Consolidated financial statements 2017.

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

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Statement of profit or loss and other comprehensive income
for the period from 1 January to 31 December 2017

€m	Notes	2017	2016	Change	
Interest and similar income		885.3	891.7	–6.4	–0.7%
Interest expenses		761.9	755.5	6.4	0.8%
Net interest income	[31]	**123.4**	**136.2**	–12.8	–9.4%
Provisions for loan losses	[16],[32],[44]	**–28.5**	**–194.6**	166.1	85.4%
Net interest income after provisions for loan losses		**94.9**	**–58.4**	153.3	262.5%
Commission income		2,310.8	2,025.3	285.5	14.1%
Commission expenses		1,109.0	918.1	190.9	20.8%
Net commission income	[33]	**1,201.8**	**1,107.2**	94.6	8.5%
Trading profit or loss	[34]	**190.3**	**252.7**	–62.4	–24.7%
Profit or loss on financial instruments designated at fair value	[35]	**27.2**	**145.0**	–117.8	–81.2%
Profit or loss from fair value hedges according to IAS 39	[36]	**–0.6**	**2.4**	–3.0	–125.0%
Profit or loss on financial investments	[37]	**26.6**	**–13.5**	40.1	297.0%
Administrative expenses	[38]	**1,039.8**	**970.1**	69.7	7.2%
Other operating profit	[39]	**–19.9**	**24.2**	–44.1	–182.2%
Total of profit or loss before tax		**480.5**	**489.5**	–9.0	–1.8%
Income taxes	[40]	**158.6**	**164.3**	–5.7	–3.5%
Interest expenses for atypical silent capital contributions	[29], [62]	**60.6**	**61.2**	–0.6	–1.0%
Total of profit or loss		**261.3**	**264.0**	–2.7	–1.0%
Thereof:					
Attributable to non-controlling interests		0.0	0.0	0.0	o.A.
Attributable to the shareholders of DekaBank		261.3	264.0	–2.7	–1.0%
Changes not recognised in profit or loss					
Items reclassified to profit or loss					
Financial instruments valuation reserve Available for sale	[8], [19], [63]	28.5	5.1	23.4	(> 300%)
Cash flow hedges valuation reserve	[10],[18],[63]	25.7	10.4	15.3	147.1%
Currency translation reserve	[12], [63]	–1.9	–14.4	12.5	86.8%
Deferred taxes on items reclassified to profit or loss	[50], [59]	–8.8	–3.4	–5.4	–158.8%
Items not reclassified to profit or loss					
Revaluation gains/losses on defined benefit pension obligations	[57], [63]	15.4	–15.1	30.5	202.0%
Revaluation reserve investments accounted for using the equity method		–2.1	–1.2	–0.9	–75.0%
Deferred taxes on items not reclassified to profit or loss	[50]	–4.9	5.2	–10.1	–194.2%
Other comprehensive income		**51.9**	**–13.4**	65.3	(> 300%)
Comprehensive income for the period under IFRS		**313.2**	**250.6**	62.6	25.0%
Thereof:					
Attributable to non-controlling interests		0.0	0.0	0.0	o.A.
Attributable to the shareholders of DekaBank		313.2	250.6	62.6	25.0%

Statement of financial position as at 31 December 2017

€m	Notes	31 Dec 2017	31 Dec 2016	Change	
Assets					
Cash reserves	[41]	**10,039.6**	**3,687.6**	6,352.0	172.3%
Due from banks	[15], [42]	**26,396.4**	**20,653.9**	5,742.5	27.8%
(net after provisions for loan losses amounting to)	[16], [44]	(0.3)	(0.2)	0.1	50.0%
Due from customers	[15], [43]	**20,650.5**	**22,840.9**	–2,190.4	–9.6%
(net after provisions for loan losses amounting to)	[16], [44]	(143.5)	(333.1)	–189.6	–56.9%
Financial assets at fair value	[17], [45]	**31,985.4**	**34,903.2**	–2,917.8	–8.4%
(of which deposited as collateral)	[74]	(4,880.4)	(5,200.0)	–319.6	–6.1%
Positive market values of derivative hedging instruments	[10], [18], [46]	**20.4**	**28.6**	–8.2	–28.7%
Financial investments	[19], [47]	**3,790.7**	**2,968.9**	821.8	27.7%
(net after provisions for loan losses amounting to)	[19]	(43.2)	(53.8)	–10.6	–19.7%
(of which deposited as collateral)	[74]	(1,398.5)	(774.4)	624.1	80.6%
Intangible assets	[20], [48]	**194.7**	**198.1**	–3.4	–1.7%
Property, plant and equipment	[21], [49]	**27.4**	**17.1**	10.3	60.2%
Current income tax assets	[23], [50]	**186.2**	**193.6**	–7.4	–3.8%
Deferred income tax assets	[23], [50]	**148.4**	**156.1**	–7.7	–4.9%
Other assets	[22], [51]	**300.6**	**306.7**	–6.1	–2.0%
Total assets		**93,740.3**	**85,954.7**	7,785.6	9.1%
Liabilities					
Due to banks	[24], [52]	**19,237.8**	**17,362.4**	1,875.4	10.8%
Due to customers	[24], [53]	**26,660.9**	**23,419.1**	3,241.8	13.8%
Securitised liabilities	[24], [54]	**14,234.8**	**11,076.1**	3,158.7	28.5%
Financial liabilities at fair value	[17], [55]	**25,982.7**	**26,519.5**	–536.8	–2.0%
Negative market values of derivative hedging instruments	[10], [18], [56]	**12.0**	**34.4**	–22.4	–65.1%
Provisions	[25], [26], [57], [58]	**322.9**	**358.0**	–35.1	–9.8%
Current income tax liabilities	[23], [59]	**21.7**	**58.9**	–37.2	–63.2%
Deferred income tax liabilities	[23], [59]	**147.4**	**123.3**	24.1	19.5%
Other liabilities	[27], [60]	**831.1**	**745.7**	85.4	11.5%
Subordinated capital	[28], [61]	**927.1**	**1,118.5**	–191.4	–17.1%
Atypical silent capital contributions	[29], [62]	**52.4**	**52.4**	0.0	0.0%
Equity	[30], [63]	**5,309.5**	**5,086.4**	223.1	4.4%
a) Subscribed capital		191.7	191.7	0.0	0.0%
c) Additional capital components		473.6	473.6	0.0	0.0%
c) Capital reserve		190.3	190.3	0.0	0.0%
d) Reserves from retained earnings		4,462.6	4,293.0	169.6	4.0%
e) Revaluation reserve	[30], [63]	–80.9	–134.7	53.8	39.9%
f) Currency translation reserve	[12]	–0.1	1.8	–1.9	–105.6%
g) Accumulated profit/loss (consolidated profit)		72.3	70.7	1.6	2.3%
h) Minority interests		0.0	0.0	0.0	o.A.
Total liabilities		**93,740.3**	**85,954.7**	7,785.6	9.1%

