customers	3,612.7	740.5
+/– Financial assets at fair value	4,360.4	–742.2
+/– Financial investments	400.4	197.5
+/– Other assets arising from operating activities	32.6	90.4
+/– Due to banks	1,372.5	4,805.8
+/– Due to customers	–2,239.0	–1,100.5
+/– Securitised liabilities	–3,593.8	2,144.9
+/– Financial liabilities at fair value	–8,404.7	–9,433.2
+/– Other liabilities arising from operating activities	–98.2	–239.3
+ Interest received	3,194.1	3,765.5
+ Dividends received	132.0	138.4
– Interest paid	–2,591.0	–2,844.6
– Income tax payments	–255.8	–235.1
Cash flow from operating activities	**–2,865.4**	**3,205.4**
+ Proceeds from the disposal of		
financial investments classified as held to maturity	0.0	85.6
equity investments	0.2	0.4
shares in investments accounted for using the equity method	0.0	1.7
property, plant and equipment	0.1	0.2
intangible assets	0.8	0.3
– Disbursements for the purchase of		
financial investments classified as held to maturity	–4.1	0.0
equity investments	0.0	–3.8
property, plant and equipment	–7.7	–16.1
intangible assets	–2.0	–2.5
+ Proceeds from the sale of shares in affiliated, non-consolidated companies	0.5	3.8
– Disbursements from the sale of shares in affiliated, non-consolidated companies	–0.1	0.0
Cash flow from investing activities	**–12.3**	**69.6**
– Payments to company owners and minority interests	–27.8	–35.6
– Dividends paid	–58.7	–67.5
+ Inflow of funds from subordinated capital	102.8	0.0
– Outflow of funds from subordinated capital	0.0	–152.7
+/– Changes in scope of consolidation and other changes	1.0	0.3
Cash flow from financing activities	**17.3**	**–255.5**
= Changes to cash and cash equivalents	–2,860.4	3,019.5
+ Cash and cash equivalents at the start of the period	3,387.7	368.2
Cash and cash equivalents at the end of the period	**527.3**	**3,387.7**

[1] Previous year's figures adjusted, see note [56].

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

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

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

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

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

Notes

Accounting principles

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

The consolidated financial statements, which are reported in euros, comprise the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes. All figures have been rounded to the nearest million in accordance with standard commercial practice. This may result in small discrepancies in the calculation of totals within tables.

Accounting regulations applied for the first time and to be applied in future

The following new or revised accounting standards were applied for the first time in the Deka Group in the 2013 reporting year:

Amendments to IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (OCI)", which came into force for reporting periods beginning on or after 1 July 2012, were taken into account in the statement of comprehensive income. The amendments require that items within the statement of comprehensive income reported under other comprehensive income (OCI), as well as associated tax amounts, should be subdivided into two categories depending on whether or not they can be reclassified to profit or loss in subsequent periods. The comparative information has been amended accordingly.

The new regulations pursuant to IAS 19 (2011) "Employee Benefits" were applied within the Deka Group for the first time as of 1 January 2013. In particular, due to application of the amended IAS 19 (2011), actuarial gains and losses are no longer reported using the corridor method previously applied by DekaBank. Under the amended IAS 19 (2011), actuarial gains and losses are recognised under equity in the year in which they arise through other comprehensive income (OCI), and may not be transferred to the statement of comprehensive income in subsequent years.

Furthermore, under the amended IAS 19 (2011), where pension commitments are funded by plan assets, net interest expenses or net interest income must be determined. Interest is calculated on the net debt or net assets (defined benefit obligations less fair value of plan assets) on the basis of a uniform interest rate. This net interest figure replaces interest expenses based on the accrual of interest on pension commitments and the expected return on plan assets. IAS 19 (2011) also requires immediate recognition of past service cost and additional disclosures in the notes concerning defined benefit plans. The effects of retrospective application of IAS 19 (2011) are presented in note [56] "Provisions for pensions and similar commitments" of these consolidated financial statements. The comparative figures for 2012 have been amended accordingly.

Implementation of the amendments to IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities" published in December 2011, which came into effect for financial years beginning on or after 1 January 2013, had no material impact on the consolidated financial statements. The additional disclosures in the notes required in this regard are presented in note [66] "Offsetting financial assets and liabilities".

The provisions of IFRS 13 "Fair Value Measurement" were applied for the first time in the 2013 financial year. IFRS 13 defines the term "fair value" for consistent use across all IFRS standards and streamlines the provisions for determining fair value within these standards. The new provisions expressly allow the use of mid-market pricing in the measurement of financial assets and financial liabilities, provided this optimally reflects fair value under the prevailing conditions. The new provisions have been applied prospectively in accordance with the transitional provisions of IFRS 13. Therefore, no comparative information for previous years has been provided in respect of new or extended disclosures, with the exception of opening balance sheet figures in the reconciliation statement relating to the performance of level 3 financial instruments. The effects of applying IFRS 13 for the first time on the statement of comprehensive income and the balance sheet, as well as the new or extended disclosures in the notes in connection with IFRS 13, are presented in note [8] "Fair value measurement of financial instruments" and note [65] "Fair value data".

Other IFRS amendments requiring mandatory application for the first time in financial year 2013 had no impact, or only a slight impact, on the consolidated financial statements.

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

Amendments to IAS 32 "Financial Instruments: Recognition – Offsetting Financial Assets and Financial Liabilities" were published in December 2011. These provide further details and application guidance. The changes come into effect for financial years beginning on or after 1 January 2014. Implementation of the amended rules is not expected to have any material impact on the consolidated financial statements.

In May 2013, the IASB published amendments to IAS 36 "Recoverable amount disclosures for non-financial assets". The amendments make it clear that the requirements introduced under IFRS 13 to disclose the recoverable amount of any cash-generating unit (or group of units) will only be imposed if an impairment or write-up has been recognised in the reporting period. In addition, new disclosure obligations have been introduced requiring the disclosures to be made in the event of an impairment or write-up of an asset or cash-generating unit where the recoverable amount has been determined on the basis of the fair value less costs to sell. The changes come into effect for financial years beginning on or after 1 January 2014. Implementation of the amended rules is not expected to have any material impact on the consolidated financial statements.

In June 2013, the IASB published amendments to IAS 39 "Novation of derivatives and continuation of hedge accounting". The changes arose from the requirement for clearing of standardised OTC derivative contracts through central counterparties. The new regulations provide that, if the contracting party of a hedging instrument is changed to a central counterparty or a member of a central counterparty due to legal and regulatory requirements, this shall not result in the cancellation of the original hedging instrument and so shall not lead to the dissolution of an existing hedging relationship. The changes come into effect for financial years beginning on or after 1 January 2014. Implementation of the amended rules is not expected to have any material impact on the consolidated financial statements.

IFRS 10 "Consolidated Financial Statements", published in May 2011, contains regulations on consolidation and replaces the corresponding regulations of the former IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". The new definition of "control" is the core element of the IFRS 10 and thus the basis for delineating the scope of consolidation. According to IFRS 10, control is deemed to exist when all of the following three criteria are met: The investor has decision-making power over the material activities of the potential subsidiary. In addition, the investor is exposed to variable returns due to its involvement with the subsidiary. Furthermore, the investor must be able to affect the amount of these variable returns. Application of IFRS 10 will be mandatory for EU IFRS users as of 1 January 2014. Under a separate project, the Group is currently conducting an examination of the potential effects that implementing these changes will have on the consolidated financial statements.

IFRS 11 "Joint Arrangements", published in May 2011, replaces IAS 31 "Interests in Joint Ventures" as well as SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers" and regulates accounting and valuation for two categories of joint arrangement: joint operations and joint ventures. From now on, joint ventures must be included in the consolidated financial statements using the equity method, and the option of proportionate consolidation has been eliminated. On the other hand, a joint operation must directly and proportionately include the assets, liabilities, income and expenses, that are directly attributable to the company involved, in its consolidated financial statements. Application of IFRS 11 will be mandatory for EU IFRS users as of 1 January 2014. Implementation of the amended rules is not expected to have any significant effects on the consolidated financial statements.

The publication of the new IFRS 10 and IFRS 11 standards necessitated changes to, respectively, IAS 27 (2011) "Consolidated and Separate Financial Statements" and IAS 28 (2011) "Investments in Associates", which were likewise published in May 2011 and are also mandatory as of 1 January 2014. The amended and renamed IAS 27 (2011) "Separate Financial Statements" now only contains provisions applicable to separate financial statements. The mandatory application of the equity method to joint ventures shall in future be carried out in compliance with the provisions of the correspondingly amended IAS 28 (2011), whose scope has now been extended to include the accounting for joint ventures and has been renamed to IAS 28 (2011) "Investments in Associates and Joint Ventures". In this connection, there were also changes regarding the classification of businesses as joint ventures.

IFRS 12 "Disclosure of Interests in Other Entities", published in May 2011, requires annual disclosures concerning the nature, risks and financial impact of involvement in subsidiaries, associated companies, joint arrangements and non-consolidated structured entities (special purpose entities). Application of IFRS 12 is mandatory for EU IFRS users as of 1 January 2014.

In June 2012, the IASB published amendments to IFRS 10-12 – "Transition Guidance". The amendments provide clarification and additional transitional relief to IFRS 10, IFRS 11 and IFRS 12. Amended comparative information is only required for the preceding comparative period. Furthermore, in the context of explanatory disclosures for non-consolidated structured entities, there is no longer an obligation to provide comparative information for periods prior to that in which IFRS 12 was applied for the first time.

In November 2012, the IASB published amendments to IFRS 10, IFRS 12 and IAS 27 relating to investment entities. The changes include a definition of terms for investment companies and remove such companies from the scope of IFRS 10 "Consolidated Financial Statements". As a result, investment companies do not consolidate the companies they control in their IFRS consolidated financial statements; this exception to the general principles is not to be understood as an option. Instead of full consolidation, they measure participating interests held for investment purposes at fair value and recognise periodic changes in value through profit or loss. The changes have no impact on consolidated financial statements that include investment companies, unless the parent company itself is an investment company. The amendments are to be applied for the first time in financial years beginning on or after 1 January 2014.

Furthermore, the following new or revised standards were published by IASB. Although these are relevant for the Deka Group, they have not yet been adopted into European law and therefore did not need to be applied:

In November 2013, the IASB published further amendments to IAS 19 "Defined Benefit Plans: Employee Contributions". The changes arose from the requirement to take employee contributions into account in the context of defined benefit pension commitments. The objective of the amendments is to simplify the accounting for employee contributions that are independent of the number of years' service. In this case, regardless of the plan formula, the service cost of the period in which the corresponding work was performed can be reduced. The new rules are mandatory for financial years beginning on or after 1 July 2014. The effects this will have on the consolidated financial statements are currently being examined.

Interpretation IFRIC 21 "Levies" published by the IFRS Interpretation Committee in May 2013 provides guidance in particular on when to recognise a liability for levies imposed by a government (such as the bank levy) which are not levies within the meaning of IAS 12 "Income Taxes". The interpretation refers both to the timing of recognition of provisions for levies in accordance with IAS 37 and to the accounting for corresponding liabilities. Levies imposed by public authorities must be recognised in financial statements as soon as the obligating event that triggers payment of the levy occurs or as soon as a defined threshold that triggers payment of the levy is reached. The interpretation comes into effect on 1 January 2014. The new interpretation has no impact on the consolidated financial statements of the Deka Group.

In December 2013, the IASB published amendments to a total of 11 existing standards (Annual Improvements Project 2010-2012 and Project 2011-2013) as part of its annual improvement project. The changes are expected to apply to financial years commencing on or after 1 July 2014, unless otherwise stipulated in any of the 11 standards. The effects this will have on the consolidated financial statements are currently being examined.

IFRS 9 "Financial Instruments: Classification and Measurement" was adopted in November 2009 and contains regulations on the categorisation and recognition of financial instruments. The standard provided two categories for the measurement of financial assets – measurement at amortised cost and measurement at fair value. In October 2010, IFRS 9 was extended to include accounting for financial liabilities and derecognition of financial instruments. With the exception of the regulations for liabilities voluntarily measured at fair value, the regulations of IAS 39 were adopted unchanged. In November 2012, the IASB published a draft amendment to IFRS 9 "Financial Instruments (Classification and Measurement: Limited Amendments to IFRS 9)". According to this draft, a third measurement category "holding and selling" is to be introduced for debt instruments, that allows measurement of these instruments at fair value, with changes in value recognised in other comprehensive income (OCI).

The new regulations on the impairment of financial assets were presented by the IASB in the exposure draft of the new impairment model for expected losses in November 2009. The regulations proposed in the draft were revised in 2011 and 2013. In March 2013, the IASB published a new exposure draft "Financial Instruments: Expected Credit Losses", which envisages a three-stage approach to the creation of loan loss provisions.

In December 2010, the IASB published an exposure draft on hedge accounting. This exposure draft was revised in 2012. In the fourth quarter of 2013, the IASB finalised the rules on hedge accounting as a further part of IFRS 9 "Financial Instruments".

The IASB intends to publish the final standard in the first half of 2014. At its meeting held on 21 November 2013, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than financial periods beginning on or after 1 January 2017.

Segment reporting

1 Explanation to segment reporting

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

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

With effect from 30 June 2013, DekaBank has realigned its organisational structure as part of its transformation to become a fully-fledged securities service provider for the savings banks. The former Corporates & Markets business division has been transferred to the Capital Markets and Financing business divisions, while the former third sub-division of Treasury is now part of the overall bank management system. The segment-based figures for the previous year have been adjusted accordingly. The Securities business division corresponds to the former Asset Management Capital Markets business division and has also incorporated business with ETF index funds since the beginning of 2013, while the Real Estate business division equates to the former Asset Management Property business division.

In addition to net income before tax, the economic result comprises changes in the revaluation reserve as well as the interest rate and currency-related valuation result from original lending business and underwriting business. This refers to financial instruments of the loans and receivables, held to maturity and other liabilities categories, which are measured at amortised cost in the consolidated financial statements and whose valuation result is also included in internal reporting. Consequently, the existing economic hedges which do not meet the criteria for hedge accounting under IAS 39 are illustrated in full for internal management purposes. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in reconciliation to Group income before tax in the "reconciliation" column. Effects relevant for management are also taken into account in the economic result.

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

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

Securities

The Securities segment consists of all the Deka Group's activities concerning capital market-based asset management for private and institutional customers. In addition to funds and structured investment concepts, the product range also includes products from selected international cooperation partners. The Deka Group's investment funds cover all the major asset classes, sometimes in conjunction with guaranteed, discount and bonus structures. The offering for private retirement pensions encompasses fund-based Riester and Rürup products. The segment also comprises advisory, management and asset management mandates for institutional customers as well as institutional customer sales. Since January 2013, the segment has also included business involving listed ETF index funds. The range of services offered by the segment also includes the Master KVG activities, which institutional customers can use to pool their assets under management with one investment company. The Securities segment also comprises services for custodial accounts, fund administration as well as central fund management services.

Real Estate

All property-related activities of the Deka Group are pooled in the Real Estate segment. This encompasses property investment products for private and institutional investors. The product range includes open-ended property, mutual and special funds, individual property funds, property funds of funds as well as real estate finance and infrastructure finance funds. The segment also includes the purchase and sale of property, management of these assets including all other property-related services (real estate management) as well as product development of Group-wide property-based activities. The Real Estate Lending unit completes the Asset Management services offered with financial solutions for third parties, thus offering professional property investors various exit routes.

Capital Markets

The Capital Markets segment is the central product and infrastructure provider as well as a provider of services to savings banks for DekaBank's capital market products. The segment focuses on customer business between the savings banks, DekaBank and capital management companies, providing the link between customers and the capital markets. To fully utilise the platform, services are also offered to selected customers outside the *Sparkassen-Finanzgruppe*, in particular to banks, insurance companies and pension funds.

Financing

The Financing segment includes lending activities that are suitable for asset management. The lending business consists of the management and product launch of loan financing operations, for example trade/export finance, public sector and infrastructure financing that is suitable for asset management or meets the needs of institutional customers. The focus is on loans that can be passed on to other banks and institutional investors. The Financing segment is also the central point of contact for savings bank funding.

Treasury

As a former sub-division of the Corporates & Markets business division, the Treasury corporate centre is now part of the overall bank management system. In the last year, the overall management of bank resources by Treasury acquired greater significance against the backdrop of regulatory requirements. Management covers market price risks relating to the banking book as well as liquidity and refinancing for the Deka Group. Treasury supports all business divisions in its role as central resource manager. Treasury is listed as a separate segment in the segment reporting.

Other

In particular, income and expenses that are not attributable to the operating segments are reported under Other. These essentially relate to overheads and the general provision for potential losses that cannot be directly attributed to any operating segment.

Non-core business

Business activities that are being discontinued have been pooled in non-core business since 2009. This segment manages securitisation transactions and loans that no longer form part of the core business. The relevant portfolios are reduced while safeguarding assets.

2 Segmentation by operating business divisions

	Securities		Property		Capital Markets		Financing	
	Economic result							
€m	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Net interest income	45.7	46.8	76.5	83.8	27.7	40.5	96.6	110.7
Provisions for loan losses	–	–	–1.6	–22.4	19.2	1.4	–46.3	–164.7
Net commission income	663.4	677.0	203.6	179.8	71.9	80.1	2.5	14.1
Net financial income [2]	–19.0	1.8	–1.7	–14.7	239.2	303.7	–1.4	–9.0
Other income [3]	–15.3	–6.8	0.6	–6.3	–66.8	0.6	0.1	0.3
Total income	**674.8**	**718.8**	**277.4**	**220.2**	**291.2**	**426.3**	**51.5**	**–48.6**
Administrative expenses (including depreciation)	404.6	421.1	135.6	132.7	178.0	203.1	28.8	32.4
Restructuring expenses [3]	19.3	6.9	1.6	–0.4	2.1	0.6	–	–
Total expenses	**423.9**	**428.0**	**137.2**	**132.3**	**180.1**	**203.7**	**28.8**	**32.4**
(Economic) result before tax	**250.9**	**290.8**	**140.2**	**87.9**	**111.1** [5]	**222.6**	**22.7**	**–81.0**
Cost/income ratio [4]	0.60	0.59	0.49	0.55	0.65	0.48	0.29	0.28
Group risk (value-at-risk) [8]	513	453	195	216	397	336	291	382
Assets under management	143,326	137,409	26,470	25,238	–	–	–	–
Gross loan volume	6,215	6,173	6,102	7,716	82,032	93,627	20,597	23,265

1) There is no figure for cost/income ratio and group risk for Other as these figures are not meaningful here.
2) 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. In addition, this includes the risk provision for securities in the loans and receivables and held to maturity categories in the amount of €5.9m (previous year: €5.2m).
3) Restructuring expenses are reported separately in segment reporting instead of under other operating income according to the balance sheet.
4) Calculation of the cost/income ratio excluding restructuring expenses and provisions for loan losses.
5) Includes one-off factors in the amount of €–69.9m essentially relating to the reversal of a value adjustment, creation of provisions, a general provision for potential risks and expenses in connection with the acquisition of the customer-oriented capital market business of LBB.

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

In addition to the economic result, assets under management represent another key ratio for the operating segments. Assets under management primarily comprise the income-relevant fund assets of the mutual and special funds under management (including ETF index funds) in the Securities and Real Estate business divisions. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner fund, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and advisory from master funds.

Assets under management refer to customer funds under management. Assets under management also include DekaBank's own portfolios of €1.2bn (previous year: €1.1bn). These mainly relate to start-up financing for newly launched funds.

Effects relevant for management relate to a provision for potential charges that is taken into account within corporate management activities as a result of the use of the economic result for management purposes, but which cannot be recorded in IFRS reporting at the present time because it is not sufficiently certain.

Effects relevant for management of €–80.0m were taken into account for the first time at the reporting date of 30 June 2012. This had decreased to €–55.0m by the end of 2012 and was reduced to zero in the first half of 2013. To cover potential risks that could crystallise in the coming months, a general provision of €–67.6m was recognised in the reporting period for effects relevant for management. This led to an impact of €–12.6m on the economic result in the 2013 financial year. Of this amount, €–17.6m related to the Capital Markets segment, with a net €5.0m reported under Other.

	Treasury		Other[1]		Total core business		Non-core business		Group		Reconciliation		Group	
	Economic result												IFRS result before tax	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	94.5	113.1	–0.2	0.4	340.8	395.3	34.7	35.8	375.5	431.1	–72.8	–96.9	302.7	334.2
	–	–	–	–	–28.7	–185.7	1.8	–9.2	–26.9	–194.9	0.2	–0.1	–26.7	–195.0
	–4.4	–5.6	0.2	–	937.2	945.4	–0.1	0.7	937.1	946.1	–2.0	–0.3	935.1	945.8
	–9.4	–3.5	46.5[6]	–76.8[6]	254.2	201.5	54.8	78.7	309.0	280.2	93.3	42.1	402.3	322.3
	0.4	0.5	–77.5	–16.4	–158.5	–28.1	–	–	–158.5	–28.1	–2.6	–21.2	–161.1	–49.3
	81.1	**104.5**	**–31.0**	**–92.8**	**1,345.0**	**1,328.4**	**91.2**	**106.0**	**1,436.2**	**1,434.4**	**16.1**	**–76.4**	**1,452.3**	**1,358.0**
	35.4	41.8	108.9	70.5	891.3	901.6	4.1	4.9	895.4	906.5	–	–1.8[7]	895.4	904.7[7]
	0.3	–	16.0	1.5	39.3	8.6	–	–	39.3	8.6	–	–	39.3	8.6
	35.7	**41.8**	**124.9**	**72.0**	**930.6**	**910.2**	**4.1**	**4.9**	**934.7**	**915.1**	**–**	**–1.8**	**934.7**	**913.3**
	45.4	**62.7**	**–155.9**	**–164.8**	**414.4**	**418.2**	**87.1**	**101.1**	**501.5**	**519.3**	**16.1**	**–74.6**	**517.6**	**444.7**
	0.44	0.40	–	–	0.65	0.60	0.05	0.04	0.61	0.56				
	701	678	–	–	2,075	2,040	333	404	2,349	2,345				
	–	–	–	–	169,796	162,647	–	–	169,796	162,647				
	21,872	22,379	83[9]	92[9]	136,901	153,252	3,025	4,313	139,926	157,565				

[6] Includes the net provision for potential losses resulting from management-relevant effects of €5.0m (previous year: €–55.0m). This is additional information provided on a voluntary basis and is not an integral part of the IFRS disclosures.
[7] Figures for the previous year adjusted due to first-time application of the amended IAS 19 (2011) standard, see Note [56].
[8] Value-at-risk based on the liquidation method with confidence level of 99.9% and holding period of one year as at 31 December. As a result of the diversification between the segments (including Other and non-core business) taken into account in market price risk, the risk for core business and the risk for the Deka Group are not determined by adding the values for the segments together.
[9] The gross loan volume includes equity investments not allocated to the respective segments but illustrated separately in the Other segment.

Reconciliation of segment results to the consolidated financial statements

In the financial year, the reporting and measurement differences between internal reporting and IFRS net income before tax amounted to €–16.1m (previous year: €74.6m).

The valuation result not recognised in income amounted to €–34.3m (previous year: €56.1m). Of this, €36.4m (previous year: €82.2m) relates to interest rate and currency-related valuation results from original lending and underwriting business, €58.1m (previous year: €28.9m) relates to securities in the held to maturity category which are countered by valuation results from the corresponding interest rate swaps in IFRS net income before tax, as well as €–12.6m (previous year: €–55.0m) arising from accounting for effects relevant for management.

The Bank hedges future credit margins on fixed-interest and variable-interest foreign currency loans (original position) against currency fluctuations. The accounting and valuation rules for cash flow hedges were applied to economic hedges. The valuation result from hedging instruments of €25.4m (previous year: €22.9m) is reported accordingly in the revaluation reserve with no impact on income and thus as part of the economic result. Also recorded in the economic result is the change in the revaluation reserve for available for sale portfolios in the amount of €–0.7m (previous year: €–0.1m).

The other reconciliation amounts shown in the reconciliation column refer to reporting differences between management reporting and the consolidated financial statements. Of these, €73.7m (previous year: €98.7m) relates to internal transactions which are reported in the economic result essentially in net interest income and the corresponding contrary income effects in net financial income. There are also reporting differences in net financial income and in other income from the different allocation of income effects from buying back own issues.

3 Segmentation by geographical markets

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

	Germany		Luxembourg		Other		Total Group	
€m	2013	2012 [1]	2013	2012	2013	2012	2013	2012 [1]
Income	1,082.3	946.9	364.3	401.4	5.7	9.7	1,452.3	1,358.0
Net income before tax	343.1	241.1	189.4	211.2	– 14.9	– 7.6	517.6	444.7
Long-term segment assets [2]	116.9	130.5	3.0	3.1	0.3	0.9	120.2	134.5

[1] Figure(s) for the previous year(s) adjusted due to first-time application of the amended IAS 19 (2011) standard, see Note [56].
[2] Long-term segment assets excluding financial instruments and deferred income tax assets.

Accounting policies

4 General information

Unless indicated otherwise, the methods described were applied uniformly and consistently to the reporting periods illustrated.

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

Estimates and assessments required in line with accounting policies under IFRS are carried out in accordance with the respective standard on a best estimate basis and are continually revalued and based on empirical values and other factors, including expectations regarding future events that appear reasonable under the given circumstances. Among other factors, estimation uncertainties arise in connection with loan loss provisions, the impairment test for goodwill and provisions and other liabilities. Where material estimates were required, the assumptions made are outlined in detail below in the explanation for the relevant line item.

In accordance with IFRS 7 "Financial Instruments: Disclosures", disclosures about the nature and extent of risks arising from financial instruments, which are also a component of the notes to the consolidated financial statements, are, with the exception of the breakdown by remaining maturity (Note [69]), presented in the risk report as a part of the Group management report.

5 Scope of consolidation

In addition to DekaBank as parent company, a total of 10 (previous year: 11) domestic and 8 (previous year: 8) overseas companies in which DekaBank directly or indirectly holds more than 50.0% of voting rights are included in the consolidated financial statements. Furthermore, the scope of consolidation includes 8 (previous year: 9) special funds and continues to include one mutual fund that are controlled as defined in SIC 12. The number of special funds was reduced in the reporting period due to a fund merger. There were no material effects on earnings as a result.

In total, 16 (previous year: 17) companies in which DekaBank has direct or indirect holdings were not consolidated. They are of minor significance for the presentation of the assets, financial position and earnings of the Group. The shares held in these companies are reported under financial investments.

Mutual funds are not consolidated due to their minor importance to the consolidated financial statements. The significance for the presentation of the assets, financial position and earnings of the Group is assessed using simulation calculations. The units in non-consolidated mutual funds are recognised at fair value through profit or loss. These are shown in the balance sheet under financial assets at fair value.

Equity investments in S Broker AG & Co. KG and Dealis Fund Operations GmbH (associated companies) as well as the equity investment in S PensionsManagement GmbH (joint venture company) are included in the consolidated financial statements using the equity method.

The subsidiaries, joint ventures, associated companies and funds as well as the companies and equity investments not included in the consolidated financial statements due to lack of materiality are shown in the list of shareholdings (note [77]).

After the reporting date (acquisition date: 1 January 2014), DekaBank acquired 100.0% of the shares and voting rights of Landesbank Berlin Investment GmbH (LBB-INVEST), Berlin. LBB-INVEST is a medium-sized German investment management company and manages mutual funds for private investors as well as special funds for institutional investors. The company administers assets under management in excess of €11bn and will continue to do so under its own name. The acquisition strengthens DekaBank's position as a fully-fledged securities service provider for savings banks in relation to private and institutional customers and increases the Deka Group's market share in fund business.

A cash purchase price was paid at the date of acquisition. The purchase agreement stipulates a provisional purchase price that is linked to the future performance of the assets under management in the years 2014 to 2017. The initial accounting for the merger is incomplete at the present time. Therefore, these consolidated financial statements do not contain details of the purchase price allocation or other acquisition-related information. Detailed information about the merger will be provided in the interim financial statements as at 30 June 2014.

6 Consolidation principles

Subsidiaries are companies in which DekaBank directly or indirectly holds the majority of voting rights or whose financial and business policy it can otherwise determine, thereby exercising a controlling interest in order to benefit from its activities. Consolidation begins on the date from which the Group holds a majority of the voting rights or a controlling interest.

Subsidiaries and funds are consolidated under the purchase method, whereby all assets and liabilities of the subsidiary are stated at fair value at the date of acquisition or obtaining of a controlling interest. The difference arising from offsetting the acquisition price against the fair value of the assets and liabilities is reported under intangible assets as goodwill. The goodwill is tested for impairment at least once a year or more frequently if there are indications of a possible decrease in value. If an impairment is ascertained, the goodwill is written down to the lower value (see note [47]). Minority interests in equity and the earnings of the Bank's majority-held subsidiaries are reported separately as minority interests under equity or as minority interests in the statement of comprehensive income. From a Group perspective, minority interests in investment funds and partnerships, insofar as they have a redemption right at any time, constitute debt capital and are thus reported under other liabilities.

Intra-Group receivables and liabilities as well as expenses, income and interim results from intra-Group financial and services transactions are eliminated on consolidation.

Joint ventures and associated companies are included in the consolidated financial statements using the equity method, unless they are of minor importance for the presentation of the assets, financial position and earnings of the Group. Where a company valued at equity uses different accounting policies, appropriate adjustments are made in line with IFRS rules for consolidated financial statements by means of a separate calculation.

DekaBank's consolidated financial statements have been prepared in accordance with standard accounting policies throughout the Group. The consolidation principles are unchanged on the previous year.

7 Financial instruments

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

Financial assets are derecognised if the contractual rights arising from the asset are extinguished or have been transferred to non-Group parties in such a way that the risks and rewards have essentially been transferred. Financial assets are also derecognised if control or power of disposal has been transferred and the risks and opportunities from the financial assets essentially not retained. Financial liabilities are derecognised when the principal has been repaid in full.

Financial instruments are valued at the date of acquisition at fair value. The subsequent valuation of financial assets and liabilities is governed by which categories they are allocated to according to IAS 39 at the date of acquisition:

Financial assets or liabilities at fair value through profit or loss

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

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

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

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

Loans and receivables

Loans and receivables include all non-derivative financial instruments that have fixed or determinable payments and are not listed on an active market. A precondition for this is that the corresponding financial instruments are not allocated to the categories financial assets or liabilities at fair value through profit or loss or available for sale at the date of acquisition. Loans and receivables are to be valued at amortised cost. At each closing date and where there are indications of potential impairment, loans and receivables are tested for impairment and any necessary valuation allowances recognised accordingly (see note [15]). Any write-ups are recognised in the statement of comprehensive income. The maximum limit for the write-up is the amortised cost that would have arisen at the valuation date without the impairment.

Available for sale

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

Held to maturity

In principle, financial assets with fixed or determinable payments and a fixed term to maturity can be allocated to the held to maturity category. However, this is contingent on the financial instruments having been acquired with the intention and ability to hold them until maturity. Held to maturity assets are to be valued at amortised cost.

Other liabilities

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

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

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

8 Fair value measurement of financial instruments

Fair value is deemed to be the amount which would be received upon the sale of an asset or paid for the transfer of a liability in a normal 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 recognised valuation models.

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

Where bid and ask prices are available for assets and liabilities, the new 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 values financial instruments at mid-market prices. For illiquid financial instruments assigned to level three of the fair value hierarchy, bid-ask adjustments are also taken into account. For other financial instruments, the bid-ask adjustments made in previous years have been discontinued. In the year under review, this has a positive effect on the net profit for the period recognised in income amounting to €27.6m.

Furthermore, when valuing OTC derivatives, the Bank takes Credit Value Adjustments (CVA) or Debit Value Adjustments (DVA) into consideration in order to account for counterparties' or its own credit risk, provided these are not already included elsewhere in the valuation model. If a netting agreement exists for counterparties, the calculation is performed at the level of the counterparty based on the net position. In other cases the calculation is performed on the basis of the individual positions.

The fair value determined on the basis of financial valuation models can be considerably affected by the underlying assumptions. The fair value is therefore to be seen as the model value as at the reporting date, which could not necessarily be realised through the direct sale or settlement of the financial instrument.