Statement of changes in equity for the period from 1 January to 31 December 2017

€m	Subscribed capital	Additional capital components	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 1 Jan 2016	**191.7**	**473.6**	**190.3**	**4,119.1**	**67.9**
Total of profit or loss					264.0
Other comprehensive income					
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**264.0**
Changes in the scope of consolidation and other changes[1]				–19.4	
Allocation to reserves from retained earnings				193.3	–193.3
Distribution					–67.9
Holdings as at 31 Dec 2016	**191.7**	**473.6**	**190.3**	**4,293.0**	**70.7**
Total of profit or loss					261.3
Other comprehensive income					
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**261.3**
Changes in the scope of consolidation and other changes[1]				–19.4	
Allocation to reserves from retained earnings				189.0	–189.0
Distribution					–70.7
Holdings as at 31 Dec 2017	**191.7**	**473.6**	**190.3**	**4,462.6**	**72.3**

[1] Comprises the payment of interest (after tax) of the Additional Tier 1 bond, which is classified as equity capital under IFRS.
[2] Revaluation gains/losses on defined benefit obligations

	Revaluation reserve					Currency translation reserve	Total before minority interests	Minority interests	Equity
	Provisions for pensions[2]	Cash flow hedges	Financial instruments available for sale	Equity-accounted companies	Deferred taxes				
	– 154.4	– 39.5	–	– 3.3	61.5	16.2	4,923.1	–	4,923.1
							264.0		264.0
	– 15.1	10.4	5.1	– 1.2	1.8	– 14.4	– 13.4		– 13.4
	– 15.1	10.4	5.1	– 1.2	1.8	– 14.4	250.6	–	250.6
							– 19.4	–	– 19.4
							–		–
							– 67.9		– 67.9
	– 169.5	– 29.1	5.1	– 4.5	63.3	1.8	5,086.4	–	5,086.4
							261.3		261.3
	15.4	25.7	28.5	– 2.1	– 13.7	– 1.9	51.9		51.9
	15.4	25.7	28.5	– 2.1	– 13.7	– 1.9	313.2	–	313.2
							– 19.4	–	– 19.4
							–		–
							– 70.7		– 70.7
	– 154.1	– 3.4	33.6	– 6.6	49.6	– 0.1	5,309.5	–	5,309.5

Cash flow statement for the period from 1 January to 31 December 2017

€m	31 Dec 2017	31 Dec 2016
Net income	**261.3**	**264.0**
Non-cash items in net income and adjustments to reconcile net profit with cash flow from operating activities		
+/– Write-downs and write-backs		
on receivables and financial investments	5.9	207.5
on intangible assets and property, plant and equipment	19.2	18.1
+/– Allocation to/reversal of provisions	71.4	27.3
+/– Profit or loss from fair value hedges according to IAS 39	0.6	–2.4
+/– Other non-cash items	–180.0	–26.6
+/– Profit or loss on the disposal of financial investments and property, plant and equipment	–4.7	2.2
+/– Other adjustments	202.8	138.4
= **Sub-total**	**376.5**	**628.5**
Change to assets and liabilities arising from operating activities		
+/– Due from banks	–5,788.9	6,520.6
+/– Due from customers	2,159.1	–555.6
+/– Financial assets at fair value	714.1	17,262.5
+/– Financial investments	–266.7	–154.4
+/– Other assets arising from operating activities	–9.9	7.2
+/– Due to banks	1,895.0	–6,749.1
+/– Due to customers	3,279.6	–6,660.9
+/– Securitised liabilities	3,164.9	–8,850.1
+/– Financial liabilities at fair value	1,909.3	–1,718.3
+/– Other liabilities arising from operating activities	–5.0	29.4
+ Interest paid	960.7	1,076.2
+ Dividends received	20.9	19.0
– Interest paid	–936.9	–754.8
– Income tax payments	–161.2	–214.9
Cash flow from operating activities	**7,311.5**	**–114.7**
+ Proceeds from the disposal or redemption of		
financial investments classified as held to maturity	0.0	373.8
equity investments	17.1	4.1
property, plant and equipment	0.0	0.0
intangible assets	0.2	0.0
– Disbursements for the purchase of		
financial investments classified as held to maturity	–578.7	0.0
intangible assets	–11.7	–19.2
property, plant and equipment	–14.8	–2.7
+ Proceeds from the sale of shares in affiliated, non-consolidated companies	0.0	0.0
– Disbursements for the acquisition of shares in affiliated, non-consolidated companies	0.0	–0.4
+ Dividends received	2.2	0.0
+/– Changes in scope of consolidation and other changes	0.0	–4.3
Cash flow from investing activities	**–585.7**	**351.3**
+ Proceeds from issue of new equity capital	0.0	0.0
– Payments to company owners and minority interests	–124.5	–48.1
– Dividends paid	–70.7	–67.9
+ Inflow of funds from subordinated capital	0.0	0.0
– Outflow of funds from subordinated capital	–178.6	–40.9
+/– Changes in scope of consolidation and other changes	0.0	0.0
Cash flow from financing activities	**–373.8**	**–156.9**
= Changes to cash and cash equivalents	6,352.0	79.7
+/– Other effects	0.0	0.0
+ Cash and cash equivalents at the start of the period	3,687.6	3,608.1
Cash and cash equivalents at the end of the period	**10,039.6**	**3,687.8**

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 [41]).

Cash flow from operating activities was determined using the indirect method. In other words, the consolidated profit or loss for the year was adjusted to eliminate non-cash items such as measurement results and additions to provisions. The item other adjustments mainly includes the reclassification of interest and dividends received as cash and interest and income tax payments made during the financial year which have to be reported separately in accordance with IAS 7.

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

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

		Cash changes	Non-cash changes			
€m	**2016**		**Acquisition**	**Foreign exchange movement**	**Fair value changes**	**2017**
Subordinated liabilities	906.6	–1.1	–	–	–5.8	899.7
Typical silent capital contributions	211.9	–177.5	–	–	–7.0	27.4
Total subordinated capital	**1,118.5**	**–178.6**	**–**	**–**	**–12.8**	**927.1**
Atypical silent capital contributions	52.4	–	–	–	–	52.4

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.

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Accounting standards

1 Accounting principles

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

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

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

During the year under review, the following changes to existing accounting standards were applied for the first time with a material impact on the consolidated financial statements. A number of other standards and interpretations were also passed. These, however, are not expected to have a material impact on the consolidated financial statements.