9 Hedge accounting

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

In order to apply hedge accounting, the hedges must be documented individually at the time they are concluded. This documentation includes in particular the identification of the underlying and hedge transactions as well as the type of risk hedged. IAS 39 additionally requires proof of an effective hedge. A hedge is deemed to be effective if throughout the entire term of the hedge, the ratio of changes in value of the underlying and hedge transaction is between 0.80 and 1.25. The effectiveness of the hedge is determined for each hedge both at the start and during the term of the hedge.

As part of its asset-liability management, DekaBank uses fair value hedges as defined in IAS 39. Interest rate swaps used to hedge the lending, securities and underwriting business and which meet hedge accounting criteria are essentially designated as hedging instruments. Only microhedges, where the hedging instruments can counter one or more similar underlying transactions, may be designated as hedges.

For fair value hedges, changes in the value of the underlying transaction that are attributable to the hedged risk are included in the result of fair value hedges along with the counter change in the fair value of the hedge pursuant to IAS 39. The derivatives used for hedging are shown in the balance sheet as positive or negative market values from derivative hedging instruments. In principle, the effectiveness of the fair value hedges is monitored on a daily basis using regression analysis. If a hedge is no longer effective, it is cancelled. The prospective effectiveness test is performed using the critical term match method.

The Deka Group also applies the rules on cash flow hedge accounting. The underlying transactions are future cash flows from foreign currency loans that are recognised in the statement of comprehensive income and are hedged against currency risks. Spot exchange deals with rolling currency swaps are designated as hedging instruments.

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

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

10 Structured products

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

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

In the Deka Group, separable financial assets are recorded in the designated at fair value category and reported in the balance sheet under financial assets at fair value. There were no separable banking book portfolios at the reporting date. Structured trading issues are categorised as held for trading, and hence there is no obligation to separate them.

11 Currency translation

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

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

12 Genuine repurchase agreements and securities lending transactions

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

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

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

Lending and repurchase agreements are carried out at current market conditions. 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 be resold or repledged by the recipient. In the event of the sale of borrowed securities and collateral, the resultant short position is reported under financial liabilities at fair value.

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

13 Lease accounting

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

The Deka Group as lessee

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

The Deka Group as lessor

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

14 Receivables

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

15 Provisions for loan losses

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

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

Loan receivables are checked individually for impairment. If impairments are found, specific valuation allowances or provisions are recognised in the corresponding amount. In the case of receivables for which there are no specific valuation allowances, the default risk is taken into account by recognising portfolio valuation allowances. The Deka Group does not form any global valuation allowances.

Specific valuation allowances are recognised to take account of acute default risks if it is likely, based on fulfilment of impairment criteria, that not all contractually agreed payments of interest and principal can be made. The following are some of the situations where potential impairments are assumed:

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

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

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

Where the interest payments are from impaired loans, the interest is reported in net interest income. As a result of the minor difference between the change in present value and the actual nominal interest received, the recording of interest income from unwinding in the statement of comprehensive income is waived.

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

Account is taken of the transfer risk through the recognition of portfolio valuation allowances for country risks. Portfolio valuation allowances for country risks are based on such factors as an internal rating system that incorporates current and historical economic, political and other data and categorises countries by risk profile. Federal Ministry of Finance publications are consulted when establishing the rates for valuation allowances.

Impairments are recorded with an effect on expenses through valuation allowances or direct writedowns. The reversal of valuation allowances and income received on written-down receivables are recorded with an effect on income. They are reported in the statement of comprehensive income under provisions for loan losses.

At DekaBank, securitised instruments are primarily categorised as designated at fair value and are accordingly measured at fair value through profit or loss. Securitised instruments allocated to the loans and receivables category are regularly tested for impairment. Since 2009, securitisation transactions have been allocated to non-core business and reduced while safeguarding assets. There were no indications of impairment as at the reporting date.

16 Financial assets and financial liabilities at fair value

Held for trading

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

Designated at fair value

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

17 Positive and negative market values from derivative hedging instruments

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

Hedging derivatives are valued at fair value using accepted valuation models based on observable measurement parameters. The valuation results determined by hedge accounting for fair value hedges are recorded in the statement of comprehensive income as profit or loss from fair value hedges in accordance with IAS 39.

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

18 Financial investments

Financial investments mainly include bonds that are negotiable on the stock exchange and other fixed interest securities, shares and other non fixed-interest securities, shares in subsidiaries, joint ventures and associated companies that are not consolidated as well as other equity investments.

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

Income from bonds, including that of cancelled premiums and discounts, as well as dividend income and current income from non-consolidated equity investments in associated companies are posted as net interest income. Realised gains and losses are recorded in profit or loss on financial investments. Valuation results from financial instruments in the available for sale category, after taking into account deferred taxes, are recorded directly under equity in the revaluation reserve.

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

If there is an impairment, a valuation allowance is to be recognised taking account of the expected cash flows from valuable collateral (guarantees, credit default swaps etc.). Impairments are recorded with an effect on income under profit or loss on financial investments. If the reasons for a previously recognised valuation allowance no longer apply, a write-up is to be reported for the debt instrument. Write-ups on debt instruments are also recorded with an effect on income under profit or loss on financial investments. In contrast, increases in value in equity instruments that are available for sale are recognised in the revaluation reserve with no impact on income.

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

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

In principle, the equity method is applied on the basis of the last available financial statements of the company, provided these are not more than three months old. As at the date of preparation of the DekaBank consolidated financial statements, no up-to-date consolidated financial statements for the reporting year were as yet available for S PensionsManagement GmbH. For this reason, a budgetary account was used for the at equity valuation, which takes account of the impact of significant transactions and other events which have occurred or are expected to occur since the last reporting date of S PensionsManagement GmbH.

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

19 Intangible assets

In addition to software developed in-house and acquired software, intangible assets particularly include goodwill.

Intangible assets acquired for payment are stated at amortised cost. Software developed in-house is capitalised at cost where it meets the reporting criteria under IAS 38. Capitalised costs mainly include personnel expenses and expenses for external services.

As in the previous year, software developed in-house or purchased is, in principle, amortised over four years on a straight-line basis. Where there are signs that the projected use is no longer in evidence, the software is written down.

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

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

20 Property, plant and equipment

In addition to plant and equipment, the property, plant and equipment item includes, in particular, land and buildings used for the company’s own commercial activities. Property, plant and equipment are stated at amortised cost. Deferred expenditure for property, plant and equipment is capitalised if an increase in the future potential benefit can be assumed. All other deferred expenditure is recorded as an expense. As in the previous year, property, plant and equipment are depreciated on a straight-line basis over the following periods in accordance with their estimated useful economic life:

	Useful life in years
Buildings	33 – 50
Plant and equipment	2 – 15
Technical equipment and machines	2 – 10

For materiality reasons, economic assets as defined in Section 6 (2) of the German Income Tax Act (EStG) are recognised as write-downs in accordance with tax regulations in the year of acquisition.

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

21 Other assets

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

22 Income taxes

As DekaBank is treated for tax purposes as an atypical silent partnership, DekaBank only accrues corporation tax to the extent that taxable income is not allocated to atypical silent partners. Taking into account the Bank's existing own shares in subscribed capital (acquired in the first half of 2011), the holdings of atypical silent partners in taxable income is 45.6%. This results in a combined tax rate of 24.68% for the companies in the DekaBank fiscal group. However, in return for the allocation of the tax base, atypical silent partners are entitled to allocate to DekaBank the corporation tax expense attributable to them (45.6% of 15.0% corporation tax plus solidarity surcharge thereon, in total 7.22%), meaning that DekaBank pays an amount equal to the tax expense to the atypical silent partners and from an economical point of view bears this part of the tax expense, as well. Thus, in order to achieve better comparability, the portion of the corporation tax expense attributable to the atypical silent partners is also reported as tax expense. The applicable combined tax rate (trade tax plus corporation tax and solidarity surcharge) therefore totals 31.90%.

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

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

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

23 Liabilities

Financial liabilities are accounted for in the balance sheet at amortised cost if they come under the other liabilities category. Liabilities in the fair value through profit or loss category are measured at fair value with an effect on income. The valuation guidelines indicated in note [9] apply to liabilities which have been designated as hedges in the context of hedge accounting.

24 Provisions for pensions and similar commitments

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

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

For defined benefit plans, the scope of obligation is calculated annually by independent actuarial experts. In these cases, at each closing date the present value of the pension entitlements earned (defined benefit obligation) is determined using the projected unit credit method and compared with the fair value of the plan assets. If the calculation results in a potential asset, the recognised asset is limited 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 fund-based 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 fund-based defined contribution plans, contributions are made by both employer and employee and are invested mainly in the Deka Group's investment funds. When benefits become due, the employee is entitled to a contractually agreed minimum benefit or to the market value of the underlying fund units if higher.

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

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

25 Other provisions

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

26 Other liabilities

Other liabilities include accruals and liabilities which individually are not material and cannot be allocated to any other line item in the balance sheet. They are measured at amortised cost. The negative valuation effects from regular way financial instruments measured at fair value, of which the settlement date is after the reporting date, are also reported under other liabilities.

27 Subordinated capital

Subordinated capital includes subordinated liabilities, profit-participation items and typical silent capital contributions. Silent capital contributions, which are recognised as liable capital under supervisory law and as defined in the German Banking Act (KWG), must be shown in the balance sheet as debt in accordance with the provisions of IAS 32 as a result of the contractual termination right, regardless of the likelihood that it will be exercised. The subordinated capital is in principle shown at amortised cost. For subordinated liabilities which form part of a fair value hedge under IAS 39, the changes in fair value attributable to interest rate risks are also recognised.

28 Atypical silent capital contributions

Atypical silent capital contributions are liable capital within the meaning of Section 10 of the German Banking Act (KWG) or equity shown in the balance sheet in accordance with German commercial law. With the entry into force of the Capital Requirements Regulation (CRR), these are no longer recognised as liable capital. Under IAS 32, atypical silent capital contributions are, however, to be treated as debt since atypical silent partners have a contractual termination right.

Atypical silent capital contributions are stated in the balance sheet at nominal value. The basis for calculating the distribution to atypical silent partners is DekaBank's net income for the year under commercial law plus certain taxes that can be withdrawn. The distribution is disclosed as a separate item – interest expenses for atypical silent capital contributions – below net income before tax. The allocable tax is disclosed as a component of the tax expense (see note [22]).

29 Equity

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

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

Fair value valuation effects on available for sale financial instruments are stated in the revaluation reserve with no impact on income, after taking account of the applicable deferred taxes. Gains or losses are not recorded in the statement of comprehensive income until the asset is sold or written down due to impairment.

The effective portion of the fair value changes in the hedging instruments from cash flow hedges is also reported in the revaluation reserve after taking account of any applicable deferred tax. The amounts recorded in the revaluation reserve are taken to income during the period in which the hedged future cash flows are also recognised in the statement of comprehensive income. The earnings components attributable to the ineffective portion of the fair value change in the hedging instruments are recorded with an effect on income.

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

Minority interests are shown as a separate sub-item under equity.

Notes to the statement of comprehensive income

30 Net interest income

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

€m	2013	2012	Change
Interest income from			
Lending and money market transactions	1,024.0	1,320.2	–296.2
Interest rate derivatives (economic hedges)	494.3	718.5	–224.2
Fixed-interest securities and debt register claims	346.7	446.9	–100.2
Hedging derivatives (hedge accounting)	97.1	107.0	–9.9
Current income from			
Shares and other non fixed-interest securities	130.7	136.5	–5.8
Equity investments	1.6	2.2	–0.6
Total interest income	**2,094.4**	**2,731.3**	–636.9
Interest expenses for			
Interest rate derivatives (economic hedges)	714.4	884.6	–170.2
Liabilities	713.5	928.9	–215.4
Securitised liabilities	211.7	394.6	–182.9
Hedging derivatives (hedge accounting)	105.0	145.7	–40.7
Subordinated capital	27.5	15.5	12.0
Typical silent capital contributions	19.6	27.8	–8.2
Total interest expenses	**1,791.7**	**2,397.1**	–605.4
Net interest income	**302.7**	**334.2**	–31.5

The profit from the disposal of receivables amounting to €10.0m (previous year: €17.0m) is reported under interest income from lending and money market transactions.

In the reporting year, interest amounting to €12.5m (previous year: €11.3m) was collected on impaired loans and securities. In the Deka Group, loans are designated non-performing loans if they have been made interest-free, the interest and/or capital payments are at least 90 days overdue or they refer to non-performing loans in the process of restructuring. The total amount of non-performing loans as at the reporting date stood at €665.5m (previous year: €744.8m).

Overall, interest income of €1,062.6m (previous year: €1,376.1m) and interest expenses of €772.4m (previous year: €1,061.9m) were reported for financial assets and liabilities not measured at fair value.

31 Provisions for loan losses

The breakdown of provisions for loan losses in the statement of comprehensive income is as follows:

€m	2013	2012	Change
Allocations to provisions for loan losses	–105.7	–220.9	115.2
Reversals of provisions for loan losses	82.9	24.0	58.9
Direct write-downs on receivables	–5.8	–0.2	–5.6
Income on written-down receivables	1.9	2.1	–0.2
Provisions for loan losses	**–26.7**	**–195.0**	168.3

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

32 Net commission income

€m	2013	2012	Change
Commission income from			
Investment fund business	2,031.2	2,004.1	27.1
Securities business	108.1	111.0	–2.9
Lending business	28.2	52.8	–24.6
Other	28.2	29.2	–1.0
Total commission income	**2,195.7**	**2,197.1**	–1.4
Commission expenses for			
Investment fund business	1,229.9	1,218.6	11.3
Securities business	15.1	16.8	–1.7
Lending business	13.0	13.7	–0.7
Other	2.6	2.2	0.4
Total commission expenses	**1,260.6**	**1,251.3**	9.3
Net commission income	**935.1**	**945.8**	–10.7

Commission income is measured at the fair value of the consideration received or to be claimed. Fees from services and performance-related commission are recognised in the statement of comprehensive income if the service has been rendered or significant performance criteria have been met. Fees for services which are rendered over a particular period are recognised over the period in which the service is rendered.

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

Commission expenses in the amount of €18.1 thousand (previous year: €50.0 thousand), which are not included when determining the effective interest rate, were incurred for financial instruments not measured at fair value through profit or loss.

33 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments in the held for trading sub-category. In principle, the valuation results are determined using market prices. If no market prices are available, the market values are calculated based on current market data using standard valuation models. Net interest income from derivative and non-derivative financial instruments for trading positions, together with related refinancing expenses are also reported under this item.

€m	2013	2012	Change
Sale and valuation results	–419.1	–400.6	–18.5
Net interest income and current income from trading transactions	666.6	787.8	–121.2
Commission on trading transactions	–12.3	–19.9	7.6
Trading profit or loss	**235.2**	**367.3**	–132.1

34 Profit or loss on financial instruments designated at fair value

The item includes profit or loss on financial instruments allocated to the designated at fair value sub-category as well as the profit or loss on derivatives in the banking book. In principle, the valuation results are determined using market prices. If no market prices are available, the market values are calculated based on current market data using standard valuation models.

€m	2013	2012	Change
Sale and valuation results	158.0	–41.9	199.9
Foreign exchange profit or loss	–6.2	–19.7	13.5
Commission	–0.1	–0.1	–
Total	**151.7**	**–61.7**	213.4

The valuation result includes a net expense of €17.1m (previous year: expense of €77.1m) arising from creditworthiness-related changes in value for liabilities designated at fair value.

The Bank further developed its method of calculating creditworthiness-related changes in value during the year under review. The Bank calculates creditworthiness-related changes in value as the difference between the result based on a full fair value valuation and the result from a valuation based on swap rates for the corresponding issue currency, plus the spread which applied at the time of sale of the issue in the market for similar liabilities. In earlier reporting periods, creditworthiness-related changes in value were calculated as the difference between the result based on a full fair value valuation and the result from a valuation based on swap rates for the corresponding issue currency.

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

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

€m	2013	2012	Change
Valuation result from hedged underlying transactions	19.3	–58.9	78.2
Valuation result from hedging derivatives	–14.1	70.4	–84.5
Total	**5.2**	**11.5**	–6.3

36 Profit or loss on financial investments

€m	2013	2012	Change
Sale and valuation results from securities	0.9	–0.6	1.5
Sale and valuation results from shareholdings	–	1.6	–1.6
Reversal of/allocation to risk provision for securities	5.9	5.3	0.6
Net income from investments valued using the equity method	3.4	–1.1	4.5
Net income from financial investments	**10.2**	**5.2**	5.0

Based on the current earnings forecast, DekaBank's equity interest in the S PensionsManagement Group produces a prorated result of €0.9m (previous year: €0.8m). The difference between the projected and actual result for 2012, in the amount of €0.9m (previous year: €0.8m), was recorded as income.

In accordance with the preliminary financial statements of the company, a prorated result of €1.6m (previous year: €–2.7m) from the equity investment in Dealis Fund Operations GmbH was included in the result from companies valued at equity in the reporting year.

37 Administrative expenses

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

€m	2013	2012[1]	Change
Personnel expenses			
Wages and salaries	345.5	340.4	5.1
Social security contributions	40.5	39.4	1.1
Allocation to/reversal of provisions for pensions and similar commitments	33.9	20.2	13.7
Expenses for defined contribution plans	1.9	2.3	–0.4
Other expenses for retirement pensions and benefits	0.8	1.1	–0.3
Total personnel expenses	**422.6**	**403.4**	19.2
Other administrative expenses			
Consultancy expenses	113.5	150.3	–36.8
Computer equipment and machinery	66.1	61.9	4.2
Rentals and expenses for buildings	54.8	56.7	–1.9
Subscriptions and fees	38.6	26.5	12.1
Marketing and sales expenses	34.0	35.3	–1.3
Lump sum for fund administration services	33.1	35.7	–2.6
Bank levy	27.9	28.5	–0.6
IT information services	26.3	24.9	1.4
Postage/telephone/office supplies	9.6	9.2	0.4
Other administrative expenses	45.8	41.1	4.7
Total other administrative expenses	**449.7**	**470.1**	–20.4
Depreciation of intangible assets	15.9	25.5	–9.6
Depreciation of property, plant and equipment	2.9	4.5	–1.6
Impairment of intangible assets	3.8	0.2	3.6
Impairment of property, plant and equipment	0.5	1.0	–0.5
Total depreciation	**23.1**	**31.2**	–8.1
Administrative expenses	**895.4**	**904.7**	–9.3

[1] Figure(s) for the previous year(s) adjusted due to first-time application of the amended IAS 19 (2011) standard, see Note [56].

Other administrative expenses primarily include expenses for annual accounts and auditing costs, travel costs and further training activities.

Administrative expenses include payments of €46.9m (previous year: €47.9m) on rental and lease agreements for buildings used by the Bank, vehicles and plant and equipment (operating leases), where DekaBank is the lessee. The following minimum lease payments are payable under these leases in the next few years:

€m	2013	2012	Change
Up to 1 year	45.1	48.8	–3.7
Between 1 and 5 years	145.8	170.0	–24.2
More than 5 years	137.6	160.0	–22.4

38 Other operating income

The breakdown in other operating income is as follows:

€m	2013	2012	Change
Income from repurchased debt instruments	**–8.3**	**–21.2**	12.9
Other operating profit			
Reversal of other provisions	7.5	1.2	6.3
Rental income	1.2	1.4	–0.2
Other income	12.5	15.1	–2.6
Total other operating profit	**21.2**	**17.7**	3.5
Other operating expenses			
Restructuring expenses	41.0	9.2	31.8
VAT from provision of intra-Group services	16.8	16.0	0.8
Other taxes	1.2	0.9	0.3
Other expenses	154.3	28.3	126.0
Total other operating expenses	**213.3**	**54.4**	158.9
Other operating income	**–200.4**	**–57.9**	–142.5

The repurchase of the Bank's own registered and bearer bonds as well as promissory note loans raised led to a reduction in the liability (net result). The repurchase of debt instruments is associated with the realisation of a profit or loss in the amount of the difference between the repurchase price and the book price. Other income includes administrative fees for settlement services relating to company pension scheme products amounting to €885.3 thousand (previous year: €808.5 thousand).

The increase in restructuring expenses is due, among other things, to a net increase in restructuring provisions in the amount of €14.1m in connection with the planned closure of the subsidiary Deka(Swiss) Finanz AG, Switzerland with effect from 31 December 2014.

Other expenses include a sum of €39.5m relating to the payment of a strategic premium to Landesbank Berlin.

The premium was paid in connection with the acquisition of Landesbank Berlin's customer-oriented capital market business (k-KMG). The k-KMG transaction involves the acquisition of a group of defined assets which do not constitute an integrated group of activities and assets in the sense of a business operation pursuant to IFRS 3. The difference between the financial consideration paid for k-KMG and the sum of the fair values of the acquired assets is attributable to the aforementioned strategic premium.

39 Income taxes

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

€m	2013	2012[1)]	Change
Current tax expense/income (–) in financial year	199.6	208.7	–9.1
Current tax expense/income (–) in previous years	–21.8	–17.8	–4.0
Current tax expense/income (–)	**177.8**	**190.9**	–13.1
Effect of origination and reversal of temporary differences	–22.4	–75.3	52.9
Effect of changes in tax legislation and /or tax rate	–	0.2	–0.2
Prior-year deferred tax expense/income	18.2	–9.0	27.2
Deferred tax expense/income (–)	**–4.2**	**–84.1**	79.9
Total income tax expense/income (–)	**173.6**	**106.7**	66.9

1) Figure(s) for the previous year(s) adjusted due to first-time application of the amended IAS 19 (2011) standard, see Note [56].

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

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

The origination or reversal of temporary differences led to deferred tax income of €22.4m (previous year: €84.5m). As well as an actual tax refund for past years at DekaBank DGZ (€2.7m), effects of the reversal of provisions for actual taxes and opposing effects in relation to deferred taxes almost cancelled each other out. In this context, a deferred tax expense arising from the use or non-recognition of deferred taxes on tax loss carryforwards capitalised in previous years in the amount of €0.3m (previous year: deferred income of €0.5m) is taken into consideration. There were no effects from tax rate changes in the year under review (previous year: tax expense of €0.2m).

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

€m	2013	2012[1)]	Change
IFRS – net income before tax	517.6	444.7	72.9
x income tax rate	31.90%	31.90%	
= Anticipated income tax expense in financial year	**165.1**	**141.9**	23.2
Increase from taxes on non-deductible expenses	15.7	15.4	0.3
Decrease from taxes on tax-exempt income	8.6	12.5	–3.9
Withholding tax	8.0	8.9	–0.9
Tax effect of special funds	0.3	0.1	0.2
Tax on joint ventures/partnerships	0.1	–0.5	0.6
Tax effects from consideration of supplementary tax balance sheets	–	–17.4	17.4
Effects of tax rate changes	–	–	–
Tax effect of equity valuation	–1.1	0.2	–1.3
Effects of differing effective tax rates	–3.2	–6.0	2.8
Tax effects from past periods	–3.6	–27.5	23.9
Other	0.9	4.1	–3.2
Tax expenses according to IFRS	**173.6**	**106.7**	66.9

1) Figure(s) for the previous year(s) adjusted due to first-time application of the amended IAS 19 (2011) standard, see Note [56].

The non-deductible expenses primarily include the effect from the non tax deductibility of the bank levy.

As in the previous year, the tax-exempt income is mainly attributable to the special funds held by DekaBank.

The tax impact from previous periods is connected with assessments from previous years. At DekaBank DGZ, the years 2001 to 2007 were conclusively assessed for trade tax purposes taking various change requests into account. This led to a refund of €2.7m. The high figure in the previous year, relative to the 2013 reporting year, was mainly due to refunds or reversal of tax provisions at the Luxembourg-based companies.

In addition, the higher tax expense is attributable to one-off factors in the 2012 reporting year in connection with tax reductions resulting from the first-time consideration of supplementary tax balance sheets. In the previous year, the tax burden was also reduced owing to the first-time consideration of supplementary tax balance sheets after completion of the tax audit for 2011 – the year in which a change of ownership occurred.

Notes to the consolidated balance sheet

40 Cash reserves

The breakdown in cash reserves is as follows:

€m	31.12.2013	31.12.2012	Change
Cash on hand	8.0	4.0	4.0
Balances with central banks	519.3	3,381.3	–2,862.0
Balances with post office banks	–	2.4	–2.4
Total	**527.3**	**3,387.7**	–2,860.4

The required minimum reserve was constantly maintained in the reporting year and amounted to €159.5m (previous year: €166.9m) at the reporting date.

41 Due from banks

€m	31.12.2013	31.12.2012	Change
Domestic banks	22,428.1	23,674.8	–1,246.7
Foreign banks	8,303.1	9,028.2	–725.1
Due from banks before risk provision	**30,731.2**	**32,703.0**	–1,971.8
Provisions for loan losses	–3.5	–367.4	363.9
Total	**30,727.7**	**32,335.6**	–1,607.9

DekaBank paid €9.7bn (previous year: €7.8bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower, respectively.

42 Due from customers

€m	31.12.2013	31.12.2012	Change
Domestic borrowers	9,293.4	12,666.5	–3,373.1
Foreign borrowers	17,863.6	18,296.8	–433.2
Due from customers before risk provision	**27,157.0**	**30,963.3**	–3,806.3
Provisions for loan losses	–211.3	–339.0	127.7
Total	**26,945.7**	**30,624.3**	–3,678.6

DekaBank paid €10.4bn (previous year: €11.0bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower, respectively.

43 Provisions for loan losses

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

€m	31.12.2013	31.12.2012	Change
Provisions for loan losses – due from banks			
Specific valuation allowances	–	365.1	–365.1
Portfolio valuation allowances for creditworthiness risks	3.5	2.3	1.2
Provisions for loan losses – due from customers			
Specific valuation allowances	179.2	284.1	–104.9
Portfolio valuation allowances for creditworthiness risks	30.8	53.6	–22.8
Portfolio valuation allowances for country risks	1.3	1.3	–
Total	**214.8**	**706.4**	–491.6

As at the reporting date, the total amount of non-performing loans stood at €665.5m (previous year: €744.8m). Provisions for loan losses or provisions for credit risks amounting to €183.8m (previous year: €504.8m) were recognised for these loans.

As of the reporting date, the total amount of loans in default but not impaired amounted to €8.6m (previous year: €7.7m).

The Deka Group concludes extension or restructuring agreements with borrowers experiencing financial difficulties if there is a prospect of recovery. As at the reporting date, such deferred or restructured claims amounted to €1,052.7m, for which specific valuation allowances of €155.2m had been created. These primarily concern the deferment of interest and repayments. Responsibility for the monitoring and management of such deferred or restructured loans rests with the Monitoring Committee, in accordance with the general rules on default monitoring (see the risk report).

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

€m	Opening balance 01.01.2013	Allocation	Utilisation	Reversal	Reclassification	Currency effects	Closing balance 31.12.2013
Provisions for loan losses – due from banks							
Specific valuation allowances	365.1	–	343.3	19.6	–2.2	–	0.0
Portfolio valuation allowances for creditworthiness risks	2.3	1.2	–	–	–	–	3.5
Sub-total	**367.4**	**1.2**	**343.3**	**19.6**	**–2.2**	**–**	**3.5**
Provisions for loan losses – due from customers							
Specific valuation allowances	284.1	101.9	155.1	38.8	–	–12.9	179.2
Portfolio valuation allowances for country risks	1.3	–	–	–	–	–	1.3
Portfolio valuation allowances for creditworthiness risks	53.6	1.3	–	24.1	–	–	30.8
Sub-total	**339.0**	**103.2**	**155.1**	**62.9**	**–**	**–12.9**	**211.3**
Provisions for credit risks							
Specific risks	2.7	1.1	–	0.4	**–**	–0.1	3.3
Portfolio risks	3.3	0.2	–	–	**–**	–	3.5
Sub-total	**6.0**	**1.3**	**–**	**0.4**	**–**	**–0.1**	**6.8**
Total	**712.4**	**105.7**	**498.4**	**82.9**	**–2.2**	**–13.0**	**221.6**

The decline in provisions for loan losses is essentially due to the utilisation of specific valuation allowances, partly in relation to the sale of a receivable due from an Icelandic bank.

€m	Opening balance 01.01.2012	Allocation	Utilisation	Reversal	Reclassi-fication	Currency effects	Closing balance 31.12.2012
Provisions for loan losses – due from banks							
Specific valuation allowances	376.8	–	7.4	0.4	–3.9	–	365.1
Portfolio valuation allowances for creditworthiness risks	1.1	1.2	–	–	–	–	2.3
Sub-total	**377.9**	**1.2**	**7.4**	**0.4**	**–3.9**	**–**	**367.4**
Provisions for loan losses – due from customers							
Specific valuation allowances	236.7	216.2	149.6	7.1	–	–12.1	284.1
Portfolio valuation allowances for country risks	13.7	–	0.7	11.5	–	–0.2	1.3
Portfolio valuation allowances for creditworthiness risks	52.7	0.9	–	–	–	–	53.6
Sub-total	**303.1**	**217.1**	**150.3**	**18.6**	**–**	**–12.3**	**339.0**
Provisions for credit risks							
Specific risks	2.2	2.6	0.1	1.9	–	–0.1	2.7
Portfolio risks	6.4	–	–	3.1	–	–	3.3
Sub-total	**8.6**	**2.6**	**0.1**	**5.0**	**–**	**–0.1**	**6.0**
Total	**689.6**	**220.9**	**157.8**	**24.0**	**–3.9**	**–12.4**	**712.4**

Key ratios for provisions for loan losses:

%	2013	2012
Reversal/allocation ratio as at reporting date [1] (Quotient from net allocation and lending volume)	–0.07	–0.50
Default rate as at reporting date (Quotient from loan defaults and lending volume)	1.48	0.40
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.43	0.17
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	0.65	1.82

[1] Reversal ratio shown without leading sign.

The calculations of the key ratios are based on the following lending volume:

€m	31.12.2013	31.12.2012
Due from banks [1]	17,212.3	18,495.6
Due from customers [1]	15,784.6	19,082.9
Irrevocable lending commitments	782.8	1,262.3
Contingent liabilities	270.8	351.0
Total	**34,050.5**	**39,191.8**

[1] Excluding money transactions.

Provision for loan losses by risk segment:

€m	Valuation allowances and provisions for loan losses 31.12.2013	31.12.2012	Loan defaults[1] 2013	2012	Net allocations to[2]/reversals of valuation allowances and provisions for loan losses 2013	2012
Customers						
Transport & export finance	112.3	165.2	72.1	5.2	–24.1	–93.9
Property risks	37.1	72.8	34.0	61.0	–7.2	–18.9
Energy and utility infrastructure	25.3	42.8	22.9	71.0	–1.1	–69.9
Public infrastructure	21.7	28.4	23.1	–	–16.3	–0.7
Corporates	20.2	33.4	6.6	13.0	6.6	–11.0
Other	1.5	2.4	–	–	0.9	–1.7
Total customers	**218.1**	**345.0**	**158.7**	**150.2**	**–41.2**	**–196.1**
Banks	**3.5**	**367.4**	**343.7**	**5.8**	**18.4**	**–0.8**
Total	**221.6**	**712.4**	**502.4**	**156.0**	**–22.8**	**–196.9**

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

44 Financial assets at fair value through profit or loss

In addition to securities and receivables in the categories held for trading and designated at fair value, the financial assets at fair value item includes positive market values from derivative financial instruments in the trading book and from economic hedges that do not meet the criteria for hedge accounting in accordance with IAS 39.