IAS 7

In January 2016, as part of a disclosure initiative to improve financial statements, the IASB published amendments to IAS 7 "Statement of Cash Flows". In particular, the new rules contain additional disclosure obligations concerning cash flows related to financing activities. Upon adoption, it is not necessary to provide comparative figures for any previous periods that are included in the financial statements. Implementation of these amendments has led to an expansion of the notes to the financial statements.

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

Standards adopted into European law but not yet applied

IFRS 9

The IASB published the final requirements for IFRS 9 "Financial Instruments" on 24 July 2014. IFRS 9 contains new regulations governing the classification and measurement of financial instruments, the impairment of financial assets and the recognition of hedging relationships. IFRS 9 was adopted into European law by the European Commission in November 2016. As a result, application of IFRS 9 is mandatory for financial years beginning on or after 1 January 2018.

Overall, the Deka Group expects the introduction of IFRS 9 to have a moderate impact on the statement of financial position and equity upon first application. The most significant effects and the principal factors behind them are described below.

Classification and measurement of financial assets and liabilities

Effects arise *inter alia* from the need to reclassify financial assets and from recording fair value changes attributable to own credit risk for liabilities.

In contrast to IAS 39, the new classification rules under IFRS 9 provide for a classification model for assets that is based on the underlying business model and contractual cash flows. The business model reflects how the Bank manages its financial assets in order to generate cash flows. For the purposes of IFRS 9, there are thus the following business models: "held to collect", "held to collect and to sell" and "other". Where a financial asset is allocated to the "held to collect" or "held to collect and to sell" business models, it is necessary to examine the cash flow criterion. To satisfy the cash flow criterion, the cash flows from the asset must consist solely of repayments of principal and interest payments on the principal amount. Interest in this regard essentially represents consideration for the time value of money and the credit risk. Financial instruments that are allocated to the "held to collect" business model and satisfy the cash flow criterion are measured at amortised cost. Financial instruments allocated to the "held to collect and to sell" business model are measured at fair value through other comprehensive income during the holding period and reclassified to profit or loss upon disposal. Financial instruments allocated to the "held to collect" or "held to collect and to sell" business models that do not satisfy the cash flow criterion are measured at fair value through profit or loss. Financial instruments allocated to the "other" business model are likewise measured at fair value through profit or loss.

Loans that were previously classified under "Loans and receivables" under IAS 39 will generally be allocated to the "held to collect" business model upon implementation of the new classification rules. However, this will not be the case for loans that were acquired with the intention to resell, which are duly allocated to the "other" business model, or for loans that fail to satisfy the cash flow criterion and are therefore to be measured at fair value, instead of at amortised cost as previously.

Securities forming part of "non-core business", which were previously classified as Loans and receivables under IAS 39 and therefore measured at amortised cost, will in future be allocated to the "other" business model under IFRS 9.

Under IFRS 9, credit-related changes in the value of liabilities measured at fair value will no longer be taken to profit or loss but will instead be disclosed in other comprehensive income. The Deka Group has not exercised the option to apply this rule early.

Impairment of financial assets

Effects will also result from a change in the model used for determining loan loss provisions. From 2018, the expected loss model will be used, in place of the incurred loss model applicable under IAS 39. These rules mainly apply to instruments measured at amortised cost or at fair value through other comprehensive income. Under the expected loss model, assets within the scope of IFRS 9 must be allocated to one of three "stages" depending on their credit quality in order to determine the loan loss provision required. The stage to which an asset is allocated has an effect on the size of the loan loss provision to be established for that asset. Upon initial recognition, a loan loss provision will be recognised through profit or loss in the amount of the expected loss for the next 12 months, and the asset will be allocated to stage one. If the credit risk increases significantly after initial recognition of the financial instrument, or if there are indications that creditworthiness has been impaired, the expected losses over the remaining term of the financial instrument ("lifetime expected credit losses") will be recognised through profit or loss and the asset transferred to stage two.

The Deka Group generally examines for a significant rise in credit risk since the acquisition of a financial instrument using a quantitative and a qualitative test. Under this test, a significant risk increase is assumed where the credit rating has dropped by a specified amount relative to the initial rating on the first balance sheet date, or where the loan has been classified as non-performing. In addition, if payment by the

business partner is 30 days overdue, a check is also made as to whether the presumption of a significant increase in credit risk can be rebutted. If this is not the case, these loans, too, will be classified to stage 2.

For securities measured at fair value through other comprehensive income (FVOCI) under IFRS respectively classified to the “held to collect and to sell” business model, the Deka Group will avail itself of the relief provided for under the standard, whereby a test for significant risk increase may be dispensed with for instruments with a low risk of default. Such securities exclusively comprise securities held in the liquidity reserve, which must satisfy strict requirements as to credit quality and liquidity.

If there are objective indications that a loss event has already occurred, the financial instrument should be allocated to stage three. However, an exception is made for purchased or originated credit-impaired (POCI) assets. For POCI financial instruments, no loan loss provision is booked at the time of initial recognition, but changes in the amount of the lifetime ECL will be recognised in provisions in subsequent periods. The definition of default applied by the Deka Group when allocating instruments to stage 3 is identical in scope to the prudential definition of default under the CRR. It is also consistent with the classification of an exposure as a non-performing loan (NPL) under the criteria set out in the relevant EBA guidelines. Differences in the treatment of NPLs arise solely with regard to exposures that cease to be non-performing according to the CRR during the twelve-month probation period prescribed by the EBA. Under IFRS 9, such exposures are reclassified immediately to stage 1 or stage 2 once they cease to be non-performing according to the CRR.

Hedge accounting

Implementation of the new rules on hedge accounting is non-mandatory for the time being. The Deka Group has decided to continue accounting for hedging relationships in accordance with IAS 39. In the future, it is expected that financial instruments attributed to the “held to collect and to sell” business model will be designated as hedged items, in addition to financial instruments attributed to the “held to collect” business model and own issues.

Impact of first application on balance-sheet equity

The Deka Group expects first application of IFRS 9 to have an impact on balance-sheet equity of around €–47m, before tax. This figure derives from an estimate based on the most recent available reliable information at the time these financial statements were prepared. Of the total, approximately €–18m derives from the change in the determination of loan loss provisions and approximately €–29m from the change in the classification rules.

Changing the provisioning model will affect balance-sheet equity in respect of financial instruments which are and continue to be measured at amortised cost. Upon first application of IFRS 9, it is expected that a loan loss provision will be recognised in accordance with the expected loss model of around €132m for specific risks and around €35m for collective risks.

The Deka Group expects that the change in the impairment model relative to IAS 39 will in future lead to bigger movements in loan loss provisions, as a provision covering the entire lifetime of a financial instrument must be made as soon as credit risk increases, rather than upon default as is the case now.

The impact of the change in the classification rules on balance-sheet equity before tax is due to the first-time measurement at fair value of financial instruments that were previously measured at amortised cost under IAS 39. The first-time measurement at fair value of loans that do not satisfy the cash flow criterion and/or are held for resale is expected to lead to a first application effect of €–4m. The first-time measurement at fair value of securities held in the “non-core business” portfolio is expected to have an effect of €–25m.

The reclassification of financial instruments upon first application is not expected to affect existing hedging relationships. No first-application impact on equity is therefore expected in this regard.

Implementation of IFRS 9

The new accounting rules for the recognition of impairments and the classification and measurement of financial instruments require significant modifications to be made to current systems and processes, particularly in respect of the expansion required to the current data repository. Significant efforts will also be required during implementation because the new IFRS 9 rules significantly increase the amount of disclosures required for the Deka Group as a whole. These requirements are being implemented centrally in the form of an IFRS 9 project managed by the Finance department. The project essentially divides into a preliminary examination phase (September 2015 to April 2016), a detailed specialist design phase (2016), implementation and testing (2017) and the creation of the opening statement of financial position and first-time publication of key ratios for the current financial year of 2018.

IFRS 15

IFRS 15 "Revenue from Contracts with Customers" was published in May 2014. This new standard replaces the previous rules on revenue recognition (IAS 18 "Revenue", IAS 11 "Construction Contracts" and the associated interpretations). The new standard provides a five-step model to be used to determine the amount and timing of revenue recognition. IFRS 15 is in principle applicable to all customer agreements for the sale of goods or provision of services.

In addition, clarifications to IFRS 15 were published in April 2016. They are solely concerned with clarifications and additional transitional relief.

The new standard applies to financial years beginning on or after 1 January 2018. Earlier voluntary adoption is permitted.

The impact on the consolidated financial statements has been reviewed. No material impact on the statement of profit or loss and comprehensive income is expected. Changes in statement of financial position disclosure will result from the separate presentation of receivables, contract assets and contract liabilities. The modified retrospective method will be applied for the first time in 2018. IFRS 15 contains supplementary disclosures in the notes to the financial statements on the nature, amount, timing and uncertainty of revenue and cash flows resulting from contracts with customers. This gives rise to changes in processes as well as increased documentation requirements.

IFRS 16

The new IFRS 16 was published in January 2016 and governs how leases should be accounted for. IFRS 16 will replace IAS 17 "Leases", as well as the associated interpretations IFRIC 4, SIC-15 and SIC-27. Application of the new standard is mandatory for financial years beginning on or after 1 January 2019. Earlier voluntary adoption is permitted, but only in conjunction with IFRS 15.

The new standard requires lessees to follow an entirely new approach when presenting leasing contracts in the financial statements. Under IAS 17, the key factor in determining how a lessee should present a lease in its financial statements is whether or not substantially all of the risks and rewards of ownership of the leased item have been transferred to the lessee. In future, every lease should be presented on the lessee's statement of financial position as a financing transaction, in the form of a lease liability and a right-of-use asset. The amount recognised is the present value of the future lease payments, with additional factors being taken into account in relation to the right-of-use asset, for example directly attributable costs. Over the lease term, the lease liability is amortised, while the right-of-use asset is depreciated through the statement of profit or loss and other comprehensive income. The standard provides for exemptions in certain cases, for example short-term leases or leases of low-value assets. The accounting requirements for lessors remain largely unchanged, in particular in terms of the ongoing requirement to classify leases.

Furthermore, IFRS 16 includes a number of additional provisions regarding disclosures in the notes to the financial statements. This is expected to affect the accounting treatment of leased commercial properties, although the impact on the Deka Group's financial position and financial performance is likely to be negligible. A minor increase in total assets is expected, while some reclassifications between items in the statement of profit or loss will also result.

Standards and interpretations not yet adopted into European law

IFRIC 23

The IASB published IFRIC interpretation 23, "Uncertainty over Income Tax Treatments", in June 2017. IFRIC 23 concerns the recognition and measurement of tax risk exposures. Under this interpretation, tax risks should be provided for in the accounts if it is probable that the tax authorities will not accept a particular tax treatment. This approach disregards the likelihood of discovery by the tax authorities (discovery risk). Tax risks may be measured either at the most likely amount or at the expected value, whichever method best reflects the existing risk. Application of IFRIC 23 will be mandatory in financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. The new interpretation is currently being evaluated.

IFRS 9

In October 2017, the IASB published "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". This merely concerns the extension of an existing exception to the standard rule. Under the amended exception, a financial asset with an early repayment option may now be measured either at amortised cost or at fair value through other comprehensive income where the party terminating the contract *receives* a reasonable compensation payment in the course of effecting repayment. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. The amendments have no effect on the consolidated financial statements.

IAS 28

In October 2017, the IASB also published "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". Under the amended rules, long-term interests that, in substance, form part of the net investment in an entity accounted for using the equity method are to be recognised and measured in accordance with IFRS 9. Any impairment charges to such interests will thus also be calculated in accordance with the rules under IFRS 9. The rule under IAS 28.38, whereby losses are not recognised in excess of the carrying value of an interest accounted for under the equity method, has not been changed. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. The amendments have no material effect on the consolidated financial statements.

Annual Improvements

In December 2017, the IASB published amendments to four standards as part of its Annual Improvements Project for 2015-2017. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. The amendments will affect the approach to and measurement of transactions. Voluntary early adoption is permitted. The amendments are currently being evaluated.

Segment reporting

3 Segmentation by operating business divisions

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

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

In addition to total profit before tax, the economic result includes changes to the revaluation reserve (before tax) as well as the interest- and currency-related valuation result from original lending and issuance business. This refers to financial instruments in the loans and receivables, held to maturity and other liabilities categories, which are measured at amortised cost in the consolidated financial statements and whose valuation result is also included in internal reporting. Consequently, any economic hedges which do not meet the criteria for hedge accounting under IAS 39 are presented in full for internal management purposes. Furthermore, the economic result takes into account the interest expense on Additional Tier 1 bonds, which is reported directly within equity, as well as effects relevant for management. The latter relate to a provision for potential charges where the probability of such charges arising in the future is assessed as possible, and which are taken into account within corporate management activities as a result of the use of the economic result for management purposes, but which may not yet be reported under IFRS because they are not sufficiently substantiated. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in the reconciliation to Group profit before tax in the "reconciliation" column.

Another key indicator, in addition to the economic result, is total customer assets. Total customer assets primarily comprise the income-relevant assets of the mutual and special funds (including ETFs) in the Asset Management Securities and Asset Management Real Estate business divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner and third party funds, the cooperation partner, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and master funds. Total customer assets also include fund units of €1.6bn (previous year: €1.3bn) held as part of the proprietary portfolio. These mainly relate to start-up financing for newly launched investment funds.

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

The following segments are based on the divisional structure of the Deka Group, as also used in internal reporting. The segments are defined by the different products and services of the Deka Group. To strengthen governance and achieve an even clearer separation between banking business and asset management, activities were reorganised into five business divisions with effect from 1 January 2017.