€m	31.12.2013	31.12.2012	Change
Held for trading			
Bonds and debt securities	18,125.1	21,758.3	–3,633.2
Positive market values from derivative financial instruments (trading)	10,933.8	15,097.2	–4,163.4
Investment fund units	987.0	816.6	170.4
Shares	1,463.4	432.8	1,030.6
Money market securities	758.9	186.8	572.1
Promissory note loans	528.2	135.3	392.9
Other non fixed-interest securities	–	0.5	–0.5
Total – held for trading	**32,796.4**	**38,427.5**	–5,631.1
Designated at Fair Value			
Bonds and debt securities	15,996.2	13,982.9	2,013.3
Positive market values from derivative financial instruments (economic hedges)	1,362.0	2,558.3	–1,196.3
Amounts due from securities repurchase agreements	2,511.3	2,517.1	–5.8
Investment fund units	377.3	427.0	–49.7
Money market securities	15.1	145.3	–130.2
Shares	–	26.9	–26.9
Participating certificates	5.3	5.2	0.1
Promissory note loans	–	2.0	–2.0
Other financial instruments designated at fair value	–	8.4	–8.4
Total – designated at fair value	**20,267.2**	**19,673.1**	594.1
Total	**53,063.6**	**58,100.6**	–5,037.0

There were no significant creditworthiness-related adjustments in the value of receivables and loans designated at fair value, either in the reporting year or cumulatively.

The maximum default risk for loans and receivables in the designated at fair value category corresponds to the fair value and thus their book value.

The debt securities and other fixed-interest securities as well as shares and other non fixed-interest securities measured at fair value include the following listed paper:

€m	31.12.2013	31.12.2012	Change
Debt securities and other fixed-interest securities	32,306.3	33,878.6	–1,572.3
Shares and other non fixed-interest securities	2,318.5	1,182.9	1,135.6

45 Positive market values from derivative hedging instruments

The positive market values from hedging instruments, which meet the criteria for hedge accounting in accordance with IAS 39, break down according to underlying hedged transaction as follows:

€m	31.12.2013	31.12.2012	Change
Fair value hedges			
Asset items			
Due from banks			
Loans and receivables category	0.3	–	0.3
Due from customers			
Loans and receivables category	10.0	12.6	–2.6
Liabilities items			
Due to banks	38.0	68.2	–30.2
Due to customers	165.7	268.3	–102.6
Securitised liabilities	14.4	69.7	–55.3
Subordinated capital	–	–	–
Total fair value hedges	**228.4**	**418.8**	–190.4
Cash flow hedges			
Asset items	6.2	12.4	–6.2
Total	**234.6**	**431.2**	–196.6

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

46 Financial investments

€m	31.12.2013	31.12.2012	Change
Loans and receivables			
Debt securities and other fixed-interest securities	631.7	1,021.9	–390.2
Held to maturity			
Debt securities and other fixed-interest securities	3,114.8	3,110.6	4.2
Available for sale			
Debt securities and other fixed-interest securities	16.4	44.5	–28.1
Shares and other non fixed-interest securities	0.1	0.6	–0.5
Equity investments	35.1	35.3	–0.2
Shares in affiliated, non-consolidated companies	1.1	1.5	–0.4
Shares in companies valued at equity	26.4	23.0	3.4
Financial investments before risk provision	**3,825.6**	**4,237.4**	–411.8
Risk provision	–5.9	–11.7	5.8
Total	**3,819.7**	**4,225.7**	–406.0

Shares in affiliated companies, as well as equity investments, are stated at acquisition cost. The sale of these assets is currently not intended.

Of the financial investments, the following are listed:

€m	31.12.2013	31.12.2012	Change
Debt securities and other fixed-interest securities	3,467.6	3,680.5	–212.9
Shares and other non fixed-interest securities	0.1	0.5	–0.4

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

€m	Equity investments	Shares in affiliated companies	Shares in companies valued at equity	Total
Historical cost				
As at 1 January 2012	31.7	5.9	138.0	175.6
Additions	3.8	–	–	3.8
Disposals	0.2	3.9	5.6	9.7
As at 31 December 2012	35.3	2.0	132.4	169.7
Additions	–	0.1	–	0.1
Disposals	0.2	1.0	–	1.2
As at 31 December 2013	35.1	1.1	132.4	168.6
Cumulative amortisation/change in value				
As at 1 January 2012	–	0.4	113.9	114.3
Amortisation/impairment	–	0.1	–	0.1
Result from companies valued at equity	–	–	–1.1	–1.1
Disposals		–	5.6	5.6
As at 31 December 2012	–	0.5	109.4	109.9
Amortisation/impairment	–	0.1	–	0.1
Result from companies valued at equity	–	–	3.4	3.4
Disposals	–	0.6	–	0.6
As at 31 December 2013	–	–	106.0	106.0
Book value as at 31 December 2012	**35.3**	**1.5**	**23.0**	**59.8**
Book value as at 31 December 2013	**35.1**	**1.1**	**26.4**	**62.6**

There are no officially listed market prices for companies valued at equity in the Group. The disposal of shares in affiliated companies relates to Deka Immobilien k.k., Tokyo, and Banking Services Luxembourg S.à.r.l., Luxembourg. These companies were liquidated in the 2013 reporting year.

47 Intangible assets

€m	31.12.2013	31.12.2012	Change
Purchased goodwill	**53.1**	**53.1**	–
Software			
Purchased	32.5	42.3	–9.8
Developed in-house	3.5	6.8	–3.3
Total software	**36.0**	**49.1**	–13.1
Other intangible assets	0.3	–	0.3
Total	**89.4**	**102.2**	–12.8

The full amount of the goodwill shown relates to the holding in WestInvest Gesellschaft für Investmentfonds mbH. The Deka Group's holding is 99.74% in total. The goodwill is allocated to the Real Estate business division as a cash-generating unit.

On 31 December 2013, a scheduled impairment test was performed to assess the recoverability of the goodwill. The recoverable amount of the cash-generating unit was determined on the basis of the value in use. The capitalisation rate required for the income capitalisation approach used was derived using the Capital Asset Pricing Model (CAPM) methodology. The expected cash flows after tax were calculated for a five-year period. The calculation used internal forecasts based on national economic data and specific competition and market analyses. Account was also taken of past empirical values, particularly with regard to material value drivers, namely the future development of assets under management and the proportional gross loan volume.

On the basis of a planned sales quota at roughly the same level as the previous year, the fund business is expected to achieve a stable performance, while consolidating its successful market position. No significant negative effects are anticipated, despite the changed regulatory framework. In property financing business, the proven business strategy will be continued. Persistent price competition is expected to keep margins in new business under pressure. Furthermore, expectations of future performance take into account an annuity in line with the forecast for 2018 and assume a long-term growth rate of 1.0% (previous year: 1.0%). The capitalisation rate amounted to 10.55% (previous year: 10.66%). The value in use established with this approach was higher than the book value of the cash-generating unit. As a result, no unscheduled amortisation was required.

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 2012	145.4	124.9	70.1	21.9	362.3
Additions	–	13.9	2.2	–	16.1
Disposals	–	9.7	0.9	–	10.6
As at 31 December 2012	145.4	129.1	71.4	21.9	367.8
Additions	–	7.4	–	0.3	7.7
Disposals	–	2.2	–	–	2.2
As at 31 December 2013	145.4	134.3	71.4	22.2	373.3
Cumulative amortisation					
As at 1 January 2012	92.3	83.7	59.6	14.6	250.2
Unscheduled amortisation	–	0.2	–	–	0.2
Scheduled amortisation	–	12.3	5.9	7.3	25.5
Disposals	–	9.4	0.9	–	10.3
As at 31 December 2012	92.3	86.8	64.6	21.9	265.6
Unscheduled amortisation	–	3.8	–	–	3.8
Scheduled amortisation	–	12.6	3.3	–	15.9
Disposals	–	1.4	–	–	1.4
As at 31 December 2013	92.3	101.8	67.9	21.9	283.9
Book value as at 31 December 2012	**53.1**	**42.3**	**6.8**	**–**	**102.2**
Book value as at 31 December 2013	**53.1**	**32.5**	**3.5**	**0.3**	**89.4**

48 Property, plant and equipment

€m	31.12.2013	31.12.2012	Change
Land and buildings	13.3	13.7	–0.4
Plant and equipment	15.5	16.4	–0.9
Technical equipment and machines	2.0	2.2	–0.2
Total	**30.8**	**32.3**	–1.5

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

€m	Land and buildings	Plant and equipment	Technical equipment and machines	Total
Historical cost				
As at 1 January 2012	28.0	48.5	61.3	137.8
Additions	–	0.8	1.7	2.5
Disposals	–	0.6	3.2	3.8
As at 31 December 2012	28.0	48.7	59.8	136.5
Additions	–	0.7	1.2	1.9
Disposals	–	2.5	2.9	5.4
As at 31 December 2013	28.0	46.7	58.1	132.8
Cumulative amortisation				
As at 1 January 2012	13.8	30.7	57.7	102.2
Unscheduled amortisation	–	–	1.0	1.0
Scheduled amortisation	0.5	1.9	2.1	4.5
Disposals	–	0.3	3.2	3.5
As at 31 December 2012	14.3	32.3	57.6	104.2
Unscheduled amortisation	–	0.3	0.2	0.5
Scheduled amortisation	0.4	1.3	1.2	2.9
Disposals	–	2.5	2.9	5.4
Change in currency translation	–	–0.2	–	–0.2
As at 31 December 2013	14.7	31.2	56.1	102.0
Book value as at 31 December 2012	**13.7**	**16.4**	**2.2**	**32.3**
Book value as at 31 December 2013	**13.3**	**15.5**	**2.0**	**30.8**

49 Income tax assets

€m	31.12.2013	31.12.2012[1]	Change
Current income tax assets	180.9	90.8	90.1
Deferred income tax assets	151.3	159.3	–8.0
Total	**332.2**	**250.1**	82.1

[1] Figure(s) for the previous year(s) adjusted due to first-time application of the amended IAS 19 (2011) standard, see Note [56].

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

Tax loss carryforwards in the reporting year relate to a foreign business operation of the Deka Group. The deferred tax asset attributable to this amounts to €0.2m. The figure for the previous year was €0.5m and related to two foreign companies of the Deka Group.

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

€m	31.12.2013	31.12.2012[1]	Change
Asset items			
Due from banks	0.4	5.1	–4.7
Due from customers	6.1	–	6.1
Financial assets at fair value	22.4	28.7	–6.3
Financial investments	–	8.4	–8.4
Shares in companies valued at equity	2.3	4.4	–2.1
Intangible assets	6.1	2.1	4.0
Other assets	1.7	2.8	–1.1
Liabilities items			
Due to banks	7.9	15.1	–7.2
Due to customers	54.9	83.2	–28.3
Securitised liabilities	6.9	19.1	–12.2
Financial liabilities at fair value	399.9	778.7	–378.8
Negative market values from derivative hedging instruments	47.8	89.9	–42.1
Provisions	71.0	58.7	12.3
Other liabilities	16.9	7.2	9.7
Subordinated capital	7.0	10.2	–3.2
Loss carryforwards	**0.2**	**0.5**	–0.3
Sub-total	**651.5**	**1.114.1**	–462.6
Netting	–500.2	–954.8	454.6
Total	**151.3**	**159.3**	–8.0

[1] Figures for the previous year adjusted due to first-time application of the amended IAS 19 (2011) standard, see Note [56].

The reported deferred tax assets include €85.5m (previous year: €72.5m) which are medium or long-term in nature.

As at the reporting date, no deferred tax had been recognised at two foreign Group companies for tax loss carryforwards (total of loss carryforwards not taken into account: €18.5m (previous year: €12.5m), of which allocated tax amount not taken into account: €4.1m (previous year: €2.9m)). In addition, for one other foreign Group company, there are temporary differences for which deferred tax assets have not been taken into account (amount of tax assets not taken into account: unchanged at €0.5m).

The netting of deferred tax assets and liabilities refer mainly to short-term deferred taxes as a result of temporary differences relating to 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 €28.2m (previous year: €26.1m) were offset against equity in connection with pension provisions.

50 Other assets

€m	31.12.2013	31.12.2012	Change
Amounts due from investment funds	107.8	112.0	–4.2
Amounts due from non-banking business	5.8	4.2	1.6
Amounts due or refunds from other taxes	0.7	0.9	–0.2
Other assets	158.1	138.9	19.2
Prepaid expenses	29.5	24.6	4.9
Total	**301.9**	**280.6**	21.3

Other assets include the overpaid profit shares of the atypical silent partners from the application of the taxes already withheld by DekaBank for the benefit of the partners amounting to €20.3m (previous year: €18.6m).

Other assets include €0.3m (previous year: €2.9m) which are of a medium or long-term nature.

51 Due to banks

€m	31.12.2013	31.12.2012	Change
Domestic banks	26,554.5	19,890.5	6,664.0
Foreign banks	12,446.2	17,800.0	–5,353.8
Total	**39,000.7**	**37,690.5**	1,310.2

Amounts due to banks include payments received from genuine repurchase agreements and collateralised securities lending transactions amounting to €11.2bn (previous year: €20.5bn).

52 Due to customers

€m	31.12.2013	31.12.2012	Change
Domestic banks	15,174.1	18,016.7	–2,842.6
Foreign banks	5,826.4	5,317.0	509.4
Total	**21,000.5**	**23,333.7**	–2,333.2

Amounts due to customers include payments received from genuine repurchase agreements and collateralised securities lending transactions amounting to €1.3bn (previous year: €0.8bn).

53 Securitised liabilities

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

€m	31.12.2013	31.12.2012	Change
Debt securities issued	18,896.2	21,560.2	–2,664.0
Money market securities issued	4,821.1	5,816.0	–994.9
Total	**23,717.3**	**27,376.2**	–3,658.9

54 Financial liabilities at fair value

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

€m	31.12.2013	31.12.2012	Change
Held for trading			
Trading issues	4,910.3	2,509.8	2,400.5
Securities short portfolios	1,277.9	1,533.3	−255.4
Negative market values from derivative financial instruments (trading)	12,648.3	19,310.4	−6,662.1
Total – held for trading	**18,836.5**	**23,353.5**	−4,517.0
Designated at fair value			
Issues	5,163.9	8,329.5	−3,165.6
Negative market values from derivative financial instruments (economic hedges)	1,558.2	3,273.4	−1,715.2
Total – designated at fair value	**6,722.1**	**11,602.9**	−4,880.8
Total	**25,558.6**	**34,956.4**	−9,397.8

The fair value of issues in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €24.0m (previous year: €95.6m).

The book value of liabilities allocated to the designated at fair value category is €318.6m higher than the repayment amount. In the previous year, the book value was €429.2m above the repayment amount.

55 Negative market values from derivative hedging instruments

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

€m	31.12.2013	31.12.2012	Change
Fair value hedges			
Asset items			
Due from banks			
Loans and receivables category	108.6	189.8	−81.2
Due from customers			
Loans and receivables category	91.6	171.8	−80.2
Financial investments			
Loans and receivables category	–	1.8	−1.8
Total	**200.2**	**363.4**	−163.2

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

56 Provisions for pensions and similar commitments

Due to retrospective adjustments arising from initial application of the amended IAS 19 (2011) "Employee Benefits", the revaluation reserve as at 1 January 2012 was increased by €1.2m to €–20.4m. As at 31 December 2012 it was reduced by €56.5m to €–62.5m. Provisions for pensions and similar commitments were reduced as at 1 January 2012 by €1.8m and increased as at 31 December 2012 by €80.9m. Furthermore, as at 31 December 2012 deferred income tax assets were increased by €26.3m and deferred income tax liabilities by €0.7m (€+0.6m as at 1 January 2012). The changes also affected administrative expenses by an amount of €–1.8m and income taxes by an amount of €+0.7m as at 31 December 2012. Overall, this resulted in a €1.2m increase in consolidated net income and hence a €1.2m increase in the reserves from net earnings as at 31 December 2012. The comparative figures for 2012 have been amended accordingly.

If IAS 19 (2011) had not been applied by the Deka Group, administrative expenses as at 31 December 2013 would have been €1.0m higher and it would not have been necessary to recognise revaluations, and deferred taxes on those revaluations, in other comprehensive income (OCI) in the amount of €4.2m. Provisions for pensions and similar commitments as at 31 December 2013 would have been €86.1m lower.

The following table shows the movement in provisions:

€m	Opening balance 01.01.2013	Addition	Utilisations	Change in plan assets	Revaluations not affecting net profit	Closing balance 31.12.2013
Provisions for pensions	83.2	23.9	3.6	–11.6	6.2	98.1
Provisions for similar commitments	19.2	9.2	5.2	–	–	23.2
Provisions for working hours accounts	–	0.8	0.1	–0.7	–	–
Total	**102.4**	**33.9**	**8.9**	**–12.3**	**6.2**	**121.3**

€m	Opening balance 01.01.2012[1]	Addition[1]	Utilisations	Reclassi-fications	Change in plan assets	Revaluations not affecting net profit[1]	Closing balance 31.12.2012[1]
Provisions for pensions	1.3	15.5	8.9	–	–9.2	84.4	83.2
Provisions for similar commitments	19.7	4.0	6.0	1.8	–0.3	–	19.2
Provisions for working hours accounts	–	0.7	0.2	–	–0.5	–	–
Total	**21.0**	**20.2**	**15.1**	**1.8**	**–10.0**	**84.4**	**102.4**

[1] Figure(s) for the previous year(s) adjusted due to first-time application of the amended IAS 19 (2011) standard.

Actuarial gains and losses recognised in other comprehensive income (OCI) in the year they occurred, as well as income from plan assets (excluding interest) in the amount of €84.4m, both arising as a result of changes in IAS 19 (2011), are taken into account in the 'Revaluations not affecting net profit' column.

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

€m	31.12.2013	31.12.2012	Change
Present value of fully or partially funded defined benefit obligations	486.6	439.5	47.1
Fair value of plan assets at reporting date	397.1	359.0	38.1
Funded status	**89.5**	**80.5**	9.0
Present value of unfunded defined benefit obligations	31.8	21.5	10.3
Asset ceiling due to limitation of net assets	–	0.4	–0.4
Provisions for pensions	**121.3**	**102.4**	18.9

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

	Defined benefit obligations		Value of plan assets		Net debt / (net assets)	
€m	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
As at 1 January 2013	**461.0**	**344.0**	**359.0**	**322.9**	**102.4**	**21.0**
Current service cost	30.2	19.3	–	–	30.2	19.3
Interest expenses or income	16.5	17.0	12.7	16.2	3.8	0.8
Net interest income/expense (recognised in profit or loss)	**46.7**	**36.3**	**12.7**	**16.2**	**33.9**	**20.2**
Actuarial gains/losses arising from:						
Financial assumptions	20.2	92.0	–	–	20.2	92.0
Experience adjustments	−2.4	1.9	–	–	−2.4	1.9
Income from plan assets excluding interest income	–	–	11.6	9.3	−11.6	−9.3
Capping due to net asset ceiling	–	−0.2	–	–	–	−0.2
Revaluation gains/losses (recognised in other comprehensive income)	**17.8**	**93.7**	**11.6**	**9.3**	**6.2**	**84.4**
Transfers	1.8	2.1	1.8	–	–	2.1
Employer contributions	–	–	5.6	5.3	−5.6	−5.3
Employee contributions	–	–	6.6	5.5	−6.6	−5.5
Employee benefits	−8.9	−15.1	−0.2	−0.2	−8.7	−14.9
Other changes	–	–	–	–	−0.3	0.4
As at 31 December 2013	**518.4**	**461.0**	**397.1**	**359.0**	**121.3**	**102.4**
Of which:						
Final salary plans and general contribution schemes	365.4	335.2	282.6	272.4	82.8	62.8
Fund-based defined contribution plans	125.6	102.9	110.3	82.5	15.3	20.4

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

%	**31.12.2013**	**31.12.2012**	Change
Actuarial interest rate	3.30	3.55	−0.25
Pension trend for adjustments according to Section 16 (2) Company Pension Funds Act (BetrAVG)[1]	2.00	2.00	–
Pension adjustment with overall trend updating[1]	2.50	2.50	–
Salary trend[1]	2.50	2.50	–

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

For the forfeitable projected benefits, the 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 0.8% (previous year: 2.0%). 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 method for determining the actuarial interest rate has been changed with regard to selection of the underlying corporate bonds. The new method led to an overall increase of €20.2m in the defined benefit obligation as at 31 December 2013. This was based on an actuarial interest rate of 3.3% (previous year: 3.55%), which would have been 0.25 percentage points higher without the change.

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

€m	Change in actuarial assumptions	Effect on defined benefit obligations 31.12.2013
Actuarial interest rate	Increase of 1.0 percentage point	–73.6
	Reduction of 1.0 percentage point	96.9
Salary trend	Increase of 1.0 percentage point	5.5
	Reduction of 1.0 percentage point	–5.2
Pension trend	Increase of 1.0 percentage point	11.1
	Reduction of 1.0 percentage point	–10.6
Life expectancy	Extended by 1 year	14.2

As at the reporting date, the plan assets were composed as follows:

€m	31.12.2013	31.12.2012	Change
Equity funds	103.0	76.8	26.2
Bond funds	1.4	1.1	0.3
Mixed funds	4.7	3.8	0.9
Near-money market funds	4.1	3.4	0.7
Mutual funds	113.2	85.1	28.1
Special funds	282.3	272.2	10.1
Insurance contracts	1.6	1.7	–0.1
Total	**397.1**	**359.0**	**38.1**

Apart from insurance contracts, the plan assets consist of assets for which quoted market prices are available in an active market. As at 31 December 2013, the plan assets included the Deka Group’s own investment funds in the amount of €395.5m (previous year: €357.3m). They did not include properties used by the Deka Group or other assets.

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

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

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

The weighted average maturity of the defined benefit pension obligations was 16.8 years as at 31 December 2013 (previous year: 17.1 years).

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

€m	31.12.2013	31.12.2012	Change
Current scheme members	258.2	222.0	36.2
Former scheme members	106.2	100.8	5.4
Pensioners and surviving dependants	154.0	138.2	15.8
Present value of defined benefit obligation	**518.4**	**461.0**	57.4

For the 2014 financial year it is expected that contributions amounting to €12.3m will have to be allocated to the defined benefit schemes.

57 Other provisions

€m	31.12.2013	31.12.2012	Change
Provisions for restructuring measures	45.5	8.7	36.8
Provisions for credit risks	6.8	6.0	0.8
Provisions for legal proceedings and recourses	1.7	1.5	0.2
Provisions in human resources	0.6	2.3	–1.7
Sundry other provisions	256.1	168.6	87.5
Total	**310.7**	**187.1**	123.6

The provisions include €47.9m (previous year: €34.7m) which are medium or long-term in nature.

The increase in the restructuring provisions is the result of a number of factors, including additional expenses relating to the planned closure of the subsidiary Deka(Swiss) Finanz AG, Switzerland with effect from 31 December 2014 and restructuring in connection with the transformation of DekaBank to become a fully-fledged securities service provider for the savings banks.

Sundry other provisions include a provision created in 2013 for an onerous contract in the amount of €30.0m as well as provisions for legal risks.

Amongst other things, the Deka Group's range of products includes investment funds with guarantees of varying degrees. For fixed-term funds with agreed maturity, the capital invested less charges is guaranteed as at the maturity date, while a minimum unit value is agreed for specific cut-off dates for funds without a fixed term. The amount of the provision is determined from the forecast shortage at the guarantee date, which yields a difference between the expected and guaranteed unit value. On the balance sheet date €1.6m (previous year: €1.1m) was set aside based on the development of the respective fund assets. As at the reporting date, the guarantees covered a maximum volume of €5.1bn (previous year: €5.9bn) at the respective guarantee dates. The market value of the corresponding fund assets totalled €5.3bn (previous year: €6.1bn). These also include the funds described below with a forecast return performance with a volume of €2.5bn (previous year: €1.9bn).

Investment funds, whose return is forecast and published on the basis of current money market interest rates set by the Group, exist in two fund varieties with and without a capital guarantee. However, the forecast return performance is not guaranteed. Although the Deka Group is not contractually obliged to meet the funds' target returns, the Group retains the right to support the desired performance of the fund and has set aside the necessary amount. The level of the provision is determined using potential loss scenarios taking account of the risks related to liquidity, interest rate structure, duration and spreads. As at the reporting date, the provision for return performance amounted to €70.4m (previous year: €77.2m). The underlying total value of the funds amounted to €6.3bn (previous year: €6.2bn), of which €2.5bn (previous year: €1.9bn) related to funds with a capital guarantee and €3.8bn (previous year: €4.3bn) related to funds without a capital guarantee.

The movement in other provisions is as follows:

€m	Opening balance 01.01.2013	Addition	Utilisation	Reversal	Reclassi-fications	Currency effects	Closing balance 31.12.2013
Provisions for credit risks	6.0	1.3	–	0.4	–	–0.1	6.8
Provisions for legal proceedings and recourses	1.5	0.6	0.1	0.3	–	–	1.7
Provisions in human resources	2.3	–	0.9	0.5	–	–0.3	0.6
Provisions for restructuring measures	8.7	43.7	5.2	1.7	–	–	45.5
Sundry other provisions	168.6	109.3	8.5	13.3	–	–	256.1
Other provisions	**187.1**	**154.9**	**14.7**	**16.2**	**–**	**–0.4**	**310.7**

€m	Opening balance 01.01.2013	Addition	Utilisation	Reversal	Reclassi-fications	Currency effects	Closing balance 31.12.2012
Provisions for credit risks	8.6	2.6	0.1	5.0	–	–0.1	6.0
Provisions for legal proceedings and recourses	2.3	0.2	0.2	0.5	–0.3	–	1.5
Provisions in human resources	1.3	1.6	0.5	0.1	–	–	2.3
Provisions for restructuring measures	9.4	4.4	3.0	0.6	–1.5	–	8.7
Sundry other provisions	169.0	27.9	18.3	10.0	–	–	168.6
Other provisions	**190.6**	**36.7**	**22.1**	**16.2**	**–1.8**	**–0.1**	**187.1**

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

58 Income tax liabilities

€m	31.12.2013	31.12.2012[1]	Change
Provisions for income taxes	18.1	22.7	–4.6
Current income tax liabilities	57.6	40.9	16.7
Deferred income tax liabilities	21.0	27.1	–6.1
Total	**96.7**	**90.7**	6.0

[1] Figure(s) for the previous year(s) adjusted due to first-time application of the amended IAS 19 (2011) standard, see Note [56].

The provisions for income taxes relate to corporation tax, solidarity surcharge and trade tax. The provisions for income taxes include €18.1m (previous year: €22.7m) which are medium or long-term in nature.

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

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

€m	31.12.2013	31.12.2012[1]	Change
Asset items			
Due from banks	29.2	48.5	–19.3
Due from customers	5.0	13.1	–8.1
Financial assets at fair value	370.2	738.0	–367.8
Positive market values from derivative hedging instruments	65.5	120.2	–54.7
Financial investments	48.3	56.5	–8.2
Property, plant and equipment	0.9	0.9	–
Liabilities items			
Provisions	1.3	3.4	–2.1
Other liabilities	0.8	1.3	–0.5
Sub-total	**521.2**	**981.9**	–460.7
Netting	–500.2	–954.8	454.6
Total	**21.0**	**27.1**	–6.1

[1] Figure(s) for the previous year(s) adjusted due to first-time application of the amended IAS 19 (2011) standard, see Note [56].

The deferred tax liabilities include €6.7m (previous year: €10.9m) which are medium or long-term in nature.

The netting of deferred tax assets and liabilities refer mainly to short-term deferred taxes as a result of temporary differences relating to 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 €531.3m (previous year: €585.5m), resulting in calculated deferred tax liabilities of €8.5m (previous year: €9.3m) which, in accordance with IAS 12.39, have not been recognised on the balance sheet.

Deferred income tax liabilities, which are offset directly against equity as a result of the revaluation of bonds and other securities in the available for sale portfolio, amounted to €0.1m (previous year: €0.3m) as at the reporting date. As in the previous year, these were allocated to the financial investments item. Deferred income tax liabilities amounting to €4.9m (previous year: deferred income tax assets of €3.3m) were offset against equity in connection with cash flow hedges.

59 Other liabilities

The breakdown of other liabilities is as follows:

€m	31.12.2013	31.12.2012	Change
Liabilities			
Debt capital from minority interests	223.7	165.6	58.1
Commissions not yet paid to sales offices	60.5	68.1	–7.6
Liabilities from current other taxes	32.4	32.1	0.3
Securities spot deals not yet settled	6.3	5.7	0.6
Liabilities from non-banking business	0.3	1.1	–0.8
Other	61.4	64.9	–3.5
Accruals			
Sales performance compensation	272.9	269.6	3.3
Personnel costs	105.4	102.3	3.1
Closing and other audit costs	7.7	5.6	2.1
Other accruals	48.6	55.6	–7.0
Prepaid income	17.7	13.9	3.8
Total	**836.9**	**784.5**	52.4

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

The item other includes trade accounts payable of €39.1m (previous year: €45.4m) and liabilities to custodial account holders of €11.6m (previous year: €2.4m).

Other liabilities include €11.0m (previous year: €9.3m) which are of a medium or long-term nature.

60 Subordinated capital

€m	31.12.2013	31.12.2012	Change
Subordinated bearer bonds	626.4	625.6	0.8
Subordinated promissory note loans	120.6	121.4	–0.8
Other subordinated liabilities	102.8	–	102.8
Prorated interest on subordinated liabilities	18.9	18.7	0.2
Profit participation capital	20.0	20.0	–
Prorated interest on profit participation capital	1.3	1.3	–
Capital contributions of typical silent partners	500.0	500.0	–
Prorated interest on capital contributions of typical silent partners	19.6	27.8	–8.2
Total	**1,409.6**	**1,314.8**	94.8

The structuring of subordinated bearer bonds and promissory note loans with subordination agreement is consistent with the requirements for allocation to liable capital specified in Section 10 (5a) of the German Banking Act (KWG). In the event of insolvency or liquidation, the subordinated liabilities may only be repaid after all non-subordinated creditors have been repaid. Conversion of these funds to capital or other form of debt is neither agreed nor intended. There is no early repayment obligation.

In detail, the issues are as follows:

Year of issue	Nominal amount €m	Eligible as liable capital €m	Interest rate in % p.a.	Maturity
Subordinated capital				
2002	300.0	121.1	5.38	2014
2004	300.0	120.9	4.63	2015
2006	40.0	40.0	4.43	2016
2009	75.0	75.0	6.00	2019
2013	25.0	25.0	4.00	2023
2013	12.7	12.7	4.13	2024
2013	5.0	5.0	4.26	2025
2013	52.1	52.1	4.50	2028
2013	18.0	18.0	4.75	2033

In 2002, typical silent capital contributions (tranche II) with a nominal amount of €500.0m were accepted for an indefinite period of time (so-called "perpetuals"). DekaBank may only terminate these contributions with the consent of the Federal Financial Supervisory Authority (BaFin) and a notice period of 24 months to the end of a financial year. Termination by the silent partners is excluded. Interest expenses for perpetuals amounted to €19.6m (previous year: €27.8m) and are reported in net interest income (Note [30]).

61 Atypical silent capital contributions

Atypical silent capital contributions amounted to €52.4m (previous year: €52.4m). The distribution on atypical silent capital contributions in the reporting year was unchanged at €49.2m.

62 Equity

€m	31.12.2013	31.12.2012[1]	Change
Subscribed capital	286.3	286.3	–
Less own shares	94.6	94.6	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings			
Statutory reserve	13.4	13.2	0.2
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	3,300.3	3,062.3	238.0
Total reserves from retained earnings	**3,365.0**	**3,126.8**	238.2
Revaluation reserve			
For provisions for pensions	–88.8	–82.6	–6.2
For cash flow hedges	15.2	–10.2	25.4
For financial investments in the available for sale category	0.6	1.2	–0.6
Applicable deferred taxes	23.2	29.1	–5.9
Total revaluation reserve	**–49.8**	**–62.5**	12.7
Currency translation reserve	12.1	13.2	–1.1
Consolidated profit/loss	58.7	58.7	–
Minority interests	–	–	–
Total	**3,768.0**	**3,518.2**	249.8

[1] Figure(s) for the previous year(s) adjusted due to first-time application of the amended IAS 19 (2011) standard, see Note [56].

In the 2013 financial year, a positive valuation result from existing cash flow hedges totalling €24.8m (previous year: €4.0m) was recorded in the revaluation reserve. At the same time, a profit on completed hedging transactions in the amount of €0.6m (previous year: €18.9m) was reclassified as profit on financial instruments from the revaluation reserve into the designated at fair value category. Margins from fixed-interest loans, converted in the amount of €11.0m (previous year: €9.9m) on the basis of unscheduled repayments and syndications, are not entered into if they were originally hedged. The margin hedge was modified accordingly. Reclassification due to ineffectiveness did not take place in the reporting year.