The prior-year figures in the segment reporting have been updated to reflect the new divisional structure, and therefore do not correspond to the figures published last year.

Asset Management Securities

The Asset Management Securities reporting segment focuses on the active management of securities funds as well as investment solutions and services for private investors and institutional customers. In addition, passive investment solutions are also offered. In addition to investment funds and structured investment concepts, the product range also includes products from selected international cooperation partners. The Deka Group’s investment funds cover all major asset classes, sometimes in conjunction with guarantee, discount and bonus structures. The offering for private retirement pensions encompasses fund-based Riester and Rürup products. The segment also comprises advisory, management and asset management mandates for institutional customers. In addition, the segment includes business involving listed ETFs. The range of services offered by the segment furthermore includes asset servicing and Master KVG activities, which institutional customers can use to pool their assets under management in a single investment company.

Asset Management Real Estate

The Asset Management Real Estate reporting segment focuses on providing property investment products for private and institutional investors. The product range includes open-ended mutual property funds, special property funds and credit funds that invest in property, infrastructure and vehicle loans, and property advice for institutional investors. In addition to fund management, fund risk management and development of property-related products, the segment also covers the purchase and sale of properties and the management of such assets, including all other property-related services (property management).

Asset Management Services

The Asset Management Services reporting segment focuses on providing banking services for asset management. The services range from managing custody accounts for customers to custodial services for investment funds. The segment also provides digital support for the securities business of the savings banks, especially through the provision of multi-channel solutions. The activities of the Asset Management Services business division complement the asset management services offered by the Asset Management business divisions.

Capital Markets

The Capital Markets reporting segment is the central product, solution and infrastructure provider and service provider in the Deka Group’s customer-focused capital markets business. Its role as a securities and collateral platform (which includes acting a risk hub) also contributes to the Group’s success. The segment focuses on the generation of customer-driven business in the triangle of savings banks, the Deka Group and selected counterparties and business partners, which include external asset managers, banks, insurance companies and pension funds. In this environment, the Capital Markets segment offers a carefully coordinated, competitive range of capital market and credit products. Securities investments of the Deka Group are also managed by the Capital Markets business division, except those that serve as a liquidity reserve.

Financing

Since the reorganisation of the divisional structure as of 1 January 2017, the Financing reporting segment is made up of real estate financing and specialist financing, including financing of the savings banks. Lending is taken onto our own statement of financial position via the banking book, as well as being packaged as an investment product for other banks or institutional investors via club deals or syndications. Priority is given to placements within the *Sparkassen-Finanzgruppe*. The specialist financing business concentrates on selected segments, such as infrastructure financing, ship and aircraft financing, financing covered by ECAs and savings bank financing. Specialist financing positions entered into before the credit risk strategy was changed in 2010 are classified separately in the legacy portfolio. Real estate lending is mainly provided for commercial real estate and is focused on marketable properties in the office, retail, shopping, hotel and logistics segments in liquid markets in Europe, North America and Asia/Pacific.

Other

The Other segment primarily comprises income and expenses that are not attributable to the reportable segments. These essentially comprise overheads, actuarial gains and losses resulting from the measurement of pension obligations as well as a general provision for potential losses that are not directly allocable to any operating segment. Since 2016, the income and expenses of the Treasury function have been allocated to the other segments on a source-specific basis, and are therefore shown in the presentation of the economic result of the respective segments.

Non-core business

Business activities that are being discontinued have been pooled in non-core business since 2009. The portfolio essentially comprises securitised products (legacy transactions) and the former public finance portfolios. All portfolios are being wound down while safeguarding assets. This will be the last year in which non-core business is disclosed as a separate segment, as the managed winding-down of these activities is now largely complete. The remaining portfolios were transferred to the Capital Markets business division as of 1 January 2018.

	Asset Management Securities		Asset Management Real Estate		Asset Management Services		Capital Markets		Financing	
	Economic result									
€m	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income	16.0	13.1	4.8	3.5	4.2	1.8	36.0	40.7	114.2	119.8
Provisions for loan losses	–	–	–	–	–	–	–	0.1	–28.5	–194.5
Net commission income	716.1	666.3	240.4	196.1	161.7	150.0	51.2	66.9	34.3	29.6
Net financial income[1]	26.9	0.8	–0.2	–2.7	–0.1	3.6	295.9	262.3	–10.6	–14.3
Other operating profit[2]	–8.8	14.9	1.9	1.8	–2.1	35.5	2.3	12.1	14.6	0.3
Total income without contributions to earnings from Treasury function	**750.2**	**695.1**	**246.9**	**198.8**	**163.7**	**190.9**	**385.4**	**382.1**	**123.9**	**–59.2**
Administrative expenses (including depreciation)	389.7	391.0	133.0	126.9	165.4	114.2	165.9	170.1	56.6	52.1
Restructuring expenses[2]	3.8	18.5	–	–	1.6	–	–	–	–	–
Total expenses before allocation of Treasury function	**393.5**	**409.5**	**133.0**	**126.9**	**167.0**	**114.2**	**165.9**	**170.1**	**56.6**	**52.1**
(Economic) result before tax without Treasury function	**356.7**	**285.6**	**113.9**	**71.9**	**–3.3**	**76.8**	**219.5**	**212.0**	**67.4**	**–111.3**
Treasury function	–11.3	–7.1	–2.9	–2.5	–1.6	–1.4	–23.9	–15.4	–16.9	–9.5
(Economic) result before tax	**345.4**	**278.6**	**111.0**	**69.4**	**–4.8**	**75.4**	**195.6**	**196.6**	**50.5**	**–120.7**
Cost/income ratio[3]	0.52	0.56	0.54	0.64	1.01	0.60	0.43	0.45	0.37	0.39
Group risk (value-at-risk)[4]	494	487	79	110	110	115	672	652	462	398
Total customer assets	230,991	209,242	34,345	32,484	–	–	17,552	15,079	–	–
Gross loan volume	6,545	6,368	35	222	675	764	83,522	76,078	21,577	21,700

[1] This includes the result from assets held for trading (trading book portfolio), the result from non-trading assets (banking book portfolio), the result from other financial investments as well as the result from repurchased own issues. It also includes the risk provision for securities in the LaR and HtM categories of €10.7m (previous year: €–15.2m).

[2] Restructuring expenses are disclosed in the Group financial statements under Other operating profit.

[3] Calculation of the cost/income ratio does not take into account the restructuring expenses or the loan loss provision for lending business.

Reconciliation of segment results to the IFRS result

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

During the financial year, the reporting and measurement differences between internal reporting and the total profit before tax under IFRS amounted to €–31.6m (previous year: €–74.4m).