The hedged cash flows are expected in the following subsequent reporting periods and are scheduled to be recognised in income in those respective periods:

€m	31.12.2013	31.12.2012	Change
Expected cash flows from assets			
Up to 3 months	27.9	29.3	–1.4
3 months to 1 year	69.0	80.5	–11.5
1 year to 5 years	222.6	254.2	–31.6
More than 5 years	77.8	88.6	–10.8
Total expected cash flows	**397.3**	**452.6**	–55.3

Notes to financial instruments

63 Book values by valuation category

At DekaBank, financial instruments are classified in accordance with IFRS 7 by balance sheet line item and IFRS valuation categories:

€m	31.12.2013	31.12.2012	Change
Asset items			
Loans and receivables			
Due from banks	30,727.7	32,335.6	–1,607.9
Due from customers	26,945.7	30,624.3	–3,678.6
Financial investments	631.0	1,021.2	–390.2
Held to maturity			
Financial investments	3,109.6	3,099.6	10.0
Available for sale			
Financial investments	79.1	104.9	–25.8
Held for trading			
Financial assets at fair value	32,796.4	38,427.5	–5,631.1
Designated at fair value			
Financial assets at fair value	20,267.2	19,673.1	594.1
Positive market values from derivative hedging instruments	234.6	431.2	–196.6
Total asset items	**114,791.3**	**125,717.4**	–10,926.1
Liability items			
Other liabilities			
Due to banks	39,000.7	37,690.5	1,310.2
Due to customers	21,000.5	23,333.7	–2,333.2
Securitised liabilities	23,717.3	27,376.2	–3,658.9
Subordinated capital	1,409.6	1,314.8	94.8
Held for trading			
Financial liabilities at fair value	18,836.5	23,353.5	–4,517.0
Designated at fair value			
Financial liabilities at fair value	6,722.1	11,602.9	–4,880.8
Negative market values from derivative hedging instruments	200.2	363.4	–163.2
Total liability items	**110,886.9**	**125,035.0**	–14,148.1

64 Net income by valuation category

The individual valuation categories produce the following income contributions:

€m	2013	2012	Change
Held to maturity	100.3	109.1	–8.8
Loans and receivables	952.5	1,091.8	–139.3
Other liabilities	–772.8	–1,060.7	287.9
Other comprehensive income	0.6	–0.1	0.7
Results recognised in profit or loss	2.5	5.6	–3.1
Available for sale	3.2	5.5	–2.3
Held for trading	239.6	348.5	–108.9
Designated at fair value	160.0	–23.2	183.2
Valuation result from hedge accounting for fair value hedges	5.2	11.5	–6.3
Result from hedge accounting for cash flow hedges not recognised in profit or loss	–25.4	–22.9	–2.5

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

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

65 Fair value data

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

	31.12.2013			31.12.2012		
€m	**Fair value**	**Book value**	**Difference**	**Fair value**	**Book value**	**Difference**
Asset items						
Cash reserve	527.3	527.3	–	3,387.7	3,387.7	–
Due from banks (loans and receivables)	31,103.8	30,727.7	376.1	32,979.2	32,335.6	643.6
Due from customers (loans and receivables)	27,276.4	26,945.7	330.7	31,005.3	30,624.3	381.0
Financial assets at fair value	53,063.6	53,063.6	–	58,100.6	58,100.6	–
Positive market values from derivative hedging instruments	234.6	234.6	–	431.2	431.2	–
Financial assets	3,913.7	3,819.7	94.0	4,363.1	4,225.7	137.4
Loans and receivables	548.5	631.0	–82.5	961.6	1,021.2	–59.6
Held to maturity	3,286.1	3,109.6	176.5	3,296.6	3,099.6	197.0
Available for sale	79.1	79.1	–	104.9	104.9	–
Other assets	134.6	134.6	–	136.0	136.0	–
Total asset items[1]	**116,254.0**	**115,453.2**	**800.8**	**130,403.1**	**129,241.1**	**1,162.0**
Liability items						
Due to banks	39,193.9	39,000.7	193.2	38,007.4	37,690.5	316.9
Due to customers	21,432.3	21,000.5	431.8	23,982.5	23,333.7	648.8
Securitised liabilities	23,752.8	23,717.3	35.5	27,419.3	27,376.2	43.1
Financial liabilities at fair value	25,558.6	25,558.6	–	34,956.4	34,956.4	–
Negative market values from derivative hedging instruments	200.2	200.2	–	363.4	363.4	–
Subordinated liabilities	1,391.0	1,409.6	–18.6	1,330.2	1,314.8	15.4
Other liabilities	329.9	329.9	–	285.9	285.9	–
Total liability items[2]	**111,858.7**	**111,216.8**	**641.9**	**126,345.1**	**125,320.9**	**1,024.2**

[1] Includes financial assets due on demand or short-term financial assets with a book value of €1,198.9m.
[2] Includes financial liabilities due on demand or short-term financial liabilities with a book value of €4,761.4m.

For financial instruments due on demand or at short term, the fair value corresponds to the respective amount payable as at the reporting date. The book value therefore represents a reasonable approximation to the fair value. These include, among other things, cash on hand, overdraft facilities, sight deposits with regard to banks and customers, and financial instruments included in the other assets or liabilities item. These financial instruments are not allocated to any level of the fair value hierarchy in the table below.

Interests in affiliated unlisted companies and other equity investments in the amount of €62.6m included in financial investments allocated to the available for sale category, for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at cost. There is currently no intention to sell these assets. These financial instruments are not allocated to any level of the fair value hierarchy in the table below.

Fair value hierarchy

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

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

Level 2 (valuation method based on observable market data): Financial instruments whose fair value can be determined either from similar financial instruments traded on active and liquid markets, 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 following table shows the book value (including accrued interest) of the financial instruments carried at fair value, allocated to the respective fair value hierarchy level. The classification of financial instruments presented has been refined following the application of IFRS 13 for the first time:

€m	31.12.2013 Level 1	Level 2	Level 3	Total	31.12.2012 Level 1	Level 2	Level 3	Total
Asset items								
Assets at fair value								
Financial assets at fair value	29,847.6	21,357.8	1,858.2	53,063.6	24,580.1	31,418.0	2,102.5	58,100.6
Debt securities and other fixed-interest securities	27,268.0	6,304.1	1,851.4	35,423.5	22,894.0	11,218.8	2,097.8	36,210.6
Shares and other non fixed-interest securities	2,050.0	783.0	–	2,833.0	1,061.3	647.7	–	1,709.0
Interest-rate-related derivatives	–	6,635.2	0.9	6,636.1	–	10,559.6	–	10,559.6
Currency-related derivatives	–	126.9	–	126.9	–	96.0	–	96.0
Share-price and other price-related derivatives	529.6	4,997.3	5.9	5,532.8	624.8	6,370.4	4.7	6,999.9
Derivative financial instruments								
Other financial assets (dafv)	–	2,511.3	–	2,511.3	–	2,525.5	–	2,525.5
Positive market values from derivative hedging instruments	–	234.6	–	234.6	–	431.2	–	431.2
Financial investments	16.5	–	–	16.5	26.1	19.1	–	45.2
Assets measured at amortised cost								
Due from banks	0.5	18,585.8	12,099.2	30,685.5	–	–	–	–
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	9,679.3	–	9,679.3	–	–	–	–
Due from customers	9.9	12,141.5	15,006.3	27,157.7	–	–	–	–
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	10,432.4	–	10,432.4	–	–	–	–
Financial investments	1,848.3	1,615.0	371.3	3,834.6	–	–	–	–
Total asset items	**31,722.8**	**53,934.7**	**29,335.0**	**114,992.5**	**24,606.2**	**31,868.3**	**2,102.5**	**58,577.0**
Liability items								
Liabilities at fair value								
Financial liabilities at fair value	1,844.4	23,584.9	129.3	25,558.6	3,762.7	31,147.5	46.2	34,956.4
Short portfolios	1,276.7	1.2	–	1,277.9	1,522.3	11.0	–	1,533.3
Interest-rate-related derivatives	–	6,132.4	1.0	6,133.4	–	10,411.7	0.5	10,412.2
Currency-related derivatives	–	129.9	–	129.9	–	134.0	–	134.0
Share-price and other price-related derivatives	567.7	7,363.9	11.7	7,943.3	677.8	11,351.0	8.8	12,037.6
Derivative financial instruments								
Issues	–	9,957.6	116.6	10,074.2	1,562.6	9,239.8	36.9	10,839.3
Negative market values from derivative hedging instruments	–	200.2	–	200.2	–	363.4	–	363.4
Liabilities measured at amortised cost								
Due to banks	–	38,867.9	–	38,867.9	–	–	–	–
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	11,239.3	–	11,239.3	–	–	–	–
Due to customers	–	17,326.8	–	17,326.8	–	–	–	–
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	1,306.2	–	1,306.2	–	–	–	–
Securitised liabilities	–	23,752.8	–	23,752.8	–	–	–	–
Subordinated liabilities	–	775.3	615.7	1,391.0	–	–	–	–
Total liability items	**1,844.4**	**104,507.9**	**745.0**	**107,097.3**	**3,762.7**	**31,510.9**	**46.2**	**35,319.8**

Fair value hierarchy level 1

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

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

Fair value hierarchy level 2

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

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

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

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

Interest rate swaps and interest rate/currency swap agreements as well as unlisted interest rate futures are measured on the basis of the discounted cash flow model using the market interest rates applying to the remainder of the term of the financial instruments. The tenor structures of the individual interest rates are taken into account by means of separate curves. In the case of euro instruments, discounting is carried out with the EONIA curve, which is also used for bootstrapping of interest rate curves.

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

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

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

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

Transfers from level 2 to level 1 took place during the period under review, essentially concerning bonds and other fixed-income securities in the amount of €1.9bn (previous year: €1.6bn), because, at the reporting date, prices were available for these financial instruments in an active market which could be used unchanged for valuation purposes. Furthermore, debt securities and other fixed-interest securities in the amount of €0.6bn (previous year: €1.7bn) migrated from level 1 to level 2 owing to the loss of an active market. Within the Deka Group, reclassifications between the different levels of the fair value hierarchy are deemed to have taken place as at the end of the relevant reporting period.

Fair value hierarchy level 3

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

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

The bonds and debt securities in the designated at fair value category reported under financial assets at fair value are chiefly synthetic and non-synthetic securitisations, holdings of which the Bank has been reducing since 2009 while safeguarding assets.

The fair value of synthetic securitisation transactions is determined using Copula models calibrated to the market prices of index tranches. When valuing the bespoke CSO positions, DekaBank uses one of the standard base correlation mapping procedures. Since there are many alternative mapping techniques, none of which stands out particularly from the others, DekaBank determines the difference between this and the alternative valuations. A discount of 7.0% was applied to the model price to achieve this. Accordingly, the market value of the bespoke CSOs as at 31 December 2013 could have been €5.3m higher.

The fair value for non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations or via spreads derived from indicative quotations for similar bonds. These quotations are obtained from various brokers as well as from market price providers, such as Markit. The bid-ask spreads from the price indications available were used to determine an average spread for the individual segments, which was used as an estimate for price sensitivity. Using this half bid-ask spread, a variation range of 1.03 percentage points averaged across the portfolio was obtained. Hence the market value of the securitisation positions concerned could have been €4.7m lower or higher.

The Bank also allocates a limited number of equity and interest rate derivatives or issues with embedded equity and interest rate derivatives to level 3, for example if unobservable valuation parameters are used which are significant for their valuation. For equity and interest rate derivatives whose valuation requires correlations, the Bank typically uses historical correlations with the respective share prices or interest rate fixings, or changes to these. Using a 14% shift, the sensitivity of the equity option positions concerned as at 31 December 2013 amounted to approximately €–0.6m. The size of the shift was determined on the basis of the relevant historical fluctuations in the correlations. For interest rate derivatives based on an index spread, the sensitivity in terms of the correlation between the relevant reference indices is mapped via shifts in the model parameters. The resulting change in the correlation is approximately +3%, resulting in a measurement difference of €–0.5m.

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

Performance of financial instruments in fair value hierarchy level 3

The movement in financial instruments in level 3 is shown in the table below. This is based on fair values (excluding accrued interest).

	Financial assets at fair value				Financial liabilities at fair value		
€m	Bonds and debt securities (Held for Trading)	Bonds and debt securities (Designated at Fair Value)	Interest-rate-related derivatives	Share-price and other price-related derivatives	Interest-rate-related derivatives	Share-price and other price-related derivatives	Issues
As at 1 January 2012	–	2,310.8	0.3	4.4	–	8.1	31.2
Additions through purchase	–	–	–	–	–	–	–
Disposals through sale	–	131.7	–	0.4	–	0.4	–
Maturity/repayments	–	165.2	–	–	–	–	–
Transfers							
To level 3	–	–	–	–	0.4	–	–
From level 3	–	–	0.3	–	–	–	–
Changes arising from measurement/disposal[1]							
Recognised in profit or loss	–	80.9	–	0.7	–	1.0	4.9
Recognised in other comprehensive income	–	–	–	–	–	–	–
As at 31 December 2012	**–**	**2,094.8**	**–**	**4.7**	**0.4**	**8.7**	**36.1**
Additions through purchase	1.0	–	0.9	–	0.7	0.2	–
Disposals through sale	–	78.2	–	–	–	–	–
Maturity/repayments	–	–	–	–	–	–	81.2
Transfers	–	241.8	–	–	–	0.2	4.1
To level 3							
From level 3	5.7	–	–	–	–	–	3.9
Changes arising from measurement/disposal[1]	–	–	–	–	–	–	–
Recognised in profit or loss	–	67.5	–	1.2	0.3	−3.0	0.6
Recognised in other comprehensive income	–	–	–	–	–	–	–
As at 31 December 2013	**6.7**	**1,842.3**	**0.9**	**5.9**	**0.8**	**11.7**	**116.5**

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

Result for financial instruments in fair value hierarchy level 3 as at the reporting date

	Financial assets at fair value			Financial liabilities at fair value		
€m	Bonds and debt securities (Designated at Fair Value)	Interest-rate-related derivatives	Share-price and other price-related derivatives	Interest-rate-related derivatives	Share-price and other price-related derivatives	Issues
All unrealised profits and losses of the period recognised in the total result[1]						
Net interest income	13.4	–	–	–	–	–
Trading results	–	–	1.2	0.3	–3.3	0.8
Profit or loss on financial instruments designated at fair value	37.6	–	–	–	–	–
Profit or loss on financial instruments	–	–	–	–	–	–

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

Measurement processes for financial instruments in fair value hierarchy level 3

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

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

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

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

When new financial instruments are introduced, existing valuation processes are examined to determine whether they can be applied to the new instrument and 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 the presence of model risks as part of the implementation and validation process. If model risks are present, a corresponding model reserve is taken into account.

66 Offsetting financial assets and liabilities

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

31.12.2013				Associated amounts not offset in the balance sheet		
€m	Financial assets/ liabilities (gross)	Offset financial assets/ liabilities	Financial assets/liabilities shown in the balance sheet (net)	Collateral – securities	Collateral – cash	Net amount
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	5,369.1	1,762.1	3,607.0	3,607.0	–	0.0
Receivables arising from securities repurchase agreements (not eligible for offsetting)	14,996.9	–	14,996.9	14,996.9	–	0.0
Derivatives (eligible for offsetting)	505.1	461.0	44.1	–	–	44.1
Derivatives (not eligible for offsetting)	12,486.3	–	12,486.3	79.0	538.8	11,868.5
Total	**33,357.4**	**2,223.1**	**31,134.3**	**18,682.9**	**538.8**	**11,912.6**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	9,057.7	1,762.1	7,295.6	7,295.6	–	0.0
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	4,694.4	–	4,694.4	4,694.4	–	0.0
Derivatives (eligible for offsetting)	488.5	445.4	43.1	–	43.1 [1]	0.0
Derivatives (not eligible for offsetting)	14,363.7	–	14,363.7	31.5	1,443.6	12,888.6
Total	**28,604.3**	**2,207.5**	**26,396.8**	**12,021.5**	**1,486.7**	**12,888.6**

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

31.12.2012				Associated amounts not offset in the balance sheet		
€m	Financial assets/ liabilities (gross)	Offset financial assets/ liabilities	Financial assets/liabilities shown in the balance sheet (net)	Collateral – securities	Collateral – cash	Net amount
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	7,740.8	5,522.9	2,217.9	2,217.9	–	0.0
Receivables arising from securities repurchase agreements (not eligible for offsetting)	13,423.2	–	13,423.2	13,423.2	–	0.0
Derivatives (not eligible for offsetting)	18,086.0	–	18,086.0	76.7	475.6	17,533.7
Total	**39,250.0**	**5,522.9**	**33,727.1**	**15,717.8**	**475.6**	**17,533.7**
Liabilities						
Receivables arising from securities repurchase agreements (eligible for offsetting)	21,029.1	5,522.9	15,506.2	15,506.2	–	0.0
Receivables arising from securities repurchase agreements (not eligible for offsetting)	4,592.0	–	4,592.0	4,592.0	–	0.0
Derivatives (not eligible for offsetting)	22,947.2	–	22,947.2	39.9	2,317.1	20,590.2
Total	**48,568.3**	**5,522.9**	**43,045.4**	**20,138.1**	**2,317.1**	**20,590.2**

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

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

67 Government-based credit exposure in individual eurozone countries

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

	31.12.2013			31.12.2012		
€m	**Nominal[1]**	**Book value**	**Fair value**	**Nominal[1]**	**Book value**	**Fair value**
Ireland						
Credit default swaps[2]	–	–	–	3.0	0.0	0.0
Credit linked notes[3] (held for trading category)	–	–	–	–3.0	–3.2	–3.2
Italy						
Debt securities (designated at fair value category)	170.0	169.1	169.1	149.0	147.7	147.7
Credit default swaps[2]	20.0	1.0	1.0	25.0	–2.0	–2.0
Credit linked notes[3] (held for trading category)	–20.0	–19.0	–19.0	–30.0	–17.7	–17.7
Spain						
Receivables (loans and receivables category)	3.0	3.6	3.6	34.6	34.6	34.3
Debt securities (held for trading category)	5.0	5.1	5.1	–	–	–
Credit default swaps[2]	31.8	–0.2	–0.2	27.9	–1.0	–1.0
Credit linked notes[3] (held for trading category)	–17.0	–17.0	–17.0	–30.0	–9.2	–9.2
Total	**192.8**	**142.6**	**142.6**	**176.5**	**149.2**	**148.9**

1) For a net view, the nominal values of receivables, securities and protection seller transactions are set off against protection buyer transactions with negative nominal values.
2) The fair value reflects the net fair value of credit default swaps that relate to sovereign liabilities of the respective country.
3) The figure shown is the fair value of credit linked notes issued by the Bank and relating to a liability of the respective country.

Receivables due from Greek borrowers amounting to €38.1m (previous year: €38.2m), of which €30.5m (previous year: €21.1m) is subject to a valuation allowance, were sold in the reporting year. In addition, the Bank continues to hold a bond from a Portuguese financial institution with a nominal value of €46.7m (previous year: €46.7m) allocated to the held to maturity category. The valuation allowance of €9.0m recognised for this bond was written back in the year under review.

In addition to exposure to the government of Spain, the Bank also has exposure to Spanish municipal authorities and the Spanish banking sector, amongst others. This exposures includes receivables from Spanish municipal authorities with a nominal value of €60.0m (previous year: €74.6m) which are allocated to the loans and receivables category. Receivables from Spanish banks primarily consist of a loan with an unchanged nominal value of €250.0m, allocated to the loans and receivables category, and bonds with a nominal value of €511.9m (previous year: €122.2m), including a bond in the held to maturity category with a nominal value of €25.0m (previous year: €25.0m), the remaining bonds are recognised at fair value through profit or loss. There are also receivables from repurchase agreements amounting to €506.9m (previous year: €98.1m), which are allocated to the loans and receivables category.

68 Derivative transactions

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

The following table shows the portfolio of derivative financial instruments by contract type:

	Nominal value		Positive fair values		Negative fair values	
€m	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Interest rate risks **OTC products**						
Interest rate swaps	423,398.8	380,057.9	6,880.3	10,614.3	6,180.4	9,703.2
Forward rate agreements	8,585.0	11,607.0	0.8	0.6	1.0	1.0
Interest rate options						
Purchases	1,885.0	923.8	4.1	22.8	7.4	0.6
Sales	3,767.2	1,755.3	15.2	4.7	49.2	67.0
Caps, floors	2,942.4	2,066.1	16.7	14.5	14.5	8.3
Other interest rate contracts	2,594.2	2,437.7	58.2	25.2	134.3	250.2
Stock exchange traded products						
Interest rate futures/options[1]	21,839.7	20,864.9	3.2	1.0	3.3	4.3
Sub-total	**465,012.3**	**419,712.7**	**6,978.5**	**10,683.1**	**6,390.1**	**10,034.6**
Currency risks **OTC products**						
Foreign exchange future contracts	10,121.3	12,555.8	133.1	108.5	129.9	134.0
(Interest rate) currency swaps	7,970.3	9,485.1	350.2	296.2	392.1	745.3
Sub-total	**18,091.6**	**22,040.9**	**483.3**	**404.7**	**522.0**	**879.3**
Share and other price risks **OTC products**						
Share forward contracts	84.8	372.5	0.1	36.2	4.5	10.8
Share options						
Purchases	2,360.2	3,312.0	3,079.6	3,126.3	–	–
Sales	1,415.2	1,645.1	–	–	4,007.1	4,221.3
Credit derivatives	9,697.0	12,452.1	100.1	126.6	82.1	115.6
Other forward contracts	1,894.2	2,183.0	5.6	0.8	165.6	93.5
Stock exchange traded products						
Share options	28,903.2	62,614.7	2,347.4	3,710.0	3,684.1	7,596.4
Share futures[1]	485.1	312.3	12.9	3.0	14.7	7.2
Sub-total	**44,839.7**	**82,891.7**	**5,545.7**	**7,002.9**	**7,958.1**	**12,044.8**
Total	**527,943.6**	**524,645.3**	**13,007.5**	**18,090.7**	**14,870.2**	**22,958.7**
Net amount presented on the statement of financial position			**12,530.4**	**18,086.7**	**14,406.8**	**22,947.2**

[1] Positive fair values before offsetting against variation margin paid or received.

The lower amount carried in the statement of financial position compared with market values is due to allowance for the variation margin. Within assets, the variation margin received reduced market values by a total of €477.1m (previous year: €4.0m). Of this, €461.0m related to interest rate swaps and €16.1m to futures. Conversely, the variation margin paid reduced market values within liabilities by a total of €463.4m (previous year: €11.5m), of which €445.4m relates to interest rate swaps and €18.0m to futures.

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

	Nominal value		Positive fair values		Negative fair values	
€m	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Banks in the OECD	262,313.0	360,696.9	8,571.6	9,721.3	9,267.9	9,808.5
Public offices in the OECD	9,874.0	9,569.2	279.4	427.1	164.6	137.4
Other counterparties	255,756.6	154,379.2	4,156.5	7,942.3	5,437.7	13,012.8
Total	**527,943.6**	**524,645.3**	**13,007.5**	**18,090.7**	**14,870.2**	**22,958.7**

69 Breakdown by remaining maturity

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

€m	31.12.2013	31.12.2012	Change
Assets			
Due from banks			
Due on demand and indefinite term	3,586.4	6,193.9	–2,607.5
Up to 3 months	7,112.6	5,882.6	1,230.0
Between 3 months and 1 year	5,919.2	5,559.1	360.1
Between 1 year and 5 years	13,102.6	13,343.8	–241.2
More than 5 years	1,006.9	1,356.2	–349.3
Due from customers			
Due on demand and indefinite term	1,928.3	2,457.2	–528.9
Up to 3 months	3,927.5	4,316.9	–389.4
Between 3 months and 1 year	7,304.0	7,251.0	53.0
Between 1 year and 5 years	9,738.5	11,540.5	–1,802.0
More than 5 years	4,047.4	5,058.7	–1,011.3
Financial assets at fair value			
Of which non-derivative assets			
Due on demand and indefinite term	2,808.7	1,735.9	1,072.8
Up to 3 months	4,960.4	6,365.9	–1,405.5
Between 3 months and 1 year	17,604.0	18,131.1	–527.1
Between 1 year and 5 years	11,671.1	12,356.2	–685.1
More than 5 years	3,723.6	1,856.0	1,867.6
Of which derivative assets			
Up to 3 months	2,406.6	1,084.4	1,322.2
Between 3 months and 1 year	8,656.8	14,489.1	–5,832.3
Between 1 year and 5 years	703.4	1,200.9	–497.5
More than 5 years	529.0	881.1	–352.1
Positive market values from derivative hedging instruments			
Up to 3 months	21.1	16.9	4.2
Between 3 months and 1 year	0.2	60.6	–60.4
Between 1 year and 5 years	35.2	51.0	–15.8
More than 5 years	178.1	302.7	–124.6
Financial investments			
Due on demand and indefinite term	0.1	0.6	–0.5
Up to 3 months	49.5	71.6	–22.1
Between 3 months and 1 year	211.9	141.3	70.6
Between 1 year and 5 years	2,804.7	1,983.1	821.6
More than 5 years	690.9	1,969.3	–1,278.4

€m	31.12.2013	31.12.2012	Change
Liabilities			
Due to banks			
Due on demand and indefinite term	4,127.4	3,542.2	585.2
Up to 3 months	24,873.5	27,250.4	−2,376.9
Between 3 months and 1 year	5,878.3	3,225.3	2,653.0
Between 1 year and 5 years	2,579.9	2,352.2	227.7
More than 5 years	1,541.6	1,320.4	221.2
Due to customers			
Due on demand and indefinite term	6,485.8	6,825.3	−339.5
Up to 3 months	6,099.1	6,928.1	−829.0
Between 3 months and 1 year	3,251.9	3,082.7	169.2
Between 1 year and 5 years	3,101.0	4,041.2	−940.2
More than 5 years	2,062.7	2,456.4	−393.7
Securitised liabilities			
Up to 3 months	6,134.4	6,532.8	−398.4
Between 3 months and 1 year	2,070.8	3,297.3	−1,226.5
Between 1 year and 5 years	14,447.3	16,823.4	−2,376.1
More than 5 years	1,064.8	722.7	342.1
Financial liabilities at fair value			
of which non-derivative assets			
Due on demand and indefinite term	1,298.0	1,437.2	−139.2
Up to 3 months	1,504.5	3,613.8	−2,109.3
Between 3 months and 1 year	5,166.7	4,719.0	447.7
Between 1 year and 5 years	1,619.7	1,741.2	−121.5
More than 5 years	1,763.1	861.4	901.7
of which derivative assets			
Up to 3 months	3,957.8	1,537.9	2,419.9
Between 3 months and 1 year	8,919.9	18,299.8	−9,379.9
Between 1 year and 5 years	876.9	1,564.8	−687.9
More than 5 years	452.0	1,181.3	−729.3
Negative market values from derivative hedging instruments			
Up to 3 months	5.6	27.5	−21.9
Between 3 months and 1 year	13.2	14.0	−0.8
Between 1 year and 5 years	174.0	228.4	−54.4
More than 5 years	7.4	93.5	−86.1
Subordinated capital			
Up to 3 months	339.9	47.8	292.1
Between 3 months and 1 year	20.0	–	20.0
Between 1 year and 5 years	856.3	1,185.6	−329.3
More than 5 years	193.4	81.4	112.0

Other information

70 Equity management

The aim of equity management is to ensure adequate capital and reserves to carry out the business strategy determined by the Board of Management and to achieve an appropriate return on equity and comply with regulatory capital and reserves requirements (for more information, see note [71]). The analysis of DekaBank's risk-bearing capacity is conducted based on an approach focused on the liquidity perspective. The definition of economic equity corresponds to the primary risk cover potential, on which the business strategy is based. In principle, DekaBank determines the overall risk across all significant risk types that impact on income and also includes those risks not taken into consideration for regulatory purposes, for example business risk. Overall risk is measured as the amount of capital that with a high level of probability will suffice to cover all losses from the main high risk positions within a year at any time. DekaBank uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and aggregate them as an indicator for overall risk.

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

71 Equity under banking supervisory law

The capital and reserves of the Deka Group under banking supervisory law are determined in accordance with the provisions of the German Banking Act (KWG). Under Sections 10 and 10(a) KWG, the Deka Group is obliged to ensure adequate capital and reserves to meet its commitments towards its customers.

The capital and reserves are calculated on the basis of the individual financial statements of the consolidated Group companies and their national accounting standards. The composition of capital and reserves is shown in the following table:

€m	**31.12.2013**	**31.12.2012**	Change
Subscribed capital	286	286	–
Less own shares	95	95	–
Open reserves	761	761	–
Silent capital contributions	552	552	–
Fund for general banking risks	2,089	1,810	279
Deductions under Section 10 (2a) German Banking Act	4	13	–9
Deductions under Section 10 (6) and (6a) KWG (half)	94	2	92
of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	94	2	92
Core capital	**3,495**	**3,301**	194
Subordinated liabilities	470	535	–65
Other components	–47	2	–49
Deductions under Section 10 (6) and (6a) KWG (half)	94	2	92
of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	94	2	92
Supplementary capital	**329**	**535**	–206
Modified available capital	**3,824**	**3,836**	–12
Tier III funds	–	–	–
Capital and reserves	**3,824**	**3,836**	–12

Since 30 June 2007, the adequacy of the capital and reserves has been determined under the Solvency Regulation (SolvV). The risk weighted default risks are essentially determined according to the IRB approach based on internal ratings. The equity backing of market price risks is carried out using the standard method. Since 2008, operational risks have been measured using the Advanced Measurement Approach (AMA), the advanced approach according to SolvV. The above risk factors are to be backed by capital and reserves in each case. The items subject to a capital charge are shown in the following table:

€m	**31.12.2013**	**31.12.2012**	Change
Default risks	13,850	15,813	–1,963
Market risk positions	6,813	6,088	725
Operational risks	1,799	1,710	89

The adequacy of the capital and reserves is assessed using the ratio of relevant items subject to a capital charge to capital and reserves (= equity ratio) or to core capital (= core capital ratio). The table below shows the ratios for the Deka Group and for the important banking subsidiary DekaBank Deutsche Girozentrale Luxembourg S.A.:

%	31.12.2013	31.12.2012	Change
Deka Group			
Core capital ratio	15.6	14.0	1.6
Total capital ratio	17.0	16.2	0.8
DekaBank Deutsche Girozentrale Luxembourg S.A.			
Core capital ratio	23.4	21.5	1.9
Total capital ratio	23.4	21.9	1.5

The core capital ratio takes account of half of the deductions in accordance with Section 10 (6) and (6a) of the German Banking Act (KWG).

The core tier 1 capital ratio of the Deka Group is 13.1% (previous year: 11.6%). Silent capital contributions are not considered in the calculation of the core tier 1 capital ratio; these do not come under the transitional provisions of Basel III and will no longer be usable as core tier 1 capital once the Capital Requirements Regulation (CRR) comes into force.

The capital and reserves requirement under banking supervisory law was complied with at all times during the reporting year and stands considerably above the statutory minimum values.

72 Contingent and other liabilities

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

€m	31.12.2013	31.12.2012	Change
Irrevocable lending commitments	782.8	1,262.3	–479.5
Other liabilities	70.3	1,326.3	–1,256.0
Total	**853.1**	**2,588.6**	–1,735.5

Irrevocable lending commitments refer to credit lines granted but not drawn down and time-limited credit lines. The amounts stated reflect the potential liabilities if the credit lines granted are used in full. The risk provision for off-balance sheet liabilities reported in the balance sheet was reduced by these amounts.

Other financial liabilities include payment obligations of €0.1m (previous year: €0.1m) and subsequent payment obligations of €26.0m (previous year: €26.0m) to external or non-consolidated companies. There is an additional funding obligation for the security reserve of the *Landesbanken* and *Girozentralen* of €41.6m (previous year: €67.9m). A substantial portion of other obligations does not require disclosure in the reporting year, as these obligations are no longer considered likely to materialise.

The guarantees provided by DekaBank refer to financial guarantees under IFRS, which are stated net in compliance with IAS 39. The nominal amount of the guarantees in place as at the reporting date is €0.3bn (previous year: €0.3bn).

73 Assets transferred or received as collateral

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

€m	31.12.2013	31.12.2012	Change
Book value of transferred collateral securities			
Under Pfandbrief Act	11,836.2	15,963.2	–4,127.0
For refinancing purposes with Deutsche Bundesbank	6,140.2	3,682.8	2,457.4
For transactions on German and foreign futures exchanges	1,561.6	3,775.1	–2,213.5
For repurchase agreements	1,590.9	4,127.7	–2,536.8
For securities lending transactions	4,409.7	5,458.5	–1,048.8
For triparty transactions	6,355.7	2,376.7	3,979.0
For other securities transactions	643.1	253.7	389.4
Loan and securities collateral	**32,537.4**	**35,637.7**	–3,100.3
Cash collateral relating to securities lending and repurchase agreements	1,861.1	3,183.6	–1,322.5
Cash collateral relating to derivative transactions	1,595.3	2,386.9	–791.6
Cash collateral	**3,456.4**	**5,570.5**	–2,114.1
Total	**35,993.8**	**41,208.2**	–5,214.4

Collateral received for repurchase agreements and securities lending transactions as well as other securities transactions, which may be repledged or resold even without the default of the party providing the collateral, amounts to €65.4bn (previous year: €39.4bn).

74 Financial instruments transferred but not derecognised

The Group transfers financial assets while retaining the material risks and rewards arising from these assets. The transfer mainly takes place parting the context of genuine repurchase and securities lending transactions. In addition, securities are primarily sold in combination with the conclusion of derivatives. Consequently, the essential risks relating to creditworthiness, interest rate change, currency and share price are retained, so that in commercial terms there is no disposal. The assets continue to be reported in the balance sheet.

€m	31.12.2013	31.12.2012	Change
Book value of non-derecognised securities for			
Genuine repurchase agreements			
Held to maturity	117.8	85.9	31.9
Financial assets at fair value through profit or loss	1,431.3	4,016.8	–2,585.5
Securities lending transactions			
Held to maturity	15.4	35.5	–20.1
Financial assets at fair value through profit or loss	928.4	409.7	518.7
Other sales without commercial disposal			
Loans and receivables	420.2	483.0	–62.8
Held to maturity	0.2	0.9	–0.7
Financial assets at fair value through profit or loss	607.1	252.8	354.3
Total	**3,520.4**	**5,284.6**	–1,764.2

Liabilities of €2.3bn (previous year: €5.9bn) were reported for financial instruments transferred but not derecognised.

75 Volume of foreign currency transactions

As a result of its business policy, DekaBank does not have extensive open currency positions. The existing currency positions stem mainly from temporary market value changes on financial products.

€m	31.12.2013	31.12.2012	Change
US dollar (USD)	5.0	11.8	–6.8
British pound (GBP)	11.0	25.4	–14.4
Australian dollar (AUD)	1.4	4.7	–3.3
Swiss franc (CHF)	2.7	5.6	–2.9
Japanese yen (JPY)	5.6	6.8	–1.3
Hong Kong dollar (HKD)	0.1	0.5	–0.4
Other foreign currencies	7.9	9.2	–1.3
Total	**33.7**	**64.0**	–30.3

76 Letter of comfort

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

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

77 List of shareholdings

DekaBank directly or indirectly holds at least 20.0% of the shares in the following companies.

Consolidated subsidiaries:

Name, registered office	Equity share in %
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Realkredit Klassik	73.65
Teilgesellschaftsvermögen Deka Infrastrukturkredit	31.09
Deka Real Estate Lending k.k., Tokyo	100.00
Deka(Swiss) Finanz AG, Zurich	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.00
Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main	100.00
International Fund Management S.A., Luxembourg	100.00
Roturo S.A., Luxembourg	100.00
VM Bank International S.A. i.L., Luxembourg	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

Consolidated funds:

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

Associated companies and joint ventures consolidated at equity:

Name, registered office	Equity share in %	Equity in € thousand	Net income in € thousand
S PensionsManagement GmbH, Cologne	50.00	108,122.9	2,753.3
Dealis Fund Operations GmbH, Frankfurt/Main	49.90	15,271.1	–5,485.0
S Broker AG & Co. KG, Wiesbaden	30.64	27,806.9	151.9

Non-consolidated companies:

Name, registered office	Equity share in %
Datogon S.A., Luxembourg	100.00
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 01 mbH, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deutsche Landesbankenzentrale AG, Berlin	100.00
Europäisches Kommunalinstitut S.à.r.l., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Perfeus S.A., Luxembourg	100.00
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00
STIER Immobilien AG, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00

Non-consolidated funds:

Name, registered office	Fund volume €m	Equity share in %
Deka-BR 45, Frankfurt/Main	5.6	100.00
RE-AVT-FundMaster, Frankfurt/Main	77.2	100.00
Deka Deutsche Börse EUROGOV® France UCITS ETF, Munich	8.8	99.83
Deka-PB Ausgewogen, Frankfurt/Main	11.0	99.75
Deka-PB Offensiv, Frankfurt/Main	11.7	99.14
Deka-DiscountStrategie 1/2016, Frankfurt/Main	14.0	96.75
TORRUS – Merrill Lynch Multi Strategy Fund, Luxembourg	31.2	96.26
Deka-PB Multimanager Ausgewogen, Frankfurt/Main	0.6	90.63
IFM Euroaktien, Luxembourg	9.1	88.64
Deka Deutsche Börse EUROGOV® France 1-3 UCITS ETF, Munich	6.9	87.49
Mix-Fonds: Select ChancePlus, Luxembourg	1.5	78.20
Deka MSCI Europe MC UCITS ETF, Munich	6.9	76.82
Deka iBoxx EUR Liquid Sovereign Diversified 10+ UCITS ETF, Munich	9.7	76.74
Mix-Fonds Haspa: ChancePlus, Luxembourg	0.7	74.62
Deka EURO STOXX 50® Daily Short, Munich	4.4	73.01
Deka-DiscountStrategie 12/2015, Frankfurt/Main	12.8	71.49
Deka DAX® ex Financial 30 UCITS ETF, Munich	16.7	71.46
Deka Deutsche Börse EUROGOV® France 3-5 UCITS ETF, Munich	9.8	68.00
Deka-Nachhaltigkeit Renten, Luxembourg	27.5	64.29
Deka EURO STOXX® Select Dividend 30, Munich	127.8	62.53
Deka MSCI Japan UCITS ETF, Munich	14.7	57.79
RE-FundMaster, Frankfurt/Main	31.1	57.23
Deka MSCI Europe UCITS ETF, Munich	45.6	54.72
Deka Deutsche Börse EUROGOV® France 5-10 UCITS ETF, Munich	9.8	54.17
Deka Deutsche Börse EUROGOV® Germany 3-5 UCITS ETF, Munich	390.3	50.13
Deka MSCI Europe LC UCITS ETF, Munich	49.2	48.52
Deka MSCI Emerging Market UCITS ETF, Munich	20.7	47.99
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	70.7	47.73
Deka-Zielfonds 2045-2049, Frankfurt/Main	3.6	45.37
Deka MSCI Japan MC UCITS ETF, Munich	4.1	41.68
Deka-GlobalStrategie Garant 80, Luxembourg	12.7	40.71
Deka Deutsche Börse EUROGOV® Germany UCITS ETF, Munich	467.1	37.51
Deka Deutsche Börse EUROGOV® Germany 5-10 UCITS ETF, Munich	303.8	36.38
IP Bond-Select P, Luxembourg	15.8	35.33
Deka-Nachhaltigkeit Balance, Luxembourg	27.0	33.16
Deka iBoxx EUR Liquid Sovereign Diversified 3-5 UCITS ETF, Munich	8.2	32.59
Deka-EuroFlex Plus CF, Luxembourg	169.3	30.46
Deka Deutsche Börse EUROGOV® Germany 1-3 UCITS ETF, Munich	166.9	28.53
Deka iBoxx EUR Liquid Sovereign Diversified 5-7 UCITS ETF, Munich	58.8	26.92
Deka MSCI USA LC UCITS ETF, Munich	39.7	25.06
Deka MSCI USA UCITS ETF, Munich	43.6	23.38

78 Related party disclosures

The Deka Group has business dealings with related parties. These include DekaBank's shareholders, non-consolidated subsidiaries, joint ventures and associated companies and their respective subsidiaries. For this disclosure, non-consolidated own mutual funds and special funds where the holding of the Deka Group exceeds 10.0% as at the reporting date are shown as subsidiaries, associated companies or other related parties in accordance with their equity holding.

Natural persons in key positions deemed to be related parties under IAS 24 are the members of the Board of Management and Administrative Board of DekaBank as the parent company. The remuneration to the persons concerned is shown in note [80].

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

Business dealings with shareholders of DekaBank and non-consolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Asset items				
Due from customers	45.1	45.0	0.3	–
Financial assets at fair value	–	–	6.2	7.8
Other assets	–	–	0.2	1.2
Total asset items	**45.1**	**45.0**	**6.7**	**9.0**
Liabilities items				
Due to customers	86.0	19.6	12.2	9.6
Financial liabilities at fair value	–	–	–	0.3
Total liabilities items	**86.0**	**19.6**	**12.2**	**9.9**

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

	Joint ventures/ associated companies		Other related parties	
€m	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Asset items				
Due from customers	–	5.0	–	–
Financial assets at fair value	35.5	24.1	–	–
Other assets	3.5	1.0	0.3	–
Total asset items	**39.0**	**30.1**	**0.3**	**–**
Liabilities items				
Due to customers	33.6	15.5	0.1	2.4
Financial liabilities at fair value	33.0	33.3	–	–
Total liabilities items	**66.6**	**48.8**	**0.1**	**2.4**

79 Average number of staff

	2013			2012		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Full-time employees	2,165	988	3,153	2,171	1,019	3,190
Part-time and temporary employees	125	525	650	110	498	608
Total	**2,290**	**1,513**	**3,802**	**2,281**	**1,517**	**3,798**

80 Remuneration to Board members

€	2013	2012	Change
Remuneration of active Board of Management members			
Short-term benefits	4,532,180	3,164,044	1,368,136
Scope of obligation under defined benefit plans (defined benefit obligation)	14,026,169	8,210,333	5,815,836
Scope of obligation for similar commitments	2,190,551	1,478,277	712,274
Remuneration of Administrative Board members			
Short-term benefits	640,167	656,000	– 15,833
Remuneration of former Board of Management members and their dependents			
Short-term benefits	1,357,792	372,398	985,394
Post-employment benefits	2,748,044	2,343,894	404,150
Scope of obligation under defined benefit plans (defined benefit obligation)	46,999,793	46,493,482	506,311
Scope of obligation for similar commitments	6,396,196	2,876,728	3,519,468

The short-term benefits due to the members of the Board of Management include all remuneration paid and benefits in kind in the respective financial year, including variable components attributable to previous years and are therefore dependent on business performance in earlier periods.

In financial year 2013, variable remuneration elements in the amount of €2.7m (previous year: €2.3m) were committed to active and former members of the Board of Management, which are dependent on future performance. Variable remuneration components that were not paid out in the year of the commitment depend on the sustainable performance of the Deka Group and are deferred until the three years following the commitment year. The sustainable components of remuneration granted are subject to a two-year holding period and are paid out after that period has elapsed. Distributable earnings, corporate value, the economic result, payments to savings bank alliance partners, net sales performance and the individual contribution of the Board Members are used to determine sustainability. Short-term benefits include deferred variable remuneration components from previous years payable to active members of the Board of Management amounting to €1.2m and to former members of the Board of Management amounting to €1.3m. Of this amount, the entitlement of active board members includes €0.5m for the 2013 commitment year, €0.2m for the 2012 commitment year, €0.3m for the 2011 commitment year and €0.2m for the 2009 commitment year.

The continuous remuneration to employees' representatives was made separately from their Administrative Board activities and was carried out at current market conditions.

In the 2013 financial year, €1.5m was allocated to provisions for pensions for active members of the Board of Management (previous year: €1.4m) and €1.6m (previous year: €1.6m) for former members of the Board of Management.

The total commitments of €61.0m (previous year: €54.7m) determined on an actuarial basis for active and former members of the Board of Management as at the reporting date are countered by plan assets of around €48.6m (previous year: €44.8m).

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.

81 Auditor's fees

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

€m	2013	2012	Change
Fees for			
Year-end audit services	1.9	2.7	−0.8
Other auditing services	0.5	0.8	−0.3
Tax advisory services	0.2	0.1	0.1
Other services	1.6	7.8	−6.2
Total	**4.2**	**11.4**	−7.2

82 Additional miscellaneous information

The consolidated financial statements were approved for publication on 21 February 2014 by the Board of Management of DekaBank.

Assurance of the Board of Management

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

Frankfurt am Main, 21 February 2014

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger	Behrens	Dr. Danne
Müller	Dr. Stocker	

Auditor's Report

We have audited the consolidated financial statements prepared by the DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt, comprising statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, notes, together with the group management report for the business year from January 1, 2013 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [*Handelsgesetzbuch* "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 28 February 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski	Fox
Wirtschaftsprüfer	Wirtschaftsprüfer

Sustainability report 2013. DekaBank is a responsible and trusted partner for German savings banks, providing them with securities services focused on sustainable investments. We offer a growing range of fund products that meet particularly high standards based on ethical, ecological and social criteria. Yet our commitment goes further: DekaBank's approach to sustainability covers the entire value chain and we plan to implement permanent improvements at all levels of banking operations.

Dear Ladies and Gentlemen,

At the 2013 German Savings Bank Conference, the *Sparkassen-Finanzgruppe* (Savings Banks Finance Group) adopted the "*Dresdner Thesen*", thereby refining its strategic approach in several important respects. The Finance Group is now expressly committed to developing a sustainably organised financial market architecture in Europe, which leaves the business model that German savings banks have applied for more than 200 years with ample scope to continue on fulfilling their public mission. Consequently, the Deka Group, in its role as fully-fledged securities service provider for the German savings banks (*Sparkassen*), has developed a new philosophy that firmly encapsulates a commitment to a sustainable business approach.

In implementing our strategy we act in the interests of

- our customers (superior quality products and services),
- our shareholders (corporate value, dividend performance, risk profile),
- our employees (sought-after employer/high employee satisfaction).

DekaBank complies with the regulatory and social environment while imposing high ethical standards on itself. We operate in a way that is economically, ecologically and socially sustainable. With this strategy, we aim for a high level of transparency in our business model, while emphasising the benefits to society. To ensure that we can proceed on implementing our sustainability strategy consistently in the future, we optimised the Bank's organisational structure in the 2013 financial year. The Sustainability Management department, which was recently established within the Corporate Office & Communications Corporate Centre, coordinates all of the Deka Group's sustainability activities on behalf of the Board of Management and is responsible for maintaining an effective sustainability management system. It also acts, both internally and externally, as a central unit for all issues relating to sustainability.

In line with the Global Compact initiative, the Deka Group has set itself the goal of considering sustainability along the whole value chain. In so doing, we abide by ten internationally recognised principles from areas of human rights, labour standards, environmental protection and anti-corruption measures. We made good headway in this respect during 2013.

Especially good progress was achieved in the area of environmental protection. We are committed to accelerate the development and distribution of environment-friendly technologies. Particularly in the real estate segment, we see a large potential, as buildings account for a substantial proportion of the worldwide consumption of energy. For many years, in the interest of environmental conservation and climate protection, we have preferred to invest in properties holding internationally recognised sustainability certificates indicating high energy efficiency and sparing use of resources.

At the end of the year under review, a total of 101 properties across the whole portfolio held by Deka funds were certified. The certification rate therefore equates to more than 30 per cent of all fund properties of the Real Estate business division. Yet we aim to do even better: by 2015 the proportion of certified properties should reach 40 per cent. An overview of our proceeds in implementing each of the Global Compact principles can be found in the GRI Content Index.

We are convinced that sustainable development enhances our economic performance in the long term and is therefore in the interest of our owners and partners in the *Sparkassen-Finanzgruppe*. In view of this, we signed the German Sustainability Code in December 2013.

We will continue to pursue this path in 2014. We will take further strides in promoting sustainability in terms of the society we live in, the products we offer to our customers, the business we work in and our employees, without whom none of our services would be possible.

Michael Rüdiger
Chief Executive Officer

THE GLOBAL COMPACT
WE SUPPORT

Sustainable corporate governance

For DekaBank, sustainability is a dynamic process encompassing all stages of the value chain. We are therefore continuously developing our sustainability strategy, in accordance with the business approach of the *Sparkassen-Finanzgruppe*. In the year under review we also signed the Germany Sustainability Code. As the securities service provider for the German savings banks, we operate sustainably in economic, ecological and social terms, while considering the interests of our customers, employees and owners. The newly established Sustainability Management department coordinates all of the Deka Group's sustainability activities on behalf of the Board of Management.

With the adoption of the "*Dresdner Thesen*" at the 2013 German Savings Bank Conference, the *Sparkassen-Finanzgruppe* refined its strategic approach in several important respects. The German savings banks are characterised by an unique, sustainable business model which can look back on a long and successful history. To ensure they have the scope needed to remain true to their traditions, the *Sparkassen-Finanzgruppe* is committed to an European financial market architecture based on sustainable principles.

Last year, the German Savings Banks and Giro Association entered into a strategic partnership with the German Council for Sustainable Development, thereby sending a strong signal about the importance of sustainability for the Finance Group. At the same time DekaBank, in its role as fully-fledged securities service provider for the German savings banks, signed the German Sustainability Code.

Furthermore, on the basis of strategic guidelines laid down by its owners, DekaBank has developed a new philosophy that embodies a firm commitment to sustainable business development. In so doing, we act unequivocally in the interests of our customers, shareholders and employees. After all, a sustainable business approach not only leads to superior-quality products and services, it also means a healthy risk profile, higher corporate value and better dividend performance. Last but not least, it also increases employee satisfaction, making DekaBank a sought-after employer.

The commitment to sustainability also manifests itself at the organisational level. A Sustainability Management division was created within the Corporate Office & Communications Corporate Centre in March 2013. It coordinates all of the Deka Group's sustainability activities on behalf of the Board of Management and is responsible for maintaining an effective sustainability management system. It also acts as a central unit for all issues relating to sustainability, both for units within the Deka Group and for the companies and institutions of the *Sparkassen-Finanzgruppe*.

We respect the regulatory and social environment, imposing high ethical standards on ourselves and our service offering. We operate in a way that is economically, ecologically and socially sustainable. We make our business model transparent and emphasise its benefits to society.

Internal regulations

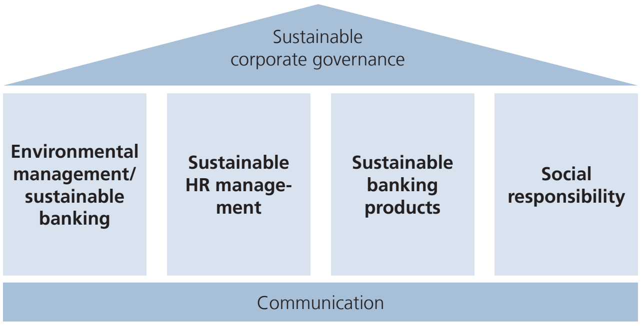
Code of ethics

DekaBank's code of ethics serves as an internal guideline for our activities (https://www.dekabank.de/db/en/company/profile/the_code_of_ethics.jsp). It is continually updated and was fully revised last in 2011. The code is more than just a list of "dont's", prohibiting employees from doing certain things, but rather requiring them to behave actively in ways that are ethically, socially and ecologically sustainable. The code of ethics lays down a binding framework and forms the basis for a corporate culture within the Deka Group that complies with the law, is open, transparent and seeks to add value. This involves, amongst other things, professional, responsible, friendly and trusting cooperation and a commitment to sustainability, diversity, communication and consistent implementation of internal rules and regulations. The code of ethics also includes preventive measures aimed at avoiding economic crime.

Sustainability strategy

Our sustainability strategy involves the practical implementation of ethical, ecological and social objectives as well as principles for corporate governance. It is based on six defined areas of action, which also determine the structure of this report. These are: sustainable corporate governance, environmental management/sustainable banking, sustainable HR management, sustainable banking products, corporate citizenship and communications.

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



Compliance

In common with the financial sector generally, DekaBank depends on the confidence that its customers, shareholders and the public have in its services and integrity. For this reason, observance of compliance standards at all levels of banking operations is increasingly important. To devote necessary attention to this important factor in view of increasing regulatory requirements, DekaBank established a new Compliance Corporate Centre on 1 April 2013. It deals with matters relating to capital-market and real-estate compliance, and is concerned with combating money laundering and terrorism financing, implementing EU sanctions and embargoes and the prevention of fraud and other criminal activities. The Corporate Centre develops Group-wide standards and guidelines on relevant issues relating to compliance and provides training and advice on their implementation. It also plays a key role in projects and processes aimed at fulfilling regulatory requirements and identifying and avoiding potential conflicts of interest. To an increasing extent, the Corporate Centre assumes monitoring and control tasks at all levels of banking operations and is dedicated to systematic management of potential compliance risks.

The Compliance Corporate Centre exerts particular influence right across the Group on the important issue of money laundering prevention. As the parent company, DekaBank ensures compliance with due diligence rules under the German Money Laundering Act (*Geldwäschegesetz*, GwG) and the Banking Act (*Kreditwesengesetz*, KWG) by means of its "Minimum Standards for the Prevention of Money Laundering", so that transparency regarding customers and the underlying shareholder structure is guaranteed both in Germany and in the subsidiaries. This prevents use of opaque forms of business organisation in Switzerland and Luxembourg that could aid tax evasion.

In this way, the Compliance Corporate Centre plays a major role in ensuring that DekaBank acts in the interest of its customers to conform with relevant legal and regulatory requirements and with its own – sometimes even stricter – internal rules and regulations.

Data protection is also a major priority for DekaBank. To avoid conflicts of interest, the Data Protection Officer is independent of the Compliance Corporate Centre and is based in a separate unit in the Legal Affairs Corporate Centre. His responsibilities include providing employees with relevant information on the subject of data protection. This is done using various media, such as the intranet and the Bank's in-house magazine. Staff are also required to take online tests on data protection.

Complaint management

DekaBank attaches great importance to the way in which complaints are dealt with. For this purpose, a Complaint Management unit was set up in October 2003 which follows the stipulations of the European Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS). With its network structure, the Complaint Management unit operates efficiently and in a customer- and sales-oriented way, whilst enjoying the full confidence and proactive support of top management. The networked approach is also appreciated by partners in the *Sparkassen-Finanzgruppe*, who are increasingly contacting DekaBank's Complaint Management unit on a wide range of issues with requests for assistance.

The absolute number of customer complaints within the Group has been declining for several years and now appears to be stabilising at a low level. Compared with the record figure reached in 2008, the number of complaints has fallen by 82 per cent. Against the previous year, the number fell slightly to 5,117 complaints, representing the lowest level since records began in 2004.

In cases where fraud is suspected, DekaBank employs a well-established ombudsman system. The experienced, external ombudsman is available as a point of contact and also leads any investigations that may arise.

Political influence

DekaBank generally lobbies politicians and policy-makers only through the activities of the various associations and organisations to which it belongs. We make our internal expertise available to policy-makers solely through our memberships of these associations, and in the interests of our shareholders. The list of organisations to which DekaBank belongs can be found in the "Communications" section of the Sustainability Report.

As in previous years, DekaBank made no donations to political parties or related organisations in the 2013 financial year.

The code of ethics, sustainability strategy and information on compliance standards are available on our website www.dekabank.de.

External standards and regulations

Global Compact

DekaBank's commitment to sustainable business development is attested by its membership of the Global Compact of the United Nations (UN), which we joined in 2011. We are part of the largest and most important international network for corporate responsibility. Across the globe, more than 7,000 companies as well as employee, human rights, environmental and development organisations have signed up to the UN Global Compact.

By joining the Global Compact, DekaBank also made an official commitment to follow a set of ten core values in its area of influence that were already established within the company as part of our sustainability principles. These values include the protection of human rights, compliance with labour standards and proactive environmental protection. Another key part of the UN Global Compact is the combating of all forms of corruption. DekaBank fulfils these requirements through extensive information, training activities and regular online tests. All employees are required to take part in these initiatives, so as to ensure that anti-corruption activities are firmly established right across the organisation.

The core values of the UN Global Compact provide the basis for sustainability criteria in the investment process, in procurement and in other areas of activity. DekaBank agrees to submit the corresponding reports to the UN Global Compact once a year and publishes a "communication on progress" as a foreword to the Sustainability Report. Explanations regarding the relevant points of the UN Global Compact and the GRI (Global Reporting Initiative) criteria are presented not only in this Sustainability Report but also in the Group Management Report and other sections of the Annual Report. In addition, the information presented in the form of a table in the GRI

Content Index is supplemented by references to the corresponding principles. Further information can be found in the Deka Group's Environmental Report and at www.dekabank.de.

Equator Principles and United Nations Principles for Responsible Investment

By recognising the Equator Principles, DekaBank has also committed itself to upholding ten principles for ethically, socially and ecologically sustainable action as the basis for evaluating its project financing activities. These are based on guidelines issued by the World Bank and the International Finance Corporation. We had already been observing these important international standards in our internal processes for some time before we officially signed up to them in 2011.

In a further demonstration of our commitment to internationally recognised sustainability standards, Deka Investment GmbH became a signatory to the United Nations Principles for Responsible Investment (UN-PRI) in 2012. This involves a binding commitment to regularly review and update the company's sustainability criteria.

UN Global Compact

By joining the Global Compact in February 2011, DekaBank undertakes to implement a set of ten core values in its area of influence.

I. Human rights

Principle 1
Support and respect the protection of international human rights within their sphere of influence

Principle 2
Make sure their own corporations are not complicit in human rights abuses

II. Labour standards

Principle 3
Freedom of association and the effective recognition of the right to collective bargaining

Principle 4
The elimination of all forms of forced labour

Principle 5
The effective abolition of child labour

Principle 6
The elimination of discrimination in respect of employment and occupation

III. Environmental protection

Principle 7
Support a precautionary approach to environmental challenges

Principle 8
Undertake initiatives to promote greater environmental responsibility

Principle 9
Encourage the development and diffusion of environmentally friendly technologies

IV. Anti-corruption

Principle 10
Work against corruption in all its forms, including extortion and bribery

Environmental management/sustainable banking

Corporate responsibility for environmental and climate protection is a factor that affects competitiveness over the long term. Careful use of resources is a compelling way to demonstrate our commitment to sustainability principles. Based on its sense of responsibility for people and the environment, DekaBank has adopted environmental guidelines which it actively communicates within the Deka Group and to business partners and customers. The "Ideas, Complaints, Environmental Management" unit within the Sustainability Management department is responsible for coordinating implementation of various measures relating to environmental protection and ecologically sound use of resources for all divisions at the operating level. It is headed by the Deka Group's Environmental Officer.

DekaBank's environmental management system has complied with the internationally recognised standard ISO 14001 since 2009 and was last re-certified in 2012. All activities relating to environmental management and product ecology were audited by the external environmental consulting firm AGIMUS, which awarded an exceptionally positive rating for the Bank's performance in the area of business administration and individual measures in building management. Using sector-specific environmental indicators in accordance with the VfU (*Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V.*/Association for Environmental Management and Sustainability in Financial Institutions), our environmental management system provides an annual corporate environmental balance sheet, which allows comparisons to be made with the previous year.

By standardising our internal environmental management system in this way, we have also committed ourselves to continual improvement. Data relevant to the environmental balance sheet is collected, stored and monitored across the company. The collated information provides the basis for the annual Environmental Report which presents a regular review of the environmental programme and considers the effectiveness of the adopted measures. It also explains resource savings in a transparent way, providing a measurable indication of the company's environmental performance, including its carbon footprint.

Since it takes time to collect such information – energy data from leased properties, for example – and given the varying degrees of complexity involved in gathering and analysing the data, the Environmental Report is usually published several months after the Sustainability Report. For this reason, the information in the 'Environmental management/sustainable banking' section of the 2013 Sustainability Report relates to the 2012 reporting year unless otherwise indicated. We expect to publish the Environmental Report for the 2013 financial year at the end of 2014.

The latest Environmental Report can be found at www.dekabank.de.

Environmental programme

The Deka Group prepares a new environmental programme each year in accordance with environmental management standard ISO 14001. In the 2012 financial year, this included new environmental objectives and additional measures derived from the results of the previous Environmental Report.

Dialogue on environmental issues

In view of the forthcoming introduction of the Global Reporting Initiative's new G4 reporting standard, DekaBank is keen to deepen dialogue with representatives of various stakeholders. For example, there will be regular discussion of environmental topics with employees and trainees at seminars hosted by the "Ideas, Complaints, Environmental Management" unit, where DekaBank's environmental management system and sustainability activities will be presented.

Another source of information is the environmental management system intranet site, which offers all staff the opportunity to learn more about environmental issues. The website www.umwelt-online.de can also be used to access relevant environmental laws, regulations and their latest updates.

Procurement management

Social, ecological and ethical principles are essential components of a sustainable procurement system. Therefore, DekaBank has drawn up a sustainability declaration which must be incorporated in contractual relationships with contractors and suppliers. It is based on the principles of the UN Global Compact, the Conventions of the International Labour Organization (ILO), the Universal Declaration of Human Rights of the United Nations, the UN Convention on the Rights of the Child, the UN Convention on the Elimination of all Forms of Discrimination, the OECD Guidelines for Multinational Enterprises and the Code of Conduct of the German Association for Materials Management, Purchasing and Logistics (*Bundesverband für Materialwirtschaft, Einkauf und Logistik e. V.*).

The agreement, which is binding on both parties, can be viewed at www.dekabank.de. It contains agreements on the following matters:

- Proactive approach,
- Product contents and declaration of harmful substances,
- Packaging materials,
- Logistics,
- Renewable energy,
- Human rights,
- Elimination of discrimination,
- Health and safety,
- Elimination of forced labour,
- Elimination of child labour,
- Freedom of association,
- Elimination of corruption,
- Behaviour towards competitors.

The first stage of the monitoring process is to incorporate the sustainability declaration into the existing contractual relationships between the Deka Group and its contractors and suppliers. The sustainability declaration already covers a large part of the Group's procurement volume. In particular, it is built into contracts for products purchased by Consulting, Legal Consulting, HR Consulting, Products & Logistics and CREM (Facility Management).

In the categories of IT, Market Data and Marketing & Communications, greater attention will be paid to inclusion of the sustainability declaration in 2014.

Across all product categories, however, it is already clear that the Deka Group has no relationships with suppliers suspected of using forced, compulsory or child labour.

In the second stage of the monitoring process, Procurement Management at the Deka Group seeks to engage in detailed discussions with suppliers and service providers to find out how they address the topic of sustainability and to document outstanding issues in the Procurement Management portal. The information entered on each supplier and service provider is then available for all buyers to use during negotiations.

During the self-registration process, all new suppliers are required to enter mandatory information about environmental protection measures and human rights in the electronic procurement portal. Sustainable items in particular are highlighted in the product catalogue so that employees can identify them easily.

When inviting tenders for building management services, we ensure that suppliers abide by international environmental and social standards. Preference is given to service providers certified by an industry standard seal of approval (for example EMAS, ISO 14001) or a recognised environmental seal of approval. Contractors also undertake to perform the services in accordance with a quality management system complying with ISO 9001 and later standards. As a general principle, specified tasks must be carried out in such a way that the health of those using the building is not put at risk and that minimum ecological requirements and statutory health and safety regulations are met.

Resource consumption, emissions and waste

Our efforts to ensure responsible use of resources focus on our consumption of energy, paper and water and on the amount of waste we produce. When monitoring emissions, we pay special attention to carbon dioxide and other greenhouse gases regulated in the Kyoto Protocol. We report the total amount of direct and indirect greenhouse gases emitted in the year under review and compare it with previous years.

The Deka Group follows recognised standards when gathering and analysing data: we use sector-specific environmental indicators in accordance with the VfU (*Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V.*/Association for Environmental Management and Sustainability in Financial Institutions) and are guided by the GHG Protocol. Within our environmental management system, we use the sustainability software SoFi to monitor the individual material and energy flows and to calculate the relative indicators and CO_2 emissions.