The valuation result taken to other comprehensive income from original lending and issuance business and from securities in the Held to Maturity category, was €25.2m in the year under review (previous year: €–31.9m). The economic result also includes the total interest expense (including accrued interest) of €–28.4m on the AT1 bonds (previous year: €–28.4m). Distributions made were recorded directly in equity, in accordance with IAS 32. The increase of €67.5m in the revaluation reserve before tax (previous year: decrease of €–0.8m) is also included in the economic result.

Other[5]		Total core business		Non-core business		Deka Group		Reconciliation		Deka Group	
Economic result										Comprehensive income before tax (IFRS)	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
–22.8	–45.3	152.4	133.7	3.2	5.5	155.6	139.2	–32.2	–3.0	123.4	136.2
0.1	–0.2	–28.5	–194.6	–	–	–28.5	–194.6	–	–	–28.5	–194.6
–1.1	–1.5	1,202.7	1,107.4	–	–	1,202.7	1,107.4	–0.9	–0.2	1,201.8	1,107.2
–164.0[6]	53.4[6]	147.9	303.1	8.4	13.4	156.3	316.5	87.2	70.1	243.5	386.6
0.3	–29.4	8.0	35.2	–	–	8.0	35.2	–22.5	7.5	–14.5	42.7
–187.6	**–23.0**	**1,482.6**	**1,384.8**	**11.5**	**18.9**	**1,494.1**	**1,403.7**	**31.6**	**74.4**	**1,525.7**	**1,478.1**
128.9	115.1	1,039.4	969.3	0.4	0.8	1,039.8	970.1	–	–	1,039.8	970.1
–	–	5.4	18.5	–	–	5.4	18.5	–	–	5.4	18.5
128.9	**115.1**	**1,044.8**	**987.8**	**0.4**	**0.8**	**1,045.2**	**988.6**	**–**	**–**	**1,045.2**	**988.6**
–316.5	**–138.1**	**437.7**	**396.9**	**11.2**	**18.2**	**448.9**	**415.1**	**31.6**	**74.4**	**480.5**	**489.5**
56.5	35.7	–	–	–	–	–	–	–	–	–	–
–260.0	**–102.3**	**437.7**	**396.9**	**11.2**	**18.2**	**448.9**	**415.1**	**31.6**	**74.4**	**480.5**	**489.5**
–	–	0.69	0.61	0.03	0.04	0.68	0.61				
246	314	2,015	2,013	43	55	2,035	2,039				
–	–	282,888	256,805	–	–	282,888	256,805				
23,911	18,427	136,264	123,560	552	777	136,817	124,336				

[4] Value-at-risk for economic risk capacity with confidence level of 99.9% and holding period of one year. Due to the diversification within market price risk between the segments (including Other and Non-core business) the risk for core business and the risk for the Deka Group are not cumulative. Business division data for 2016 are approximate, having been calculated retrospectively based on the new divisional structure in place since 1/1/2017.

[5] No cost/income ratio is presented for the segment Other because as this is deemed of limited economic informative value.

[6] This includes effects relevant for management purposes of €–95.0m (previous year: €–10.0m) related to a provision for potential losses. This is additional information provided on a voluntary basis and does not form part of the IFRS notes.

To cover potential risks that could materialise in the coming months, a general provision was recognised for the first time in the 2012 financial year. As at 31 December 2016, the provision for these effects in the management accounts amounted to €–205.0m (previous year: €–110.0m). The net impact on the economic result was thus €–95.0m in the reporting year, which is reported under Other. The net impact in the previous year was €–10.0m, which was likewise reported under Other.

The other amounts shown in the reconciliation column essentially concern differences in presentation between management reporting and the consolidated financial statements. Of these, €61.4m (previous year: €31.3m) relates to internal transactions that are reported in the economic result. The majority of these are included within net interest income, while the corresponding offsetting income effects are reported under net financial income. There are also presentation differences in net financial income and other operating profit from the different allocation of income effects from the repurchases of own issues and the deconsolidation of Deka REL k.k. (in liquidation), Tokyo.

4 Segmentation by geographical markets

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

	Germany		Luxembourg		Other		Total Group	
€m	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Income	1,221.0	1,170.4	283.0	306.8	21.7	0.9	1,525.7	1,478.1
Total profit before tax	355.4	359.5	106.0	130.6	19.1	–0.6	480.5	489.5
Long-term segment assets[1]	209.2	211.8	12.8	3.2	0.1	0.2	222.1	215.2

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

Accounting policies

5 General information

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

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

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

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

6 Consolidation principles

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

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

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

Under certain circumstances it is possible for control over another company to exist even when the Group does not hold the majority of the relevant voting rights, for instance, by virtue of one or more contractual arrangements or statutory provisions. In assessing whether or not an entity must be consolidated, it is therefore necessary to take account of all the facts and circumstances involved. This includes considering the purpose and the relevant activities of the entity concerned. This is particularly true in the case of structured entities designed such that voting rights or comparable contractual rights are not the dominant factor in determining who controls the entity.

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

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

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

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

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

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

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

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

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

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

Subsidiaries are consolidated using the acquisition method, whereby all assets and liabilities of the subsidiary are recognised at fair value from the date of acquisition or the date the Group obtains a controlling interest. Any positive difference between the acquisition price and the fair value of the assets

and liabilities acquired is reported under intangible assets as goodwill. Goodwill is tested for impairment at least once a year, or more frequently if there are indications of a possible decrease in value. If it is established that goodwill is impaired, the goodwill is written down to the lower value (see note [48]). Where third parties hold minority interests in the equity or earnings of subsidiaries of the Bank, these are reported separately as minority interests under equity and as profit attributable to non-controlling interests in the statement of profit or loss and other comprehensive income. Where third parties hold immaterial minority interests in investment funds and partnerships, and those third parties have a right to return their holdings at any time, the minority interests constitute debt capital from the Group's perspective and are thus reported under other liabilities.

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

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

Subsidiaries (affiliated companies and structured entities) included in the consolidated financial statements, subsidiaries (affiliated companies and structured entities) not included in the consolidated financial statements on grounds of immateriality, joint ventures, and associates are shown in the List of Shareholdings (see note [79]).

7 Scope of consolidation

The changes during 2017 resulted from one merger and one liquidation of a structured entity. A-DGZ-Fonds, Frankfurt am Main, was merged into A-DGZ 5-Fonds, Frankfurt am Main, with effect from 1 March 2017. Deka Treasury Corporates-Fonds, Frankfurt am Main, was liquidated on 21 June 2017.

Deka Real Estate Lending k.k. (in liquidation), Tokyo has submitted an application for winding-up, and was therefore deconsolidated with effect from 31 December 2017.

For detailed information on the composition of the Group, please see note [77] or the list of shareholdings in Note [79].

8 Financial instruments

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

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

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

Financial assets or liabilities at fair value through profit or loss
Within this category, a distinction is drawn between financial instruments held for trading and financial instruments irrevocably designated at fair value through profit or loss at the date of acquisition. All financial assets and liabilities in both sub-categories are measured at fair value through profit or loss.

Financial instruments classified as held for trading are, firstly, instruments acquired with the intention of achieving profits from short-term price fluctuations or from the dealer's margin, and secondly, derivatives, except those that are hedging instruments.

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

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 likewise designated at fair value 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 financial instruments are not allocated to the categories financial assets or liabilities at fair value through profit or loss or available for sale at the date of acquisition. Loans and receivables are measured at amortised cost. At each balance sheet date, and at other times if there are indications of potential impairment, loans and receivables are tested for impairment and any necessary provisions are recognised accordingly (see note [16]). Reversals to impairments are recorded through profit or loss. The maximum limit for the write-back is the amortised cost that would have arisen at the valuation date, had the impairment not occurred. Securities in the loans and receivables 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. Assets held to maturity are measured at amortised cost. At each balance sheet date, and at other times if there are indications of potential impairment, held-to-maturity financial instruments are tested for impairment and are written down where necessary (see note [19]). Reversals of impairments are recorded through profit or loss. The maximum limit for the write-back is the amortised cost that would have arisen at the valuation date, had the impairment not occurred. Securities in the held to maturity category are reported under financial investments.

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

Other liabilities

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

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

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

9 Fair value measurement of financial instruments

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

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

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

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

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

10 Hedge accounting

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

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

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

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

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

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

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

11 Structured products

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

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

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

12 Currency translation

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

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

13 Genuine repurchase agreements and securities lending transactions

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

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

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

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

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. Income and expenses from repurchase transactions that have not been undertaken for trading purposes are shown as part of net interest income.

Forward repos constitute forward contracts as per IAS 39 and are treated as derivatives from the trading date until the settlement date. The fair value of forward repos is disclosed in the statement of financial position under trading assets (positive market value) or trading liabilities (negative market value) as applicable. Positive and negative movements in the fair value of forward repos are disclosed under trading profit or loss.

14 Lease accounting

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

The Deka Group as lessee

The rental and lease agreements concluded by the Deka Group as lessee are operating leases. The property, plant and equipment to which the operating leases relate are accordingly not reported on the statement of financial position. The rental and lease instalments payable by the Deka Group are recorded as administrative expenses. Lease payments made in advance are recognised as prepayments and disclosed under other assets, in order to ensure a correct cut-off between accounting periods.

The Deka Group as lessor

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

15 Receivables

The items due from banks and due from customers principally include loans granted, non-negotiable bearer and registered bonds, demand deposits, call money and time deposits. Paid cash sums and cash collateral from genuine securities repurchase agreements or securities lending transactions are also reported as receivables. Under IAS 39, the amounts due are categorised as loans and receivables (see also note [8]). Amounts due that are classified as loans and receivables are reported on the statement of financial position at amortised cost less any loan loss provision. Income from interest payments and the

sale of receivables is reported in net interest income, apart from interest payments in respect of receivables held for trading purposes (for portfolios in the trading book) which are reported in trading profit or loss. The measurement rules set out in note [10] apply to receivables that are subject to fair value hedges.

16 Provisions for loan losses

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

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

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

Specific provisions are recognised to take account of acute default risks if it is probable, based on fulfilment of impairment criteria, that not all contractually agreed payments of interest and principal can be made. Situations where potential impairments are assumed include the following:

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

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

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

Interest on impaired loans continues to be reported in net interest income. As a result of the immaterial difference between the change in present value and the actual nominal interest receivable, interest income from unwinding is not recorded in profit or loss.

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

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

Impairments are recorded in profit or loss using provisions or direct write-downs. Reversals of provisions and income received on written-down receivables are also recorded in profit and loss. All of these items are reported in the statement of profit or loss and other comprehensive income under provisions for loan losses.

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

17 Financial assets and financial liabilities at fair value

Held for trading

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

Designated at fair value

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

18 Positive and negative market values from derivative hedging instruments

This item comprises hedging derivatives as defined in IAS 39 (hedge accounting), with positive market values recorded as assets and negative market values recorded as liabilities on the statement of financial position.

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

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

19 Financial investments

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

The financial investments line item comprises financial instruments in the loans and receivables, held to maturity and available for sale categories. Securities shown under loans and receivables or as held to maturity are reported at amortised cost. Financial assets in the available for sale category are reported at fair value through other comprehensive income. In 2016, shares in unlisted affiliated companies and other equity investments for which the fair value cannot be determined with reference to an active market were measured at amortised cost in accordance with IAS 39.46c. In 2017, suitable valuation models for each group of equity investments were reviewed in preparation for the implementation of the new accounting rules under IFRS 9. Previous estimates were revised in anticipation of the requirement under IFRS 9 for equity investments to be measured at fair value. The assumptions and parameters underlying the estimates are based on the reasonable exercise of judgement by management. Where different valuation models lead to a range of different potential valuations, management may choose which model to adopt on the basis of its own judgement. Effects of the change in the accounting estimate are disclosed in Note [47].

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

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

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

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

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

Shares in associates and joint ventures are recognised in the consolidated statement of financial position at historical cost at the date of establishment or when significant influence was acquired. In subsequent years, the equity value shown in the statement of financial position is adjusted by the proportionate changes in equity of the associated company. The Group's share of the annual profit of the associate is reported in profit or loss on financial investments. Gains and losses on transactions with companies valued under the equity method are eliminated pro rata, based on the percentage shareholding, as part of the elimination of intercompany profits or losses. In the event of downstream delivery, i.e. if an asset ceases to

be fully consolidated, the adjustment is carried out against the carrying value of the equity investment under the equity method.

If there are indications of an impairment to a holding in a company valued in accordance with the equity method, an impairment test is performed and, if necessary, the carrying value of the holding is written down. Impairment losses are reversed if the reasons for impairment no longer apply. In such a case, the carrying value is written back up to the recoverable amount, but capped at the amount of the carrying value that would have been applicable had the impairment losses not occurred in the previous periods. Impairment write-downs and write-backs are recognised through profit or loss under profit or loss on financial investments.

20 Intangible assets

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

Goodwill arises on the acquisition of subsidiaries if the cost of acquisition exceeds the Group's share of the acquired entity's net assets. Goodwill is recognised at cost at the date of acquisition and is not subject to regular amortisation. In subsequent years, it is valued at cost less all accumulated impairment losses. Goodwill is subject to an impairment test each year, or more frequently if there are indications of a possible loss of value. For the purposes of impairment testing, goodwill is allocated to a cash-generating unit. If an impairment is identified during the test, the goodwill is written down.