The most important variable when calculating relative environmental indicators is the number of employees, which we obtain from the HR Corporate Centre. Because of the method used for the calculation, this figure may differ from the number of employees stated in the Group Management Report. At our locations in Frankfurt, the number of employees increased by 4% in the 2012 financial year.

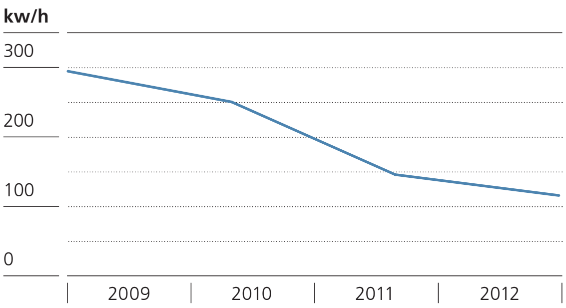
Energy consumption

Among non-manufacturing companies, energy consumption within buildings has the largest direct environmental impact of any factor other than transport. Financial service providers consume large amounts of electricity for data processing, lighting and air-conditioning, and they use fossil fuels or district heating to heat buildings. Savings can be achieved by using energy-efficient technologies, renewable energy and environment-friendly building solutions, while continually motivating employees to acquire energy-saving habits.

Total energy consumption at the four Frankfurt locations remained virtually unchanged in absolute terms compared with the previous year (+0.5%). Since 2009, energy consumption per employee has been declining at nearly all locations.

In line with the decline in overall energy consumption, relative electricity consumption per employee has also been reduced, due not only to better utilisation of space but also to real electricity savings. To ensure this positive trend carries on in future years, the Deka Group's Environmental Management unit recommends continuing the gradual replacement of energy-intensive halogen lights in the Trianon building with LED lights and doing the same in other buildings.

Change in relative total energy consumption per employee [1] *(Fig. 2)*



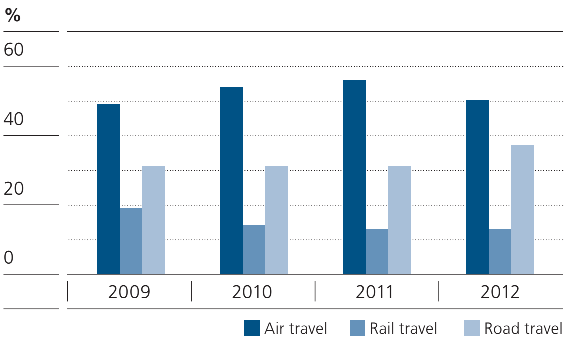
[1] As of 31 December.

Business travel

Mobility is an important success factor in a globalised world whilst also having a significant impact on companies' environmental balance sheets. For the Deka Group, business trips are the most important factor in terms of the volume of carbon emissions caused by the burning of fossil fuels. The biggest impacts come from air travel, followed by road and rail journeys.

The total number of kilometres travelled during the year under review increased by 9% compared to the previous year. There was a small reduction of 3% in flight distances. Flying accounts for half of all business travel, while cars are used to cover more than a third of the total number of kilometres travelled. Long-haul flights are mainly due to increased business activity in countries outside Europe. Rail travel accounts for 13% of total business travel.

Development of modal split of total business travel [1)]
(Fig. 3)



[1)] As of 31 December.

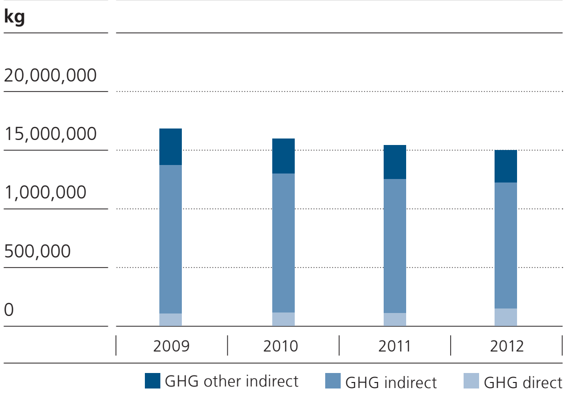
In view of the current climate debate and the fact that every business trip involves a certain loss of productivity to a greater or lesser degree, this topic will be given greater priority in the future. Besides choosing more environment-friendly forms of transport, alternative mobility concepts could also include the avoidance of travel through greater use of modern video and IT technology, thus helping to bring about a sustainable reduction in our carbon footprint.

Greenhouse gas emissions

When detecting and analysing a company's carbon footprint, a distinction is made between direct (scope 1) and indirect (scope 2 and scope 3) emissions. There was a slight overall reduction in the volume of direct and indirect greenhouse gases emitted by the Deka Group at our locations in Germany, Luxembourg and Switzerland during the year under review, to 15,021 tonnes (previous year: 15,475 tonnes).

In the Deka Group, the majority of carbon emissions by far are indirect (scope 2), being caused by the generation of purchased energy. In this category, emissions were reduced in the year under review by a substantial 5.7% to 10,735 tonnes. The second largest factor relates to other indirect emissions (scope 3) caused by upstream and downstream processes in other companies, such as paper manufacturing or passenger transport services used for business trips by Deka Group employees. There was an acceptable reduction in this category as well, of 5.7% to 2,797 tonnes.

Time series analysis of GHG emissions of DekaBank Germany [1)] *(Fig. 4)*



[1)] As of 31 December.

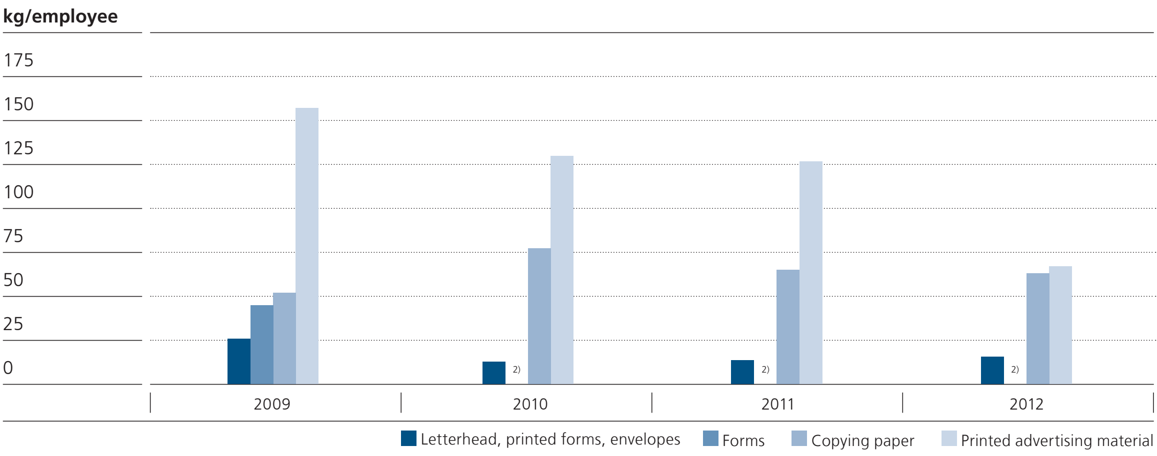
A smaller proportion of the Deka Group's carbon footprint comes from direct emissions, with the diesel emergency generator and the Group's own vehicle fleet being the only contributors in this category. These emissions increased by nearly a third in the year under review to 1,489 tonnes.

Paper consumption

Paper consumption is a key environmental factor for service companies. Consumption of paper has been further significantly reduced thanks to improvements in electronic data processing and advancement of the concept of the paperless office.

In 2012, the Deka Group reduced its paper consumption by a substantial 28% to 527 tonnes, thereby continuing the welcome trend of previous years.

Development of paper consumption per employee by category [1)] *(Fig. 5)*



[1)] As of 31 December.
[2)] According to the competent department, forms are included in the copying paper category.

Almost half of our paper consumption relates to printed advertising and publications. The biggest savings were achieved in this area, with a 45% reduction to 242 tonnes. The other major area is consumption of photocopying paper, where a drop of 1% was recorded to 226 tonnes.

Water consumption

Water consumption in the financial sector is marginal compared with many companies in the manufacturing industry. The Deka Group uses water in its buildings mainly for sanitary facilities, air-conditioning, cooling systems, canteens, office plants and outdoor spaces. The waste water load is therefore small.

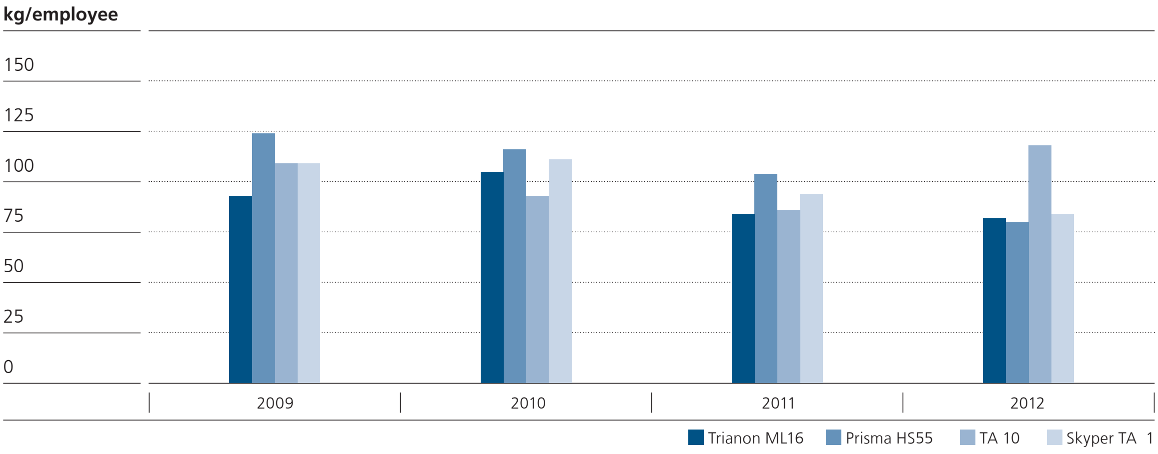
Within the Deka Group water consumption has fallen steadily in recent years. Since 2008, it has declined by around one fifth. In the year under review, the Deka Group recorded a 2% reduction to 36,674 cubic metres.

Waste

Waste avoidance is not just part of the environmental balance sheet; it is also doubly significant from an economic perspective, as it produces savings in terms of resource consumption and also disposal costs. The Deka Group therefore addresses the issue using the "Avoid-Recycle-Dispose" principle.

Across the Group, the volume of waste generated in 2012 fell by 8.3% to 253.2 tonnes. As in previous years, the volume of waste per employee is substantially lower than in other financial institutions. We did not discharge any pollutants such as oil or chemicals.

Development of specific waste accumulation per employee [1] *(Fig. 6)*



[1] As of 31 December.

Other environmental initiatives of the Environmental Management unit

The Deka Group's Environmental Management unit continues its systematic programme of environmental protection activities with a host of individual measures. An encouraging level of environmental awareness is now developing in the relevant units. This manifests itself in numerous spontaneous initiatives that ultimately benefit the environmental protection efforts of the Deka Group as a whole. We have received external confirmation of this fact: the independent environmental consulting firm AGIMUS, for example, has concluded that sustainability and environmental protection are firmly embedded in DekaBank's corporate culture.

Sustainable HR management

Committed, qualified and happy employees are a key factor in DekaBank's success. That is why we place great value on a safe, healthy, trusting, supportive and inclusive working environment. We do not do this simply out of a sense of responsibility for our staff – we believe that it is in the interest of our shareholders as well. This means developing every individual's skills and putting them to use for the benefit of the Bank's overall value-driven strategy. DekaBank employs a lifecycle-based HR management approach to help its staff develop their skills and qualifications in a focused way. A proactive approach to health management, and flexible working hours are also central to DekaBank's HR activities, since they help our employees to achieve a better balance between their working and family lives.

DekaBank's employees need access to the right environment at every stage of their professional lives to enable them to develop both personally and professionally, and remain productive over the long term. Specifically, DekaBank's lifecycle-based HR management approach involves devising measures appropriate to the individual concerned and to each stage of their professional life, adapting them or developing new strategies where necessary, and making these available to employees. By allocating these measures to different categories that reflect the demographic challenges we face, we have developed a holistic and comprehensive system of HR policy measures in alignment with our corporate objectives and the needs of our employees, at whatever stage they are in their life.

DekaBank sees the gradual rise in the average age of Deka Group employees in Germany, from 44.0 in 2010 to 45.1 at the end of 2013, as evidence of its increasing success at integrating older staff into the workforce.

Age profile of active Deka Group employees in Germany *(Fig. 7)*

%	31.12.2010	31.12.2011	31.12.2012	31.12.2013
aged under 20		0.0		
aged between 20 and 24	1.7	1.5	1.1	0.9
aged between 25 and 29	7.8	7.7	6.8	5.9
aged between 30 and 34	16.7	16.0	14.6	12.8
aged between 35 and 39	20.5	18.8	19.1	19.1
aged between 40 and 44	23.3	23.7	22.4	21.3
aged between 45 and 49	17.1	18.7	21.2	22.6
aged between 50 and 54	8.0	8.1	9.1	10.8
aged between 55 and 59	4.0	4.1	4.3	5.3
aged 60 and over	1.0	1.3	1.3	1.3
Average age in years	**44.0**	**44.4**	**45.0**	**45.1**
Number of employees (Individuals)	3,014	3,164	3,241	3,322

HR strategy

During the financial year 2013, changes within Deka Group in becoming the securities service provider for the German savings bank organisation have had major impacts on the areas covered by the HR Corporate Centre and hence also on our HR strategy. The Corporate Centre is actively involved with the changes set in train by this move, providing input into and operational support for the new areas and the organisational changes taking place within the sales areas. It also plays an important part in the "Flexible HR Costs" project that has arisen from this process of change. The objective of this project is to refinance the Deka Group's transformation into the fully-fledged securities service provider for the German savings banks. This involves cutting costs while making better use of the potential already present within the Group, finding flexible ways to target skills where they can be best used.

As part of negotiations with employee representatives, a works agreement was compiled that was fair for all concerned and presents employees a variety of options. All these are voluntary for both parties. They include provisions for early retirement and compromise agreements – with the option of assistance from an external HR consultant specialising in career changes.

DekaBank also believes it is very important to offer employees new career opportunities within the Group. As part of a "job swap" initiative, employees may take on other duties within the Group if they have the appropriate skills.

In line with the principles of our HR strategy, the Corporate Centre supports staff through this process, for example by checking if an individual might need additional qualifications to carry out the new duties and organising this if required, and by providing training on the internal job application process.

DekaBank's HR strategy is founded on a lifecycle-based approach to HR management. It is derived from our business strategy and is subject to an ongoing process of improvement that takes into account the constantly changing market environment and economic, social, political and legal trends. It involves principles that are an enduring part of DekaBank's HR activities and is regularly updated and revised.

The HR Corporate Centre engages in respectful dialogue with the employee representatives within the Deka Group. They are informed at an early stage of any forthcoming changes and are involved in shaping the actual change process. Further information can be found in the "Communications" section of the Sustainability Report (p. 203).

The key areas covered by DekaBank's HR activities are equal opportunities/diversity, work-life balance, health management, remuneration, human resources management, the employer brand and further training. So as to measure the success of the HR strategy, we produce detailed action plans and define concrete milestones with reasonable timeframes.

Diversity brings opportunities

DekaBank sees diversity among its employees as a competitive advantage. The cultural diversity, varying life experiences and talents of our staff correspond with the diversity of our customers. The best way to identify and meet our customers' needs is therefore to encourage our employees to use the knowledge and experience that their personal backgrounds bring for the good of DekaBank. We therefore value and foster equally the individual talents of young and old, men and women, people with and without disabilities, and with different cultural and ethnic backgrounds or sexual orientations.

The proportion of employees with a migrant background is rising slowly but surely, reaching 6.2 per cent by the end of 2013. We have had increasing success in recent years in filling mandatory positions for disabled persons, as shown by our report to the Federal Employment Agency. The quota rose from 50 per cent in 2010 to 54.9 per cent in 2013.

In Germany, the percentage of women in the workforce has remained constant at around 39 per cent since 2010. Although the proportion of men and women we employ has remained steady, the number of women joining the company is significantly lower than the number of men. Overall, fewer women apply for vacant positions.

Total employees (Deka Group Germany) *(Fig. 8)*

Headcount	**31.12.2010**	**31.12.2011**	**31.12.2012**	**31.12.2013**
Women	1,301	1,373	1,400	1,406
Men	1,990	2,086	2,152	2,177
Total employees	**3,291**	**3,459**	**3,552**	**3,583**
Proportion of women (%)	39.5	39.7	39.4	39.2

Proportion of women in management levels (Deka Group Germany) *(Fig. 9)*

%	**31.12.2010**	**31.12.2011**	**31.12.2012**	**31.12.2013**
1. Management (Head of Division)	8.3	8.7	10.7	9.4
2. Management (Head of Department)	8.0	8.8	10.1	11.4
3. Management (Group management)	18.2	20.0	20.3	21.0
Total management	**14.0**	**15.6**	**16.3**	**17.1**

To better reflect the diversity of our employees at the management level, DekaBank has developed a plan for equal opportunities which is regularly evaluated and updated. Its aims include to further increase the proportion of women in management and non-pay-scale positions. Since 2010 there has been a steady rise in the proportion of women in management positions.

We reached a milestone in this process in the 2013 financial year when DekaBank joined the Genderdax community. Genderdax is an information platform for highly qualified women that provides a comprehensive overview of career and development opportunities at selected major companies, small and medium-sized firms and research centres in Germany. Companies can apply to join Genderdax if their HR policies include specific targets for promoting female experts and managers. DekaBank hopes to receive more applications from qualified women as a result of its involvement in the initiative. DekaBank's profile can be viewed at www.genderdax.de.

Work-life balance

An appropriate balance between working and family life is not only an important prerequisite for increasing the proportion of women in management positions, but also valuable in its own right. DekaBank therefore aims to use its lifecycle-based HR management approach to create an environment in which the requirements of our employees' professional and private lives are not mutually exclusive – particularly during the period when they might start a family. This objective is rooted both in our responsibility towards society and the needs of the company, since, in a time where there is an increasing shortage of skilled staff, an inclusive approach towards women who wish to combine children with a career is an important factor in the company's success.

The analysis of the proportion of female employees in the relevant age group provides an indication of the progress that DekaBank has made in this respect. Figures from the Federal Statistics Office show that, throughout Germany, the average age of a mother when her first child was born was 29.2 in 2012. However, the proportion of skilled staff employed by the Deka Group is higher than the average for businesses in other sectors. Given that more highly-qualified staff tend to spend more time in education and training and therefore begin to think about starting a family later, we used a higher age range to evaluate our progress in this area.

At the end of 2013, 24.2 per cent – almost a quarter – of our female employees were under 35 years old. Women under 45 represented 62.3 per cent of female staff. The proportion of male employees under the age of 35 stood at 16.8 per cent, while those under 45 made up 58.6 per cent.

Flexible working time models

To ensure that our staff are able to find the right work-life balance, DekaBank offers special working time models for parents, and take-up of these is very good. Overall, more than 330 different part time models are in place within the Deka Group. The proportion of staff working part time has been rising for a number of years, and among staff in Germany stood at 16 per cent at the end of 2013.

Part-time ratio for employees (Deka Group Germany) *(Fig. 10)*

%	31.12.2010	31.12.2011	31.12.2012	31.12.2013
Women	27.4	29.2	30.5	33.6
Men	4.2	4.5	4.5	5.2
Proportion working part time	**12.9**	**14.0**	**14.2**	**16.0**

We also offer our employees the opportunity to take unpaid holiday, or to save up a balance in their working time account via the Deka-ZeitDepot scheme in order to cover a sabbatical (a longer period of paid leave). Besides offering flexible working hours, DekaBank also gives its employees the opportunity of working from home. If their duties are suited to home working and their line manager approves the change, we provide our employees with the electronic resources they need to do this.

The proportion of Deka Group employees in Germany that were not involved in the time recording system in 2013 was 60.9 per cent (previous year: 59.6 per cent). The proportion of employees not allocated to any working time model, because they were temporary staff or for other reasons, stood at 1.5 per cent (previous year: 1.7 per cent). On average, 54 temporary staff members were employed during the year (previous year: 56).

In addition to offering flexible working time models, DekaBank also provides help with childcare to its employees to make it easier for parents to return to work after the birth of a child. We have 40 crèche and 15 day-care places available, and also provide our staff with free emergency childcare for five days a year. This caters for children between the ages of three and twelve in the event of a problem with parents' usual childcare provision. We also offer advice on childcare arrangements and can arrange places. We help parents of school-age children to manage school holidays by funding holiday programmes for up to ten days a year for each child.

Over the last five years, female DekaBank employees returned to work on average of 14 months after the birth of a child. Since paid parental leave was introduced in 2008, an increasing number of men are now taking this up. On average they spend 2 months at home caring for their children. For the first time, the number of men and women taking parental leave was almost the same in 2013, with 82 men and 84 women taking time off to care for their children.

Caring for family members

Caring for family members is also part of work-life balance. We work with professional advisers to help our employees cope with this complex issue. The "eldercare" advice and arrangement service eases the burden on our employees when it comes to organising, funding and carrying out their caregiving responsibilities. Employees receive these services free of charge, but all additional services, such as caring for family members, are paid for by the employees themselves. The service provider that is mandated by DekaBank works all over Germany, hence is available to employees at all of our sites. The advisory service is available at weekends and on public holidays as well as during the week. We consider this to be a reasonable investment to make, as providing these services helps to reduce absenteeism and prevents staff from becoming preoccupied with these problems while being at work.

DekaBank's family-oriented HR policy has received certification during "work-life" audits on numerous occasions.

Health management

DekaBank's health management system was developed in the context of its lifecycle-based HR management approach as a response to the challenges of demographic change and the associated shortage of specialised staff. We see our responsibility for the physical and mental wellbeing of our employees not just as part of our duty of care as an employer, but also as playing a direct role in the sustainable success of our company.

Since 2011, DekaBank has produced an annual Health Report, documenting our commitment to health management and illustrating new approaches to the issue. The central pillars of our health management approach are exercise, nutrition, medicine/prevention and mental health. DekaBank offers its employees a range of tailored options to choose from under each of these categories.

Exercise

Getting enough exercise is a key component of a healthy lifestyle and promotes productivity. To make it easier for our employees to build regular exercise into their day-to-day routines, DekaBank runs its own Deka Health Centre. Located close to our premises in Frankfurt, it offers employees and their partners the opportunity to take part in a wide range of sporting activities. In addition to gym facilities with modern smartcard-operated cardio and endurance machines, the Deka Health Centre also offers a wide range of classes, programmes focusing on particular areas such as back problems, relaxation loungers and regular health and fitness check-ups. To complete the line-up, we use an affiliated physiotherapy practice to provide massage, physiotherapy and wellness services. Around 250 members use the Deka Health Centre at present. We use partnerships with a range of fitness centre chains to provide these services to our employees outside of Frankfurt.

DekaBank also supports a company sports club that offers a wide range of fitness activities and is very popular with our staff. DekaBank Sport e.V. was founded in 1999, bringing together the company sports associations from DekaBank's predecessors (Deutsche Girozentrale and DekaBank GmbH), and will celebrate its 40th anniversary in 2014. It is available to Deka Group employees, their partners and families, and covers both popular and more specialised sports. The club currently has around 500 members at the Frankfurt and Leipzig sites.

To promote team spirit and shared experiences through exercise, DekaBank supports its employees' participation in a variety of races. The J.P. Morgan Corporate Challenge race through the centre of Frankfurt is an annual sporting highlight and once again several hundred Deka employees took part in 2013.

Nutrition

A balanced diet is an important part of a healthy lifestyle and makes a contribution to wellbeing and productivity. That is why DekaBank attaches great importance to a varied, healthy range of regional food in its subsidised canteens. We also provide free drinking water dispensers on every floor at all our sites.

In addition, we run regular presentations from experts on the topic of healthy nutrition, and once again took part in the "Veggie Day" in 2013. On 25 September 2013 the majority of the food available in our canteens was vegetarian, with a view to raising awareness among our employees about healthy alternatives to excessive meat consumption.

Medicine and prevention

Many illnesses can be avoided by taking targeted preventive measures. This is why we offer all our employees medical care from a company doctor, along with annual flu vaccinations. We also use an external provider to offer our managerial staff a comprehensive check-up. Our health and safety at work expert regularly inspects our offices to evaluate how ergonomic they are, and we run an annual "health day", during which employees can learn about health-related issues and have their blood sugar, cholesterol and blood pressure checked.

Mental health

Changes in working patterns and society mean that employees are increasingly faced with mental rather than physical stress. Stress over a long period does not just have an impact on wellbeing and productivity – it is also detrimental to physical health and plays a particular role in increasing the risk of cardio-vascular diseases. The preservation of mental health is therefore at the heart of DekaBank's health management activities.

We work with professional external counsellors to provide employees experiencing a crisis in their personal or professional lives with fast, efficient help. The Employee Assistance Programme (EAP) gives staff access to strictly confidential counselling 24 hours a day, 365 days a year, either by phone or in person. Employees can contact the service anonymously, and remain anonymous during the counselling if they wish. The EAP also offers managerial staff, management consultants and members of the staff committee and works council expert advice via the same hotline, for example to help them prepare for and deal with the aftermath of difficult conversations.

No workplace health management system can prevent every physical or mental illness. However, any employee wishing to return to work after a long illness can count on help from DekaBank. We offer them advice to help with their re-integration into the workplace, as well as assistance, for example in the form of flexible working hours, while they get used to working again and thereby exceeding legal requirements.

Our continuing low rates of illness are a sign of the success of our health management system and show that our efforts to help employees return to work pay off.

Illness rate (Deka Group Germany) *(Fig. 11)*

%	2010	2011	2012	2013
Illness rate	3.6	3.7	3.7	4.3

The small increase in the average illness rate at Deka Group's locations in Germany is due to high levels of illness in the first quarter of the year and at the start of quarter three.

DekaBank's occupational health management system has also been recognised by external bodies. The Corporate Health Award committee awarded DekaBank its distinction of *Prädikat-Siegel* in 2009, and its *Exzellenz-Siegel* in 2010, 2011 and 2012 for its outstanding work in providing holistic health management. We took second place in the Finance/Insurance category, proving that the Deka Group's health management system is among the best in Germany.

Remuneration

DekaBank's remuneration system provides staff with incentives to keep on performing well. We do this by comparing our remuneration with market levels and offering performance-related bonuses that are proportionate to the level of fixed salaries.

The remuneration system is based on our long-term corporate strategy and is regularly updated to ensure it is in line with current regulatory requirements. We deliberately avoid offering incentives that might lead employees to take disproportionately high risks. For employees whose activities have a material impact on DekaBank's overall risk profile, the variable portion of the remuneration involves assessments and payments spread over several years (deferrals). Besides ensuring that we comply with regulatory requirements, this method also enables us to maintain our corporate value and guarantees long-term success.

The proportion of employees paid under individual, non-tariff contracts rose slightly during 2013, with 60.9 per cent (previous year: 59.6 per cent) now paid on this basis. In such cases, remuneration is based solely on the employee's role and performance. The increasing trend towards highly skilled positions is also reflected in the pay scale breakdown.

Remuneration structure (Deka Group Germany) *(Fig. 12)*

%	31.12.2010	31.12.2011	31.12.2012	31.12.2013
Non-pay-scale remuneration	58.1	58.7	59.6	60.9
Remuneration under collective bargaining agreements	41.9	41.3	40.4	39.1

DekaBank employees have the option of depositing bonus payments, holiday leave and approved overtime in working time accounts that can be used to take early retirement or temporary leaves of absence in the form of a sabbatical.

In addition to the benefits provided by the employer under collective bargaining agreements, DekaBank also grants its employees packages that include capital-forming payments, group accident and corporate travel insurance, a "job ticket" travel card for employees at the locations in Frankfurt am Main, and similar arrangements at other Deka Group sites. Permanent employees also receive a company pension that is largely employer-funded.

In principle, DekaBank does not make a distinction between part-time and full-time staff in terms of the benefits it provides; part-time employees receive benefits on a pro-rata basis.

Details of pension obligations are presented on pages 143 to 146 of the consolidated financial statements.

Resource management and the employer brand

Efficient management of human resources involves finding appropriate candidates for key positions that are critical to the company's success. The aim is to attract the right people, develop them and retain them for the long term. This approach not only demonstrates the far-sighted management culture that forms part of our common understanding of management and leadership, but also makes a valuable contribution to the company's success.

DekaBank promotes a positive view of its employer brand by offering competitive packages and terms, and an attractive working environment. Not only does this help to improve levels of employee satisfaction and hence staff retention, it also has advantages when it comes to competing to acquire the most talented individuals.

We consider employee satisfaction, staff turnover rates and the number of unfilled positions to be quantitative indicators of the success of our resource management activities and employer brand. Regular staff surveys show that the overwhelming majority of DekaBank employees are happy with their jobs and their terms and conditions. The most recent survey was carried out in the autumn of 2013.

The low staff turnover rate is further evidence that DekaBank is seen as an attractive employer. During the 2013 financial year, the staff turnover rate in Germany increased to 4.0 per cent from its previous extremely low level. In spite of this small increase, the rate is still very low in comparison with the rates over the last ten years.

Staff turnover rate (Deka Group Germany)[1] *(Fig. 13)*

%	2010	2011	2012	2013
Women	5.4	4.0	3.0	3.6
Men	5.6	4.8	3.6	4.2
Staff turnover rate	**5.5**	**4.5**	**3.3**	**4.0**

[1] excluding Board of Management, senior managers, temporary staff, trainees, apprentices and interns.

The number of unfilled positions stood at 271.8 as at 31 December 2013, corresponding to 7.2 per cent of all positions in the Deka Group.

Further training

One of the core tasks of DekaBank's HR work is to develop employees' skills at all levels, and in line with our requirements and strategy. We also consider it important to foster a culture of learning. We believe this plays a significant role in helping to keep our employees productive for the long term and in preparing our corporate culture for future challenges.

The process we use to promote personal and professional development is mandatory and transparent. We agree on targets and necessary steps together with our staff, while also setting out personal development paths. Staff have appraisal meetings every year, and we provide them with help to implement the goals agreed during the appraisals and assess them over a period of three years.

DekaBank offers its staff a wide range of opportunities for further training. We make a distinction between training that forms part of an individual's professional activities, for example as part of taking on a project, and training that is not connected with their work. This can include short seminars, for example on topical legal issues, and longer training courses that result in certification.

DekaBank attaches great importance to both specialist and general training, and for this reason the range of training we offer also includes seminars aimed at developing working methods, interpersonal and social skills. We support internal and external training for our employees both financially and by releasing them from work during the training. The level of support available depends on how relevant the training is to the Bank's activities.

Training that is not connected to an individual's usual work is provided via coaching sessions from the "DekaBank Colleg", either individually, in groups or for interdisciplinary teams, depending on what is required. To bring new employees up to date with the latest technical matters and to increase their loyalty to the company at an early stage, DekaBank invites them to attend orientation events. We also provide support for training offered by external providers on top of our own training.

The average financial expenses for further training in Germany during the reporting year amounted to €1,216 per active employee (previous year: €1,133). This figure does not include expenses for further training that took place as part of projects.

DekaBank is conscious of the importance of training places and apprenticeships in view of the demographic changes in our society. In the 2013 financial year, the number of apprentices and trainees within the Deka Group in Germany, including student scholarships, stood at 73 (previous year: 74). We aim to be able to offer continuing employment to apprentices and trainees once their apprenticeship or training is complete. The fact that we treat our junior staff fairly was also recognised by the Absolventa careers network for students, graduates and young professionals during the 2013 financial year, which awarded DekaBank its seal of approval for our career-focused trainee programme.

Our personnel development strategy also involves appropriate support for interns. We therefore participate in the Fair Company initiative run by the Handelsblatt publishing group. As part of this initiative, we are committed to providing graduates with interesting tasks during their internship at DekaBank and a fair chance of permanent employment.

Sustainable banking products

More and more private customers and institutional investors look for high ethical, social and ecological standards when investing money. DekaBank has therefore steadily expanded its range of sustainable investment products in the last few years. We work with renowned experts from the field of responsible investment when selecting securities for products in the Deka-Nachhaltigkeit (Deka Sustainability) fund family and for the Deka-Stiftungen Balance fund. Sustainability aspects also play a key role in the products offered by the Real Estate division. We are convinced that sustainable development not only benefits our environment and society but also opens up opportunities for growth and added value.

Sustainable investments are a key component of the Deka Group's strategic positioning and approach. Deka Investment GmbH has offered sustainable investment products since 2009. By signing up to the UN-PRI we have also officially committed ourselves to fulfilling the United Nations guidelines on environmental, social and corporate governance issues relevant to financial markets. These issues are incorporated into our shareholder policy; for example they determine how we vote at general meetings and we require appropriate disclosure of such issues by companies and entities we invest in. Further information and the full text of the principles can be found at http://www.unpri.org/.

Sales support

The German savings banks (*Sparkassen*) are DekaBank's primary customers. With a network of around 15,300 branches covering almost the entire country, the 417 savings banks are the ideal sales partner for Deka investment funds in the retail segment. DekaBank products allow savings bank customers to achieve their individual investment objectives. Particularly in the current low-interest environment, mutual securities and real estate funds are an essential part of any private investment portfolio. In view of their risk-diversifying effect, they are especially suitable for building up private pensions and thus play an important part in the economy as a whole. For that reason too, we are keen to forge ahead with the repositioning of the *Sparkassen-Finanzgruppe* in securities business.

Encouraging savings bank customers back to investing in securities requires not only attractive products but also expert advice. DekaBank therefore supports the savings banks in many different ways and in all phases of the investment process with product information, market knowledge and a range of training schemes for advisors. We also take some of the pressure off them by continuing to develop advisory tools in DekaNet to help them meet the increased documentation requirements, thus leaving them more time to give individual, tailored advice.

In addition, we maintain ongoing dialogue with savings banks on the subject of sustainability and sustainable investment. Joint investment seminars with speakers from DekaBank have proved doubly beneficial: savings bank customers have the opportunity to learn about different forms of responsible investment, while DekaBank discovers more about customers' needs.

This interaction is a good illustration of the way in which we develop our sustainability strategy, continuously and in step with savings banks and representatives of other stakeholders. DekaBank attaches great importance to open communication. Further details can be found in the "Communications" section.

Asset management in securities

In the retail segment as at 31 December 2013, DekaBank managed sustainable products totalling €1.2bn. For institutional investors, the volume of sustainable investments amounted to just under €3bn.

Sustainable investment products

In view of rising demand, DekaBank has been steadily expanding its range of sustainable products for private investors since 2009. With the Deka-Nachhaltigkeit Equity, Bond and Balance funds and the Deka-Stiftungen Balance fund – all managed in applying a sustainable approach – our customers can target companies that operate sustainably in terms of economic, ecological and social criteria. For these products, Deka Investment GmbH has signed up to the European Transparency Code for Sustainability Funds of the European Sustainable and

Responsible Investment Forum (Eurosif). When selecting securities, Deka Investment works with two renowned partners in the world of responsible investment: the *Institut für Markt-Umwelt-Gesellschaft* (imug) and the Ethical Investment Research Service (EIRIS).

Private investors looking for investments that meet ethical, ecological and social standards can also choose the fund-of-funds DekaSelect: Nachhaltigkeit. Institutional investors generally acquire a portfolio tailored to their requirements from the range of sustainable investments on offer.

Investment principles

We regard sustainable development as safeguarding the future. Sustainability is essential to any attractive investment. We firmly believe that, in the long term, share prices and bond yields are as strongly influenced by environmental and social factors as they are by business and economic considerations.

Funds managed by DekaBank will never invest in companies that manufacture or sell anti-personnel mines or cluster munitions. We have also decided not to issue any products that track the prices of staple foods.

Promotion of sustainable investment

Through our membership and active participation in the Forum for Sustainable Financial Investments (*Forum Nachhaltige Geldanlagen*, FNG), we support an important initiative to inform customers about the opportunities offered by sustainable investments. Our sustainability funds are among the fund profiles listed on the FNG website (http://www.forum-ng.org/en/fng-sustainability-profile/fng-sustainability-profiles.html).

We also support efforts to promote knowledge of sustainability through our involvement in the Bundesverband Investment und Asset Management (BVI). We help to promote the idea of sustainability through talks and published articles and by supporting customer events hosted by savings banks on the subject of sustainability.

Exercise of voting rights

We do not just apply sustainability criteria when choosing fund assets: our position on ethical, social and ecological issues also influences the way we exercise our voting rights. Representing fund investors' interests and exercising voting rights in companies is a responsibility that DekaBank takes very seriously. Voting rights are among the most important rights that shareholders have, therefore we have a duty to use them responsibly.

DekaBank defines its policy in a set of principles, which state that it holds voting rights on trust and exercises them on behalf of fund investors either directly or through proxies.

DekaBank acts exclusively in the interest of the investment fund concerned. Since we are convinced that exemplary corporate governance and sustainable business models increase the value of companies in the long term, we use our active voting policy to pursue these objectives for the benefit of investors.

Real Estate business division

Sustainability plays a key role for the Real Estate business division, since the close relationship between ecology and economy is particularly apparent here. For this reason, sustainability is systematically addressed and firmly embedded in the organisation of the two investment companies Deka Immobilien Investment GmbH and WestInvest GmbH. To ensure this remains the case in the future, during the 2013 reporting year a new body was set up within the Committees and Monitoring unit to coordinate issues relating to sustainability.

Certifications

When selecting real estate properties for investors and tenants, sustainability considerations are playing an increasing role in addition to profitability, security and flexibility. There are both ecological and economic reasons for this. For many commercial tenants, certification of the rental property is a condition of signing a lease agreement, because this usually means lower costs in terms of energy consumption and so on. In addition, occupying a suitably certified property helps the company achieve its own sustainability objectives.

Moreover, since energy-efficient and environment-friendly buildings benefit the environment, tenants and also our investors by delivering good returns over the long term, sustainable development is an important part of our fund strategy in the Real Estate business division.

In many European countries, various consumption figures for buildings are already documented in view of the legal requirement to issue an energy performance certificate. Our own objectives are more ambitious and we seek to have our properties certified by the Green Building Certification Institute (GBCI) and other recognised providers, such as the *Deutsche Gesellschaft für Nachhaltiges Bauen* (German Sustainable Building Council, DGNB), Leadership in Energy and Environmental Design (LEED) and the Building Research Establishment Environmental Assessment Method (BREEAM).

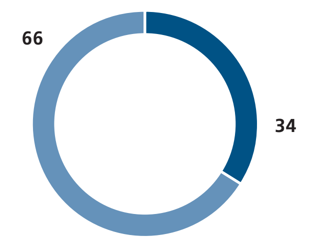
Certificates are issued for buildings that are energy-efficient and therefore eco-friendly, and designed, built and operated in conformity with health standards. Relevant factors for certification include, for example, water efficiency, the materials used and air quality in the building. This not only means that ecological and social requirements are met, but also reduces lifecycle costs for owners.

We obtained numerous new certificates across our entire real estate portfolio in the year under review. The majority of these are in the form of the internationally respected BREEAM seal of approval. BREEAM assessments can be carried out nationally and internationally on all kinds of buildings, for existing properties, new buildings and refurbishments.

The properties of the mutual real estate fund certified during the year under review include the luxury hotel "Jumeirah Port Sóller Hotel & Spa" in Majorca. The hotel belongs to the portfolio of the WestInvest InterSelect fund and has received LEED Gold certification. Deka ImmobilienEuropa further expanded its London operation during the year under review, acquiring the certified "Palestra" building in the up-and-coming sub-market of Southwark on the south bank of the River Thames. The building carries the BREEAM rating "very good". Finally, Deka ImmobilienGlobal increased the percentage of certified properties in its portfolio towards the end of 2013 by obtaining LEED Gold certification for a fully let office building in the business district of Washington D.C. acquired by the fund the previous year.

Property assets in Deka funds [1] *(Fig. 14)*

%



[1] As of 31 December 2013.

Across the entire Deka funds property portfolio, a total of 101 properties with a value of approximately €8.4bn were certified as at the end of the reporting year. This equates to almost 34 per cent of all properties. The proportion of certified properties is expected to reach around 40 per cent by 2015.

Renovations

We generally seek to update the energy concept of properties when renovating them. Following modernisation of the "Poseidon" building on Theodor-Heuss-Allee, Frankfurt am Main, for example, savings of around 50% were achieved on primary energy consumption, while efficiency of use improved by approximately 20%. The renovation made the property a far more comfortable place to work, and the amount of cooling energy consumed has fallen by around 70%. Total electricity consumption has fallen by more than 20% – equivalent to the average annual consumption of approximately 220 private households.

Awards

Our efforts in the field of sustainability have also received numerous awards and accolades from external bodies. Following the annual review of all relevant open-ended real estate funds in Germany by the Scope rating agency, the rating of the WestInvest InterSelect mutual fund was upgraded to "A-" during the year under review. The rating improvement was partly due to a change in the rating method, whereby sustainability considerations were taken into account for the first time and assessed by a separate rating panel. Thanks to a score in this area that was well above average, WestInvest InterSelect was among the best funds. This was confirmed when it came to the Scope Investment Awards in autumn 2013. WestInvest InterSelect and WestInvest ImmoValue were joint winners in the "Sustainable Real Estate Portfolios" category. Scope were impressed by the funds' sustainability strategy and by the orientation of the real estate portfolios. In setting out the reasons for its decision, the jury emphasised that the funds rely on stringent sustainability certification, helping us to achieve the highest ever number of sustainable properties in a portfolio among open-ended property funds.

Asset-management-related lending business

Sustainability and environmental as well as social responsibility are obligatory selection criteria for lending business. These are explicitly assessed when entering into any new business.

We will not support transactions that do not satisfy our sustainability criteria, because we regard them as a business risk. When considering project financing, we are guided by both international standards, such as the Equator Principles and OECD environmental guidelines, and internal requirements such as our sustainability standards and compliance rules.

As part of its business activity, DekaBank acts not only as an independent financier but also as a participant in senior financing projects. In this context, it cannot directly influence the way the borrower manages its business. Nevertheless, DekaBank applies the same sustainability criteria to such projects as for its own financing commitments.

Financing principles

The Deka Group is unwilling to support the financing of suppliers, manufacturers and trading companies connected to arms transactions in countries outside NATO, or financing that gives rise to significant risks for the environment based on OECD environmental guidelines. We will not enter into lending transactions where public reporting about the financing itself or about a business partner or business practice could adversely affect public trust in our Bank in the long term.

DekaBank is not involved in any lending transactions with companies suspected of using forced, compulsory or child labour.

Respect for human rights

Under our sustainability strategy, we always consider the geopolitical context when taking investment decisions. To this end we keep a blacklist of countries where human rights abuses or corruption are commonplace. The list has been in use since mid-2012 and is regularly updated. Opportunities that might arise in such countries are rejected on principle. Our rejection is based on the rules of our sustainability strategy, internal compliance guidelines and risk management standards.

Regional focus

In its lending business, DekaBank favours projects that support the regional economy. This is consistent with DekaBank's place within the *Sparkassen-Finanzgruppe*, whose members are firmly rooted in their local areas. As the securities service provider for the German savings banks, we support this particular business model through our involvement in large syndicated loans and refinancing activities. On the other hand, DekaBank's business policy leaves no room for region-specific market access in lending business – for example in structurally disadvantaged regions.

Corporate citizenship

Corporate citizenship is a cornerstone of DekaBank's sustainability strategy. As a member of the *Sparkassen-Finanzgruppe*, we participate in development projects led by the *Deutscher Sparkassen- und Giroverband* (German Savings Banks and Giro Association) and also support local schemes close to the Bank's headquarters in Frankfurt am Main. Our social commitment is focused on sporting, cultural and social activities at national and international level. DekaBank favours long-term partnerships with reputable institutions.

The *Sparkassen-Finanzgruppe* has been a partner of the German Olympic Sports Confederation (*Deutscher Olympischer Sportbund*, DOSB) since 2008. In the year under review, this commitment was extended until 2016. Under the terms of this partnership, DekaBank uses the DOSB logo in various publications, including its annual report.

Cultural co-sponsorship

A particular focus of the Bank's support for cultural activities is its co-sponsorship of museums. Since 2006 the *Sparkassen-Finanzgruppe*, with the active support of DekaBank, has been an official sponsor, and since 2011 the main sponsor, of the *Staatliche Kunstsammlungen* Dresden museum. Highlights during the year under review included an exhibition entitled "Constable, Delacroix, Friedrich, Goya. A Shock to the Senses" at the *Galerie Neue Meister* (New Masters Gallery) in Dresden and the opening of the new *Riesensaal* (Hall of the Giants) in *Dresden's Residenzschloss* (Royal Palace). Since 2011, the *Sparkassen-Finanzgruppe* has also acted as main sponsor of the *Staatliche Museen* zu Berlin (Berlin State Museums), a museum complex whose diversity and international reputation are unique in Germany. Outstanding exhibitions are sponsored, such as the presentation entitled "Extension of the combat zone: the collection 1968 – 2000" in the *Neue Nationalgalerie* (New National Gallery) or "In the Light of Amarna – 100 Years of the Nefertiti Discovery" at the New Museum on Berlin's "Museum Island".

Evidence of the long-term impact of the *Sparkassen-Finanzgruppe's* and DekaBank's commitment to corporate citizenship provided by the return to public view of Caspar David Friedrich's painting "*Der Watzmann*". In 1937, the Nazi authorities forced the painting's Jewish owners to sell the work to the Berlin National Gallery. After it had been returned to the rightful owner's heirs, DekaBank acquired the painting and placed it on permanent loan to the Berlin State Museums. Although this happened a number of years ago, the work returned to the limelight in the year under review, since it was lent to the Paris Louvre for the well-received exhibition "*De l'Allemagne 1800 – 1939*" (German Thought and Painting, from Friedrich to Beckmann).

Assistance projects of the Deka Group

In choosing which projects to support, DekaBank is guided by the long-standing tradition of the German savings banks with their regional focus and emphasis on the common good. We therefore give preference – not just in the cultural arena – to projects that have a connection with DekaBank's headquarters in Frankfurt, but also have national significance. In the academic sphere, DekaBank's activities are focused on the support provided to the House of Finance at the Goethe University, Frankfurt am Main. DekaBank has undertaken to fund the newly established chair in Sustainable Banking and Finance until 2016. The first holder of the chair is Professor Reint Gropp, PhD.

Institute for Quantitative Capital Market Research

We set a new funding priority in the year under review with the establishment of the Private Institute for Quantitative Capital Market Research (IQ-KAP). This "think tank" brings together respected academics and asset management practitioners from DekaBank. The Institute enables the Bank to play a part in Frankfurt am Main's academic community, whilst also providing a valuable opportunity to assess the latest academic developments and possibly incorporate them into DekaBank's investment process. Furthermore, employees of the Deka Group can publish the results of their work in the Institute's name. This benefits DekaBank's academic profile and also its reputation as an attractive employer.

Company collection

Since 2003, DekaBank has been building up its own collection of international contemporary art, which is displayed at the Deka Group's various sites. The company collection is continually being expanded through the acquisition of works by young artists, particularly those that reflect socially relevant themes and demonstrate the current diversity of artistic forms of expression. Guided tours are regularly held for DekaBank's employees and visitors. To make the collection available to a wider public, we are taking part in an initiative by the Ministry of Economic Affairs, Transport and Regional Development of the state of Hesse entitled "Private art! Hesse companies display their collections". As part of this event, guided tours were held in the Trianon building in the summer of 2013. Works from the DekaBank art collection are also in regular demand as loan collection for exhibitions by museums of international standing.

International Highrise Award

DekaBank has a special interest in promoting architecture, a subject closely related to our Real Estate business division. In 2003, together with the City of Frankfurt am Main and the *Deutsches Architekturmuseum* (German Museum of Architecture, DAM), we co-founded the world's first International Highrise Award (IHA), which is presented every two years. The designs of all the nominated high-rise buildings are subsequently displayed in an exhibition at the DAM. In the year under review this exhibition was also held in the "Skyper" building during the Frankfurt Skyscraper Festival. The next time the award is presented in November 2014, the IHP will be celebrating its tenth anniversary.

Social projects and charities

In the social sphere, DekaBank has a long-standing partnership with the Christian charity for children and young people Die Arche e.V. This organisation now offers after-school care including help with homework at two centres in socially deprived areas of Frankfurt. Another activity with a strong connection to the local area is the campaign known as "Deka – Engagiert vor Ort" (Deka – Making a Local Commitment). This campaign supports causes that employees believe worthwhile or which they themselves are involved in. In 2013, a total of 338 suggestions were received, of which 28 received financial support.

At national level we support the German Golf Charity Cup for the benefit of Deutsche Krebshilfe e.V./Deutsche Kinderkrebshilfe e.V. (German Cancer Aid/German Children's Cancer Aid), in which around 150 golf clubs throughout Germany take part. As in previous years, DekaBank acted as general tournament sponsor in 2013, making a cash donation and awarding non-cash prizes to the competing golfers. There is a logical connection between the excellent work done by the charity and the Bank's asset management business, since German Cancer Aid invests in special funds managed by DekaBank through the *Stifterverband*, the German agency for scientific innovation.

International commitment

Outside Germany, DekaBank provides financial support for the Don Bosco Mission run by the Roman Catholic institute known as the Salesian Society. It helps disadvantaged children and young people in 132 countries through teaching, vocational training and youth work. In the year under review, DekaBank's donation was used in Freetown, the capital of Sierra Leone. It went to the "Fambul: BASICS" project which provides support and advice for street children.

We also stepped up our commitment through a partnership with the Christoph Metzelder Foundation, which likewise supports the Don Bosco Mission. The former professional football player and charity founder lent his voice to an advertising campaign run by DekaBank. Instead of paying him a fee, DekaBank made a donation to the Foundation which was used in a project of the Don Bosco Mission to combat child poverty.

Communications

Regular, structured dialogue with owners and representatives of other stakeholders forms the basis of DekaBank's sustainability strategy. In the spring of 2013, a Sustainability Management department was therefore established within the Corporate Office & Communications Corporate Centre to coordinate all of the Deka Group's sustainability activities on behalf of the Board of Management. It acts as a central unit of contact for ecological, ethical and social issues.

As the securities service provider for the German savings banks, we utilise our owners' expertise to develop our business model. Ideas and information relating to sustainability issues are primarily shared through joint projects and meetings. In this way, we ensure that the activities of DekaBank and other members of the *Sparkassen-Finanzgruppe* are complementary and consistent with one another. DekaBank also holds ad-hoc discussions with representatives of other stakeholders on various aspects of sustainability. Suggestions obtained in this way and the results of intensive market research are incorporated into DekaBank's strategic thinking and policy decisions. For more information about how we share ideas with owners and representatives of other stakeholders, visit www.dekabank.de.

Sustainability Report

Every year, DekaBank publishes a Sustainability Report which forms an integral part of the annual report. The Sustainability Report is prepared on the basis of the Global Reporting Initiative (GRI) Guidelines, including the Financial Services Sector Supplement. The GRI was set up in 1997 with the aim of developing and disseminating internationally recognised guidelines for voluntary reporting of the economic, ecological and social performance of organisations and companies. The companies themselves decide which aspects they take into account and hence the degree of transparency they provide. In the present report, DekaBank complies with GRI Application Level A.

GRI Application Level *(Fig. 14)*

		C	C+	B	B+	A	A+
Mandatory	Self-declared		Report externally assured		Report externally assured	✓	Report externally assured
Optional	Third party checked		Report externally assured		Report externally assured		Report externally assured
Optional	GRI checked		Report externally assured		Report externally assured		Report externally assured

Investors and analysts can obtain information about the GRI Content Index at www.dekabank.de. This provides an overview of all reported GRI indicators, with references to the corresponding DekaBank publications where the relevant information can be found. The GRI Content Index also includes the annual progress report on the principles of the UN Global Compact.

This report covers the 2013 financial year and consequently follows on from the previous report published in April 2012. This does not apply to the "Environmental management/sustainable banking" chapter, which is based on data from the annual Environmental Report. Since the process of collecting and analysing the data contained in the Environmental Report is relatively complex, the Environmental Report is usually published several months after the Sustainability Report. The relevant section therefore relates to the 2012 financial year.

Reviewing and assessing environmental and social risks in the different business divisions is the responsibility of the Sustainability Circle. This committee, set up by DekaBank's Sustainability Management unit, is composed of members of the Corporate Communications department together with managers and experts from specialised units and subsidiaries of the Deka Group, including their sustainability representative.

Dialogue with savings banks

DekaBank works hand-in-hand with its partners in the *Sparkassen-Finanzgruppe* on sustainability issues. To utilise the savings banks' expertise in implementing our sustainability strategy, DekaBank relies on intensive cooperation through specialist advisory committees and sales committees. DekaBank has also been involved in the Sustainability Working Group of the DSGV for many years. During 2013, DekaBank played an active part in drafting the working group's guidelines on preparing a "Report to Society".

The degree of consensus and mutual respect is reflected not least in the growing number of requests for expert opinions on the subject from savings banks and associations. Further proof comes in the form of an invitation to DekaBank to share a platform with the Baden-Württemberg Savings Bank Association. In April 2013, DekaBank's Head of Sustainability Management gave a presentation at the "*Fair Handeln*" (Fair Trade) exhibition in Stuttgart outlining DekaBank's sustainability strategy.

We also organise joint projects and hold meetings with savings banks on a regular basis to share ideas on sustainability issues. In this way we can ensure that our activities are complementary and consistent with one another. In December 2013, the joint signing of the German Sustainability Code by Sparkasse Hannover and DekaBank underlined the extent to which we agree on matters of social, ecological and ethical responsibility.

Dialogue with private customers and institutional investors

Dialogue with savings bank customers and institutional investors is a high priority for DekaBank. To further develop our sustainability strategy, we have to understand investors' needs and requirements. We therefore conduct regular, detailed customer surveys and discuss the results with the management boards, executive staff and customer advisors of the savings banks.

The combined results of this process form the basis for optimising our product and service offering. The insights into investor trends provide important inspiration and ideas for developing our sustainable products.

Dialogue with employees

Dedicated and satisfied employees who identify themselves with the company and are given internal opportunities to develop their knowledge and skills are an important success factor. Together with an independent advisor, we conduct regular staff surveys to review thoughts and attitudes on subjects such as corporate culture, employee satisfaction and management. Around three quarters of all employees took part in the survey launched in autumn 2013 – a participation rate well above sector average. We take this as a sign that staff appreciate the importance DekaBank attaches to employee satisfaction.

Results of the employee survey

The results of the employee survey show that we have many strengths of which we can all be proud: 81% of employees are satisfied with the Deka Group overall and 84% see it as an attractive employer. The highest average scores were achieved in the "Cooperation in the workplace", "Good working conditions" and "Information and communication" sections of the survey.

Communication with employees is a vital aspect of the process of implementing our sustainability strategy. DekaBank's well-established environmental management system relies on continuous dialogue with staff. Regular surveys provide us with new ideas and information for our environmental management activities, whilst also involving the workforce in their implementation.

We also encourage employees to come forward with ideas and suggestions for improvements and reward them for doing so. DekaBank has developed an efficient process for this purpose with its multi-award-winning idea-management system. During the reporting year, about 35 per cent of the suggestions submitted were imple-mented, which means that DekaBank leads the field in this area.

Dialogue with employee representatives

The management and employee representatives of the Deka Group enjoy a relationship based on respect, trust and open dialogue. Our employees are represented by staff committees and works councils (Germany) and the Comité Mixte (Luxembourg). Internally, the Disability Officer and Equal Opportunity Officers can also be contacted in the event of problems in the workplace.

DekaBank is aware that successful change processes depend on openness and transparency. We therefore try to ensure that employee bodies are kept abreast of day-to-day HR activities. All relevant information is passed on to employees as soon as possible by publication in internal company media or via e-mail.

Dialogue with supervisory authorities

As part of its business operations, DekaBank is in regular contact with relevant national and European supervisory authorities. We actively assist with the development of relevant issues and our input is valued by the authorities.

Dialogue with suppliers

We attach great importance to long-term relationships with suppliers and service providers, and they are required to meet the same sustainability criteria as the Deka Group. Binding guidelines for sustainable procurement on both sides form the basis of our business relationship. We also conduct regular discussions with our contractors on all issues relating to sustainability. The quality and success of DekaBank's procurement process are subject to continuous improvement through constructive cooperation with specialist departments and suppliers.

Communication with associations and organisations

As an active member of various associations and organisations, the Deka Group is involved in driving forward the debate on conserving resources and structuring business processes in a socially responsible manner. In this way we help to increase public awareness of sustainability issues. We also exchange ideas with other members on relevant topics.

Through its membership of these organisations, DekaBank makes its expertise available to politicians and policymakers exclusively in the interests of the *Sparkassen-Finanzgruppe*. The following institutions are particularly noteworthy in this context:

- *Bundesverband Investment und Asset Management e. V.*,
- *Bundesverband Öffentlicher Banken Deutschlands e. V.* (Association of German Public Banks),
- *DAI Deutsches Aktieninstitut e. V.* (German Equities Institute),
- *Deutscher Sparkassen- und Giroverband e. V.* (German Savings Banks and Giro Association – DSGV),
- EFAMA – European Fund and Asset Management Association,
- Equator Principles Association,
- *Forum Nachhaltige Geldanlagen* (Forum for Sustainable Financial Investments),
- *Institut der deutschen Wirtschaft* (German Institute for Economic Research),
- *Umweltforum Rhein-Main e. V.* (Rhine-Main Environmental Forum),
- UN Global Compact,
- UN-PRI (Principles for Responsible Investment),

- *Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V.* (Association for Environmental Management and Sustainability in Financial Institutions),
- CRIC Corporate Responsibility Interface Centre e.V.,
- CDP Carbon Disclosure Project,
- WDP Water Disclosure Project.

Dialogue with non-governmental organisations

DekaBank maintains dialogue with various national and international lobby groups and non-governmental organisations (NGOs) concerned with sustainable development. In particular:

- Robin Wood e.V.,
- urgewald e.V.,
- Netwerk Vlaanderen,
- Facing Finance e.V.,
- Bank Track,
- Profundo.

Dialogue with academic institutions

Regular exchange of ideas and information with academic institutions is of great strategic importance for DekaBank, as it allows us to incorporate the latest theoretical findings into our processes. In the reporting year we established a new platform for dialogue with academic institutions, the Private Institute for Quantitative Capital Market Research (IQ-KAP). The Institute is in close contact with the Goethe University of Frankfurt am Main and the House of Finance which is based there, and is assigned to bring respected academics and asset management practitioners from DekaBank together.

Another way in which we promote dialogue with the academic community and drive forward research is through financial support for universities. One example is the endowed chair for Sustainable Banking at the House of Finance at the Goethe University of Frankfurt am Main.

DekaBank also belongs to various non-profit associations and institutions with economic, social and social-science backgrounds that are concerned with issues relating to sustainability.

Dialogue with rating agencies

Comparability is a key criterion for investors, including those looking for sustainability. This presents a major challenge given the different standards applied in sustainability reporting. Rating agencies that specialise in ethical, ecological and social standards provide comparable data and hence make a valuable contribution to the development of sustainable investment.

Their assessments are therefore very important for investors and a key point of reference for the ongoing development of DekaBank's sustainability strategy. Besides carrying out regular reviews, we maintain dialogue with three specialist rating agencies. Our focus centres on the following institutions:

imug

imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH (or imug) is concerned primarily with public-sector and mortgage *Pfandbriefe*, but also institutions providing real estate finance. DekaBank's latest imug rating is "positive" in all three categories (public-sector *Pfandbriefe*, mortgage *Pfandbriefe* and unsecured bonds).

oekom research AG

The oekom rating agency is one of the oldest and most respected institutions in the sustainable investment segment. It confirmed the "prime" status of DekaBank's corporate rating in spring 2012 for the first time. This means that oekom rates DekaBank as an industry leader with regard to sustainability and recommends us to investors who take social and ecological aspects into consideration when investing.

sustainalytics

The Dutch rating agency sustainalytics employs a ranking system. With 66 points, we currently rank 13th among 72 rated companies.

Contacts for questions relating to corporate sustainability reporting:

Johannes Behrens-Türk
Head of Sustainability Management
johannes.behrens-tuerk@deka.de

Dr. Wolfgang Steiniger
Environmental Officer
wolfgang.steiniger@deka.de

Robert Sattler
Sustainability Management Advisor
robert.sattler@deka.de

Shareholders, subsidiaries and associated companies

Shareholders of DekaBank[1] *(as of 1 February 2014)*

DSGV ö. K.[2]	**50%**
thereof:	
Savings Banks Association Baden-Wuerttemberg	7.71%
Rhineland Savings Banks and Giro Association	6.56%
Savings Banks Association Lower Saxony	6.46%
Savings Banks Association Bavaria	6.32%
Savings Banks Association Westphalia-Lippe	6.18%
Savings Banks and Giro Association Hesse-Thuringia	5.81%
Savings Banks Association Rhineland-Palatinate	3.21%
Savings Banks Association Berlin/Landesbank Berlin	1.90%
East German Savings Banks Association	1.83%
Savings Banks and Giro Association for Schleswig-Holstein	1.78%
Savings Banks Association Saar	1.37%
Hanseatic Savings Banks and Giro Association	0.91%
Deka Erwerbsgesellschaft mbH & Co. KG	**50%**
thereof:	
Savings Banks Association Baden-Wuerttemberg	8.41%
Rhineland Savings Banks and Giro Association	7.66%
Savings Banks Association Lower Saxony	2.04%
Savings Banks Association Bavaria	8.40%
Savings Banks Association Westphalia-Lippe	3.69%
Savings Banks and Giro Association Hesse-Thuringia	5.47%
Savings Banks Association Rhineland-Palatinate	1.87%
Savings Banks Association Berlin/Landesbank Berlin	1.57%
East German Savings Banks Association	8.00%
Savings Banks and Giro Association for Schleswig-Holstein	1.48%
Savings Banks Association Saar	0.43%
Hanseatic Savings Banks and Giro Association	1.27%

Subsidiaries and associated companies of DekaBank[3] *(as of 1 February 2014)*

Securities business division	
Deka Investment GmbH, Frankfurt/Main	100.0%
Landesbank Berlin Investment GmbH, Berlin	100.0%
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.0%
Deka International S.A., Luxembourg	100.0%
International Fund Management S.A., Luxembourg	100.0%
Deka Treuhand GmbH, Frankfurt/Main	100.0%
Deka(Swiss) Finanz AG, Zurich	100.0%
S PensionsManagement GmbH, Cologne	50.0%

[1] In relation to the voting rights (subject to rounding differences)
[2] Guarantor
[3] The shares are held directly or indirectly.

Sparkassen Pensionsfonds AG, Cologne	50.0%
Sparkassen Pensionskasse AG, Cologne	50.0%
Deka Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.0%
Dealis Fund Operations GmbH, Frankfurt/Main	49.9%
Heubeck AG, Cologne	45.0%
S Broker AG & Co. KG, Wiesbaden	30.6%
S Broker Management AG, Wiesbaden	30.6%
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	10.0%
Erste-Sparinvest Kapitalanlagegesellschaft mbH, Vienna	2.9%
Real Estate business division	
Deka Immobilien Investment GmbH, Frankfurt/Main	100.0%
Deka Immobilien GmbH, Frankfurt/Main	100.0%
Deka Real Estate Lending k.k., Tokyo	100.0%
Deka Beteiligungs GmbH, Frankfurt/Main	100.0%
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.0%
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.0%
Deka Verwaltungs GmbH, Frankfurt/Main	100.0%
Deka Immobilien Luxembourg S.A., Luxembourg	100.0%
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.0%
Deka Investors Investment AG mit TGV, Frankfurt/Main	100.0%
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.7%
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.9%
Deka-S-PropertyFund No. 1 Beteiligungs GmbH & Co. KG, Frankfurt/Main	12.5%
Capital Markets business division	
True Sale International GmbH, Frankfurt/Main	7.7%
Financing business division	
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.0%
Global Format GmbH & Co. KG, Munich	18.8%
HELICON Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	8.3%
RSU Rating Service Unit GmbH & Co. KG, Munich	6.5%
Corporate Centre Corporate Development	
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.0%
Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main	100.0%
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.0%
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.0%
SIZ GmbH, Bonn	5.0%
Liquiditäts-Konsortialbank GmbH, Frankfurt/Main	2.1%

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

Administrative Board and Board of Management of DekaBank

(as of 1 February 2014)

Administrative Board

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

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

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

Representatives elected by the Shareholders' Meeting

Reinhard Boll
President of the Savings Banks and Giro Association for Schleswig-Holstein, Kiel

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

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

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

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

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

Volker Goldmann
Chairman of the Management Board of Sparkasse Bochum, Bochum

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

Walter Kleine
Chairman of the Management Board of Sparkasse Hannover, Hanover
Member of the Credit Committee

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

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

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

Georg Sellner
Chairman of the Management Board of Sparkasse Darmstadt, Darmstadt
Deputy Chairman of the Audit and Risk Committee

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

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

Johannes Werner
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

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

Theo Zellner
President of the Savings Banks Association Bavaria, Munich

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

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

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

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

Employee Representatives appointed by the Staff Committee

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

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

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

Board of Management

Michael Rüdiger
CEO

Oliver Behrens
Deputy CEO

Dr. Matthias Danne

Martin K. Müller
(from 1 May 2013)

Dr. h. c. Friedrich Oelrich
(to 31 December 2013)

Dr. Georg Stocker

Executive Manager

Manfred Karg

Investment-related committees
(as of 1 February 2014)

Securities business division

Advisory Board Retail

Reinhard Klein
Chairman
Deputy Spokesman of the Management Board of Hamburger Sparkasse AG, Hamburg

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

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

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

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

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

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

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

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

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

Wolfgang Pötschke
Chairman of the Management Board of Sparkasse zu Lübeck AG, Lübeck

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

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

Patrick Tessmann
Member of the Management Board of Berliner Sparkasse, Berlin

Heinz-Dieter Tschuschke
Chairman of the Management Board of Sparkasse Meschede, Meschede

Axel Warnecke
Member of the Management Board of Taunus Sparkasse, Bad Homburg v. d. H.

Guest

Ludger Gooßens
Executive Member of the Management Board of the German Savings Banks and Giro Association e. V., Berlin

(End of the term of office: 31 December 2014)

Advisory Board Institutional

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

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

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

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

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

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

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

Wolfgang Kuhs
Chairman of the Management Board of Sparkasse Vogtland, Plauen

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

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

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

Günter Rauber
Chairman of the Management Board of Sparkasse Wolfach, Wolfach

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

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

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

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

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

(End of the term of office:
31 December 2014)

Corporate Bodies of Subsidiaries – Securities business division

Deka Investment GmbH

Supervisory Board

Oliver Behrens
Chairman
Deputy CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

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

Heinz-Jürgen Schäfer
Offenbach

Board of Management

Victor Moftakhar
Chairman
Andreas Fehrenbach
Frank Hagenstein
Thomas Ketter
Andreas Lau
Dr. Ulrich Neugebauer
Dr. Udo Schmidt-Mohr

Landesbank Berlin Investment GmbH

Supervisory Board

Oliver Behrens
Deputy CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Michael Rüdiger
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Martin K. Müller
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Rainer Mach
Managing Director of DekaBank Deutsche Girozentrale Luxembourg S.A., Luxemburg

Steffen Matthias
Consultant, Berlin

Patrick Tessmann
Member of the Management Board of Berliner Sparkasse, Berlin

Board of Management

Andrea Daniela Bauer
Spokeswoman
Andreas Heß
Dyrk Vieten

DekaBank Deutsche Girozentrale Luxembourg S.A.

Administrative Board

Oliver Behrens
Chairman
Deputy CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Matthias Danne
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Rainer Mach
Managing Director of DekaBank Deutsche Girozentrale Luxembourg S.A., Luxemburg

Michael Rüdiger
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Rainer Mach
Managing Director
Wolfgang Dürr
Patrick Weydert

Deka(Swiss) Finanz AG

Administrative Board

Oliver Behrens
President
Deputy CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Antonio Sergi
Vice-President
Former Member of the Management Board of Banca del Gottardo, Lugano

Bernhard Herdes
Executive Manager of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Georg Stocker
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Michael Albanus
Lutz Kaßmann
Stephan Voehringer

Real Estate business division

Advisory Board Real Estate

Johannes Hüser
Chairman
Chairman of the Management Board of Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück

Dirk Köhler
Deputy Chairman
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

Andrea Binkowski
Chairwoman of the Management Board of Sparkasse Mecklenburg-Strelitz, Neustrelitz

Wolfgang Busch
Deputy Chairman of the Management Board of Sparkasse Hilden · Ratingen · Velbert, Velbert

Toni Domani
Member of the Management Board of Sparkasse Regen-Viechtach, Regen

Peter Dudenhöffer
Deputy Chairman of the Management Board of Sparkasse Germersheim-Kandel, Kandel

Michael Grüninger
Chairman of the Management Board of Sparkasse Stockach, Stockach

Manfred Hegedüs
Chairman of the Management Board of Sparkasse Allgäu, Kempten

Jürgen Hösel
Member of the Management Board of Kreissparkasse Peine, Peine

Jürgen Kiehne
Chairman of the Management Board of Sparkasse Burgenlandkreis, Zeitz

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

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

Mike Stieler
Chairman of the Management Board of Sparkasse Sonneberg, Sonneberg

Dr. Hariolf Teufel
Chairman of the Management Board of Kreissparkasse Göppingen, Göppingen

Ulrich Voigt
Member of the Management Board of Sparkasse KölnBonn, Cologne

Jürgen Wagenländer
Member of the Management Board of Sparkasse Schweinfurt, Schweinfurt

Reinhold Wintermeyer
Deputy Chairman of the Management Board of Sparkasse Oberhessen, Friedberg

(End of the term of office: 31 December 2014)

Corporate Bodies of Subsidiaries – Real Estate business division

Deka Immobilien GmbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Georg Stocker
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Michael Rüdiger
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Ulrich Bäcker
Burkhard Dallosch
Torsten Knapmeyer
Thomas Schmengler

Deka Immobilien Investment GmbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Michael Rüdiger
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Wolfgang G. Behrendt
Burkhard Dallosch
Torsten Knapmeyer
Dr. Albrecht Reihlen

WestInvest Gesellschaft für Investmentfonds mbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Michael Rüdiger
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Burkhard Dallosch
Benjamin Klisa
Torsten Knapmeyer
Mark Wolter

Savings Banks Sales

Regional Fund Committees for Savings Banks

Regional Fund Committee for Savings Banks North/East I

Erzgebirgssparkasse, Annaberg-Buchholz
Sparkasse Celle, Celle
Sparkasse Chemnitz, Chemnitz
Nord-Ostsee Sparkasse, Flensburg
Sparkasse Mittelsachsen, Freiberg
Sparkasse Gifhorn-Wolfsburg, Gifhorn
Sparkasse Göttingen, Göttingen
Saalesparkasse, Halle (Saale)
Sparkasse Harburg-Buxtehude, Hamburg
Sparkasse Hannover, Hanover
Sparkasse Hildesheim, Hildesheim
Förde Sparkasse, Kiel
Sparkasse Leipzig, Leipzig
Sparkasse Lüneburg, Lüneburg
Stadtsparkasse Magdeburg, Magdeburg
Sparkasse Südholstein, Neumünster
Sparkasse Osnabrück, Osnabrück
Sparkasse Vogtland, Plauen
Kreissparkasse Herzogtum Lauenburg, Ratzeburg
Sparkasse Meißen, Riesa
Sparkasse Schaumburg, Rinteln
OstseeSparkasse Rostock, Rostock
Kreissparkasse Syke, Syke
Kreissparkasse Verden, Verden
Sparkasse Zwickau, Zwickau

Regional Fund Committee for Savings Banks North/East II

Stadtsparkasse Bad Pyrmont, Bad Pyrmont
Stadtsparkasse Bad Sachsa, Bad Sachsa
Stadtsparkasse Barsinghausen, Barsinghausen
Kreissparkasse Bautzen, Bautzen
Kreissparkasse Anhalt-Bitterfeld, Bitterfeld-Wolfen
Bordesholmer Sparkasse AG, Bordesholm
Sparkasse Bremerhaven, Bremerhaven
Sparkasse Jerichower Land, Burg
Stadtsparkasse Burgdorf, Burgdorf
Stadtsparkasse Cuxhaven, Cuxhaven
Stadtsparkasse Dessau, Dessau-Roßlau
Kreissparkasse Grafschaft Diepholz, Diepholz
Sparkasse Elmshorn, Elmshorn
Sparkasse Goslar/Harz, Goslar
Sparkasse Muldental, Grimma
Stadtsparkasse Hameln, Hameln
Sparkasse Hohenwestedt, Hohenwestedt
Sparkasse zu Lübeck AG, Lübeck
Sparkasse Wittenberg, Lutherstadt Wittenberg
Sparkasse Ostprignitz-Ruppin, Neuruppin
Sparkasse Mecklenburg-Strelitz, Neustrelitz
Sparkasse Nienburg, Nienburg
Sparkasse Osterode am Harz, Osterode
Sparkasse Parchim-Lübz, Parchim
Kreissparkasse Peine, Peine
Sparkasse Altmark West, Salzwedel
Sparkasse Scheeßel, Scheeßel
Sparkasse Mecklenburg-Schwerin, Schwerin
Sparkasse Niederlausitz, Senftenberg
Sparkasse Stade-Altes Land, Stade
Sparkasse Uelzen Lüchow-Dannenberg, Uelzen
Stadtsparkasse Wedel, Wedel
Sparkasse Wilhelmshaven, Wilhelmshaven

Further Members North/East I + II

East German Savings Banks Association, Berlin
Hanseatic Savings Banks and Giro Association, Hamburg
Savings Banks Association Lower Saxony, Hanover
Savings Banks and Giro Association for Schleswig-Holstein, Kiel

Regional Fund Committee for Savings Banks Mid I

Sparkasse Westmünsterland, Ahaus and Dülmen
Taunus Sparkasse, Bad Homburg
Sparkasse Mittelmosel – Eifel Mosel Hunsrück, Bernkastel-Kues
Sparkasse Bielefeld, Bielefeld
Sparkasse KölnBonn, Cologne
Sparkasse Darmstadt, Darmstadt
Sparkasse Paderborn-Detmold, Detmold and Paderborn
Sparkasse Dortmund, Dortmund
Sparkasse Düren, Düren
Sparkasse Duisburg, Duisburg
Sparkasse Mittelthüringen, Erfurt
Sparkasse Essen, Essen
Frankfurter Sparkasse, Frankfurt/Main
Sparkasse Oberhessen, Friedberg
Sparkasse Fulda, Fulda
Sparkasse Gera-Greiz, Gera
Sparkasse Gießen, Gießen
Kreissparkasse Groß-Gerau, Groß-Gerau
Sparkasse Hagen, Hagen
Sparkasse Hanau, Hanau
Sparkasse Herford, Herford
Kreissparkasse Steinfurt, Ibbenbüren
Kasseler Sparkasse, Kassel
Sparkasse Koblenz, Koblenz
Sparkasse Lemgo, Lemgo
Sparkasse Leverkusen, Leverkusen
Sparkasse Krefeld, Krefeld
Sparkasse Minden-Lübbecke, Minden
Sparkasse Mülheim an der Ruhr, Mülheim/Ruhr
Sparkasse Münsterland Ost, Münster
Sparkasse Neuwied, Neuwied
Kreissparkasse Saarlouis, Saarlouis
Sparkasse Langen-Seligenstadt, Seligenstadt
Sparkasse Siegen, Siegen
Stadt-Sparkasse Solingen, Solingen
Sparkasse Trier, Trier
Sparkasse Hilden · Ratingen · Velbert, Velbert
Sparkasse Wetzlar, Wetzlar
Nassauische Sparkasse, Wiesbaden
Stadtsparkasse Wuppertal, Wuppertal

Regional Fund Committee for Savings Banks Mid II

Sparkasse Attendorn-Lennestadt-Kirchhundem, Attendorn
Sparkasse Wittgenstein, Bad Berleburg
Sparkasse Bad Hersfeld-Rotenburg, Bad Hersfeld
Stadtsparkasse Bad Honnef, Bad Honnef
Stadtsparkasse Bad Oeynhausen, Bad Oeynhausen
Sparkasse Bensheim, Bensheim
Stadtsparkasse Blomberg/Lippe, Blomberg
Stadtsparkasse Bocholt, Bocholt
Sparkasse Bottrop, Bottrop
Stadtsparkasse Delbrück, Delbrück
Wartburg-Sparkasse, Eisenach
VerbundSparkasse Emsdetten-Ochtrup, Emsdetten
Sparkasse Odenwaldkreis, Erbach
Sparkasse Finnentrop, Finnentrop
Sparkasse Gronau, Gronau
Sparkasse Grünberg, Grünberg
Sparkasse Gütersloh, Gütersloh
Stadt-Sparkasse Haan (Rheinl.), Haan
Kreissparkasse Halle (Westfalen), Halle (Westphalia)
Sparkasse Starkenburg, Heppenheim
Kreissparkasse Saarpfalz, Homburg
Sparkasse Arnstadt-Ilmenau, Ilmenau
Sparkasse Iserlohn, Iserlohn
Sparkasse Jena-Saale-Holzland, Jena
Sparkasse Waldeck-Frankenberg, Korbach
Stadtsparkasse Lengerich, Lengerich
Sparkasse Lüdenscheid, Lüdenscheid
Sparkasse Mainz, Mainz
Kreissparkasse Mayen, Mayen
Sparkasse Neunkirchen, Neunkirchen
Sparkasse Olpe-Drolshagen-Wenden, Olpe
Stadtsparkasse Rahden, Rahden
Sparkasse Rietberg, Rietberg
Kreissparkasse Saalfeld-Rudolstadt, Saalfeld
Kreissparkasse Schlüchtern, Schlüchtern
Sparkasse Sonneberg, Sonneberg
Sparkasse Sprockhövel, Sprockhövel
Kreissparkasse St. Wendel, St. Wendel
Stadtsparkasse Versmold, Versmold
Verbands-Sparkasse Wesel, Wesel

Further Members Mid I + II

Rhineland Savings Banks and Giro Association, Düsseldorf
Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main and Erfurt
Savings Banks Association Rhineland-Palatinate, Budenheim
Savings Banks Association Westphalia-Lippe, Münster
Savings Banks Association Saar, Saarbrücken

Regional Fund Committee for Savings Banks South I

Kreissparkasse Ostalb, Aalen and Schwäbisch Gmünd
Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach
Stadtsparkasse Augsburg, Augsburg
Sparkasse Bad Tölz-Wolfratshausen, Bad Tölz
Sparkasse Zollernalb, Balingen
Kreissparkasse Biberach, Biberach
Kreissparkasse Böblingen, Böblingen
Sparkasse Kraichgau, Bruchsal
Stadt- und Kreissparkasse Erlangen, Erlangen
Kreissparkasse Esslingen-Nürtingen, Esslingen
Sparkasse Freiburg-Nördlicher Breisgau, Freiburg
Sparkasse Bodensee, Friedrichshafen and Konstanz
Kreissparkasse Göppingen, Göppingen
Sparkasse Heidelberg, Heidelberg
Kreissparkasse Heilbronn, Heilbronn
Sparkasse Allgäu, Kempten
Kreissparkasse Ludwigsburg, Ludwigsburg
Sparkasse Rhein Neckar Nord, Mannheim
Sparkasse Memmingen-Lindau-Mindelheim, Memmingen
Sparkasse Offenburg/Ortenau, Offenburg
Sparkasse Passau, Passau
Sparkasse Pforzheim Calw, Pforzheim
Kreissparkasse Ravensburg, Ravensburg
Kreissparkasse Reutlingen, Reutlingen
Kreissparkasse Rottweil, Rottweil
Sparkasse Schwäbisch Hall - Crailsheim, Schwäbisch Hall
Baden-Württembergische Bank, Stuttgart
Sparkasse Tauberfranken, Tauberbischofsheim
Kreissparkasse Tuttlingen, Tuttlingen
Sparkasse Schwarzwald-Baar, Villingen-Schwenningen
Kreissparkasse Waiblingen, Waiblingen
Sparkasse Hochrhein, Waldshut-Tiengen
Sparkasse Mainfranken Würzburg, Würzburg

Regional Fund Committee for Savings Banks South II

Sparkasse Aichach-Schrobenhausen, Aichach
Sparkasse Amberg-Sulzbach, Amberg
Sparkasse Bad Kissingen, Bad Kissingen
Sparkasse Bonndorf-Stühlingen, Bonndorf
Sparkasse Bühl, Bühl
Sparkasse im Landkreis Cham, Cham
Sparkasse Deggendorf, Deggendorf
Kreis- und Stadtsparkasse Dinkelsbühl, Dinkelsbühl
Sparkasse Rottal-Inn, Eggenfelden
Sparkasse Engen-Gottmadingen, Engen
Sparkasse Forchheim, Forchheim
Kreissparkasse Freudenstadt, Freudenstadt
Sparkasse Freyung-Grafenau, Freyung
Sparkasse Gengenbach, Gengenbach
Sparkasse Haslach-Zell, Haslach im Kinzigtal
Kreissparkasse Heidenheim, Heidenheim
Kreissparkasse Höchstadt a. d. Aisch, Höchstadt/Aisch
Sparkasse Hanauerland, Kehl
Sparkasse Hochschwarzwald, Kirchzarten and Titisee-Neustadt
Sparkasse Lörrach-Rheinfelden, Lörrach
Stadt- und Kreissparkasse Moosburg a. d. Isar, Moosburg
Sparkasse Neckartal-Odenwald, Mosbach
Sparkasse Markgräflerland, Müllheim and Weil am Rhein
Sparkasse Neuburg-Rain, Neuburg
Sparkasse Neumarkt i. d. OPf.-Parsberg, Neumarkt i. d. OPf.
Sparkasse Rothenburg o. d. T., Rothenburg
Sparkasse Schopfheim-Zell, Schopfheim
Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Sigmaringen
Sparkasse Singen-Radolfzell, Singen
Sparkasse Staufen-Breisach, Staufen
Kreis- und Stadtsparkasse Wasserburg am Inn, Wasserburg/Inn
Sparkasse Oberpfalz Nord, Weiden i. d. OPf.
Sparkasse Wolfach, Wolfach

Further Members South I + II

Savings Banks Association Bavaria, Munich
Savings Banks Association Baden-Wuerttemberg, Stuttgart

Glossary

Added value contribution
Sum of economic result and payments to the alliance partners. The added value contribution is an indicator of the added value that the Deka Group generates for the savings banks which are its owners.

Advanced measurement approach (AMA) for operational risks
With this approach, the regulatory equity cover for operational risks is calculated using an internal risk model. Equity cover is determined on a VaR basis with a confidence level of 99.9% and a monitoring period of one year.

Advisory/management mandate
External fund which is managed by an investment company (KVG) of the Deka Group. For advisory mandates, the KVG acts only as an adviser, i.e. the external management company must verify compliance with investment regulations in advance. For management mandates, however, investment decisions are made, verified and implemented by the KVG of the Deka Group. For asset management mandates, investors' assets are managed in line with their individual investment goals and in compliance with all restrictions following the conclusion of an asset management contract.

Asset-backed securities (ABS)
Securities (mainly bonds or promissory note loans) issued by a special purpose vehicle and secured by assets (primarily receivables). ABS paper is issued in different tranches, which are subordinate to each other. The claims to repayment and interest for the respective senior tranches are serviced first from the incoming payments received by the special purpose vehicle (waterfall principle).

Assets under Management (AuM)
AuM essentially comprise the income-relevant volume of mutual and special fund products in the Securities business (including ETF index funds) and the Real Estate business divisions, direct investments in cooperation partner funds, the share of fund-based asset management attributable to cooperation partners, third party funds and liquidity, the advisory/management mandates as well as advisory from the master fund.

Balance sheet lending
Transactions in which different refinancing cost levels (liquidity spreads) are traded between banks.

Collateralised debt obligation (CDO)
Securitisation backed by a diversified portfolio – consisting mostly of receivables from loans and bonds. As a rule, a CDO is split into various tranches of different creditworthiness. The CDO is a special form of ABS.

Collateralised loan obligation (CLO)
Securitisation whose performance depends on a portfolio of corporate loans. The CLO is a sub-form of the CDO.

Collateralised synthetic obligation (CSO)
Securitisation whose performance depends on a portfolio of credit default swaps (CDS). A variant of this product group is the bespoke CSO where the portfolio is directly agreed between the arranger and the investor.

Commercial mortgage-backed securities (CMBS)
Securities collateralised by the cash flows from a mortgage or a pool of mortgages on commercial property.

Commission business
Trading and processing of financial instrument transactions on behalf of customers (bank trading on behalf of third party).

Confidence level
Probability that a potential loss will not exceed an upper loss limit defined by means of the value-at-risk (VaR).

Constant proportion portfolio insurance (CPPI)
Dynamic portfolio insurance concept facilitating participation in rising markets with simultaneous protection against losses in nominal value depending on an asset allocation strategy agreed in advance. The extent of investment is managed so that in the event of a worst case scenario, the minimum portfolio value does not fall below a predetermined level.

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

Correlation
A correlation reveals the extent of synchronisation by indicating both the strength and direction of the relationship between two risk factors. The standard sizes of a correlation range in value between – 1 (perfect negative correlation) and + 1 (perfect positive correlation).

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

Credit default swap (CDS)
A credit default swap is a credit derivative for trading default risks on loans, bonds or borrower names. Normally, the protection buyer pays a regular (often quarterly or half-yearly) fee and when the credit event defined on contract conclusion takes place, e.g. default on a payment due to the insolvency of the borrower, the protection buyer receives a compensation payment from the protection seller. The CDS is similar to a loan insurance transaction and gives banks and other investor groups a flexible instrument for trading credit risks and hedging portfolios.

ECA cover
Cover for receivables under export credit agreements provided by a state-organised export credit agency (ECA). With regard to export financing, DekaBank focuses on ECA-covered business.

Economic result
As a central control variable, together with economic risk, the economic result forms the basis for risk/return management in the Deka Group and is, in principle, determined in accordance with accounting and measurement policies of the IFRS reporting standards. As well as net income before tax, the economic result includes changes in the revaluation reserve before tax as well as the interest rate and currency related valuation result from original lending and issuance business, which are not recognised in the income statement under IFRS but are, however, relevant for assessing the income situation. Furthermore, the economic result takes into account potential future charges, the occurrence of which is regarded as possible in the future, but which cannot be recognised in IFRS reporting at the present point in time due to the lack of sufficient reliability. The economic result is therefore a control variable on an accrual basis whose high level of transparency enables recipients of the external financial reporting to consider the company from the management perspective.

Equity method
The shares in associated companies or joint ventures are included in the consolidated balance sheet when they have a material impact on acquisition costs. In subsequent years, the equity figure carried in the balance sheet is updated by the Group share of changes in the associated company's equity. The proportional net income of the relevant company is posted to the consolidated income statement as income from equity investments.

Exchange traded fund (ETF index funds)
Exchange traded investment fund, which is usually managed passively and often reflects a market index (index fund). ETF index funds are suitable for implementing different investment concepts and they facilitate targeted strategies, such as core-satellite investments, reporting portfolios as liabilities and interest management. They offer added value, particularly for institutional investors.

Exposure
In the monitoring of credit risks, exposure is understood as the sum of all risk positions involved in the transactions of an economic borrower group with the constituent partners.

Fair value
The amount at which an asset is exchanged between knowledgeable, willing parties in an arm's length transaction or the amount at which a liability can be paid. Depending on the case in question, the value concept is fleshed out by measures of value, such as market value, or in the absence of such a benchmark, by internal valuation models.

Fair value hedge
This primarily concerns fixed-interest items (e.g. loans or securities) that can be hedged against changes in fair value by derivatives.

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

Fund-based asset management
Generic term for structured investment products such as funds-of-funds and fund-linked asset management products.

Funding matrix (FM)
The funding matrix divides the incoming and outgoing cash flows from all transactions into maturity bands based on maturity dates for all portfolios and adds these to the net payment flows. This is compared to the liquidity potential and forms the balance.

Fund-of-funds
Investment funds that invest indirectly in securities, i.e. via other funds. The investment policy of funds-of-funds is mostly geared to the steady reproduction of a certain portfolio structure on the basis of a defined chance/risk profile.

Goodwill
In a shareholding acquisition or a company takeover, the difference arising from offsetting the acquisition cost against the fair value of assets and liabilities is called goodwill.

Hybrid capital
Mixed form of borrowed capital and equity making it possible to find an optimum position in balancing interests between the desire to assume risk and the constraints placed on corporate management. Typical representatives of hybrid capital are secondary loans, silent capital contributions or participating certificates.

IFRS (International Financial Reporting Standards)
In addition to the standards designated as IFRS, "IFRS" also includes the existing International Accounting Standards and the interpretations of the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC), as well as the Standards and Interpretations to be published by the IAS Board in the future.

Impairment
Unplanned write-down of asset values such as goodwill, receivables and property, plant and equipment due to anticipated decline in value of the corresponding assets.

MaRisk (German minimum requirements for risk management)
Mandatory requirement by the German Federal Financial Supervisory Authority (BaFin) for the risk management practices of German credit institutions. As the supervisory authority, BaFin provides concrete details regarding Section 25a Para. 1 of the German Banking Act (KWG) in the minimum requirements for risk management.

Master KVG
An investment company functioning as a specialised service KVG (capital investment company) in which it outsources portfolio management tasks for individual mandates to various external asset managers but prepares a consistent series of reports for institutional investors. This enables institutional investors to bundle all their administered assets with a single investment company.

Multi asset fund
Mixed fund which invests in a broad mix of different asset classes – for example, equities, fixed-interest securities and commodities – and uses a comprehensive range of instruments, such as direct investments, funds and derivatives. The portfolios of fund products can therefore be aligned with the most attractive investment options in the various market phases.

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

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

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

OR claim
From the standpoint of the Deka Group, an OR claim is an unintended event which is associated with a negative change in assets (payment-related amounts, internal use of resources and/or opportunity costs) and which primarily results from the materialisation of an operational risk.

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

Primary/secondary cover potential
The primary cover potential consists of the total risk-bearing capacity less the secondary risk cover potential (capital buffer for potential stress situations and capital buffer for pension commitments). To ensure that no subordinated liabilities are taken into account in the risk-bearing capacity for the purposes of the primary risk cover potential, the capital buffer for potential stress situations must always be greater than the subordinated capital components of the total risk-bearing capacity.

Primary/secondary market
The primary market (otherwise known as the new issue market) is the capital market for the initial issue of securities. Trading of issued securities, especially bonds and shares, occurs on the secondary market (usually in organised trading on securities exchanges).

Rating
Standardised creditworthiness/risk assessment of companies, countries or the debt instruments that they issue based on standardised qualitative and quantitative criteria. From a bank's point of view, the result of the rating process provides the basis for establishing the probability of default, which must in turn be incorporated in calculating equity requirements for the credit risk. Ratings can be issued by the bank itself (internal ratings) or by specialised rating agencies such as Standard & Poor's or Moody's (external ratings).

Ratio of intra-alliance business
Proportion of Deka Group products in the total fund sales of the savings banks and *Landesbanken* as a measure of acceptance in the *Sparkassen-Finanzgruppe*.

Repo/lending transactions
Repo transactions are repurchase agreements (securities repurchase agreements). As part of repo transactions, securities are sold and at the same time repurchase is agreed at a fixed date and price stipulated ex ante. Securities lending involves lending securities for a specific period of time in return for payment. In some cases, the lender makes securities available.

Residential mortgage-backed securities (RMBS)
Securities collateralised by the cash flows from a mortgage or a pool of mortgages on residential property.

Return on equity (RoE)
Economic result divided by equity including atypical silent capital contributions. The RoE also reflects the payment of interest on capital provided by shareholders.

Revaluation reserves
Revaluation reserves include fair value valuation effects from financial instruments in the available for sale category and deferred tax effects, while not affecting net profit.

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

Securities finance
Covers all repo and securities lending transactions as well as securities lending substitute transactions with derivatives. Repos are repurchase agreements concluded as part of a repurchase agreement transaction (securities repurchase agreement). Under a repo, securities are sold and an agreement is reached at the same time to repurchase them on a fixed date at a price defined ex ante. In securities lending transactions, securities are loaned for a limited period of time in return for a fee. If necessary, the borrower furnishes collateral.

Self-assessment
Within the scope of the Deka Group's scenario-based self-assessment, assessors regularly identify operational risks on a structured basis in the form of loss scenarios and, using interval estimates, assess the probability of those scenarios occurring as well as the amount of the loss.

Sensitivities
Sensitivities are ratios which reflect changes in market value in response to the change in an individual risk factor.

Sensitivity-based Monte Carlo simulation
Method used to determine the value-at-risk. As part of this approach, the portfolio-related risk factors are simulated as random (stochastic) processes. The variations in the risk factors are assumed to be on the basis of normal distribution, although they also reflect historically observed correlations between risk factor changes.

Spread
Difference between the purchase price and the selling price of certain financial products (e.g. foreign currency, certificates, futures etc.).

Sustainability
Deka Group uses the definition of the term by the World Commission on Environment and Development, a United Nations organisation, from 1987 as the guiding principle of its activities relating to developing a sustainable business model: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Syndication/syndicated loan
A loan collectively awarded by a group of banks (consortium), otherwise known as a consortium loan. Syndication provides an opportunity for several banks to share the overall risk involved in a loan.

Utilisation of risk-bearing capacity
Indicator of the relationship between the group risk (business, market price, credit, shareholding, property, property fund risk and operational risk) and the cover potential.

Value-at-risk
The value-at-risk identifies the maximum possible loss that might arise within a prescribed period (= holding period, for example 10 days) and confidence level (for example 95%) in the event of the assumed changes in market parameters (interest rates, currencies and share prices etc.).

Variance-covariance method
Procedure for determining the value-at-risk. In the context of this method, which is also known as the parametric, analytic or delta-normal method, risk factor volatilities and correlations are used to determine the value-at-risk. It is assumed that the fluctuations in the risk factors conform to a normal distribution.

Volatility
Measure of the fluctuation intensity of a risk factor over a predefined period. A distinction is made between historical and implied volatility.

Wertpapierhaus
DekaBank is the fully-fledged securities service provider (the *Wertpapierhaus*) of the *Sparkassen-Finanzgruppe*. In this capacity, it offers the combined expertise of asset manager, financier, issuer, structurer, liquidity platform, clearing partner and custodian bank.

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Internet website
The Annual Report 2013 can be found on our website, including as an interactive online version, at www.dekabank.de under "Investor Relations/Reports" in German and English. Previous versions of our annual and interim reports are also available for download here.

Ordering reports
We would be pleased to send you a printed copy of the Annual Report 2013. If you would like to receive our annual reports or interim reports on a regular basis, please contact our Corporate Communications department:

Phone: +49 (0) 69 71 47 - 14 54
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Our group companies in Luxembourg and Switzerland, DekaBank Deutsche Girozentrale Luxembourg S. A. and Deka (Swiss) Privatbank AG, publish their own annual reports.

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

Disclaimer
The management report as well as the Annual Report in other respects contain forward-looking statements as well as expectations and forecasts. These are based on the information available to us at the time of publication, which we have deemed to be reliable after careful consideration. We do not assume an obligation to update based on new information and future events after the publication of this information. We have derived our estimations and conclusions from these forward-looking statements, expectations and forecasts. We expressly point out that all of our future-oriented statements are associated with known or unknown risks or imponderables and are based on conclusions relating to future events, which depend on risks, uncertainties and other factors that are outside of our area of influence. Such developments can result from, among other things, a change in the general economic situation, the competitive situation, the development of the capital markets, changes in the tax law and legal framework and from other risks. The events actually occurring in the future may thus turn out to be considerably different from our forward-looking statements, expectations, forecasts and conclusions. We can therefore assume no liability for their correctness and completeness or for the actual occurrence of the information provided. The English translation of the Deka Group Annual Report is provided for convenience only. The German original is definitive.

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