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

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

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

21 Property, plant and equipment

In addition to plant and equipment, the property, plant and equipment line item includes technical equipment and machinery. Property, plant and equipment are stated at amortised cost. Subsequent expenditure on property, plant and equipment is capitalised if an increase in the future potential benefit can be assumed. All other subsequent expenditure is recorded as an expense.

Items of property, plant and equipment are depreciated on a straight-line basis over the following periods in accordance with their estimated useful economic lives:

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

For materiality reasons, capital assets coming under section 6 (2) of the German Income Tax Act (*Einkommensteuergesetz* – EStG) are written off in the year of acquisition in accordance with tax regulations.

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

22 Other assets

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

23 Income taxes

As DekaBank is treated for tax purposes as an atypical silent partnership, DekaBank only incurs corporation tax to the extent that taxable income is not allocated to atypical silent partners. Taking into account the Bank's existing own shares in subscribed capital (acquired in the first half of 2011), the proportion of taxable income attributable to atypical silent partners is 45.6%. This results in a combined tax rate of 24.68% for the companies in the DekaBank fiscal group. However, in return for the allocation of the tax base, atypical silent partners are entitled to reclaim from Deka Bank the corporation tax expense attributable to them (45.6% of 15.0% corporation tax plus solidarity surcharge thereon, in total 7.22%). This means that DekaBank pays the atypical silent partners an amount equal to the tax expense and effectively bears this part of the tax expense, as well. Thus, in order to achieve better comparability, the portion of the corporation tax expense attributable to the atypical silent partners is also reported as tax expense. The applicable combined tax rate (trade tax plus corporation tax and solidarity surcharge) therefore totals 31.90%.

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

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

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

24 Liabilities

Financial liabilities are carried in the accounts at amortised cost if they come under the other liabilities category. Liabilities in the category liabilities at fair value through profit or loss are measured at fair value through profit or loss. The valuation guidelines described in note [10] apply to liabilities which have been designated as hedges in the context of hedge accounting.

25 Provisions for pensions and similar commitments

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

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

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

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

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

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

26 Other provisions

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

27 Other liabilities

Other liabilities include liabilities and accruals which are not individually material and cannot be allocated to any other line item on the statement of financial position. They are measured at amortised cost or at their settlement amount.

28 Subordinated capital

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

29 Atypical silent capital contributions

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

Atypical silent capital contributions are stated on the statement of financial position at nominal value. The dividend distribution on subscribed capital is used as the basis for calculating the distribution to atypical silent partners. There is also an entitlement to reclaim amounts in respect of taxation. The distribution is disclosed as a separate line item – interest expenses for atypical silent capital contributions – below the

total of profit or loss before tax. The amount that may be drawn in respect of tax is disclosed as a component of the tax expense (see note [23]).

30 Equity

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

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

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

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

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

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

Differences arising on the conversion of the financial statements of foreign subsidiaries prepared in a foreign currency are posted to the currency translation reserve.

Minority interests, if any, are disclosed as a separate sub-item under equity.

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

31 Net interest income

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

€m	2017	2016	Change
Interest income from			
Lending and money market transactions	435.9	458.0	–22.1
Interest rate derivatives (economic hedges)	149.0	153.4	–4.4
Fixed-interest securities and debt register claims	142.4	152.6	–10.2
Hedging derivatives (hedge accounting)	58.8	63.9	–5.1
Negative interest from liabilities	76.3	45.0	31.3
Current income from			
Shares and other non fixed-interest securities	20.9	16.7	4.2
Equity investments and shares in affiliated companies	2.0	2.1	–0.1
Total interest income	**885.3**	**891.7**	–6.4
Interest expenses for			
Interest rate derivatives (economic hedges)	276.2	278.6	–2.4
Liabilities	255.5	284.5	–29.0
Securitised liabilities	77.0	69.7	7.3
Hedging derivatives (hedge accounting)	28.7	31.0	–2.3
Subordinated liabilities and profit participation capital	35.7	36.3	–0.6
Typical silent capital contributions	2.9	8.0	–5.1
Negative interest on money-market transactions and fixed-interest securities	85.9	47.4	38.5
Total interest expenses	**761.9**	**755.5**	6.4
Net interest income	**123.4**	**136.2**	–12.8

A gain of €10.5m on the disposal of receivables (previous year: €18.9m) is included under interest income from lending and money market transactions.

In the reporting year, interest amounting to €10.4m (previous year: €16.1m) was collected on impaired loans and securities.

In total, interest income of €564.0m (previous year: €532.3m) and interest expenses of €354.5m (previous year: €363.8m) were recorded in respect of financial assets and liabilities not measured at fair value.

32 Provisions for loan losses

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

€m	2017	2016	Change
Allocations to provisions for loan losses	–68.0	–222.1	154.1
Reversals of provisions for loan losses	38.0	26.4	11.6
Direct write-downs on receivables	–0.1	0.0	–0.1
Income on written-down receivables	1.6	1.1	0.5
Provisions for loan losses	**–28.5**	**–194.6**	166.1

Movement in the risk provision for securities in the loans and receivables and held to maturity categories is reported under profit or loss on financial investments (see note [37]).

33 Net commission income

€m	2017	2016	Change
Commission income from			
Investment fund business	2,093.5	1,834.9	258.6
Securities business	145.1	122.0	23.1
Lending business	50.8	44.4	6.4
Other	21.4	24.0	–2.6
Total commission income	**2,310.8**	**2,025.3**	285.5
Commission expenses for			
Investment fund business	1,049.3	882.1	167.2
Securities business	38.7	17.6	21.1
Lending business	16.8	16.1	0.7
Other	4.2	2.3	1.9
Total commission expenses	**1,109.0**	**918.1**	190.9
Net commission income	**1,201.8**	**1,107.2**	94.6

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

Commission income from investment fund business essentially comprises management fees, entry charges and sales commission. In addition, performance-related remuneration and income from lump sum costs are also reported in this figure. Commission expenses for the investment fund business largely comprise payments to sales partners. The vast majority of net commission income stems from portfolio-based fees. Net commission income from investment fund business therefore primarily comprises fees in accordance with IFRS 7.20c (ii).

34 Trading profit or loss

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

€m	2017	2016	Change
Sale and valuation results	287.8	249.0	38.8
Net interest income and current income from trading transactions	–78.2	23.0	–101.2
Commission on trading transactions	–19.3	–19.3	0.0
Trading profit or loss	**190.3**	**252.7**	–62.4

35 Profit or loss on financial instruments designated at fair value

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

€m	2017	2016	Change
Sale and valuation results	33.9	155.0	–121.1
Foreign exchange profit or loss	–6.6	–10.0	3.4
Commission	–0.1	–0.1	0.0
Profit or loss on financial instruments designated at fair value	**27.2**	**145.0**	–117.8

In the reporting period, the valuation result from financial instruments designated at fair value included a net expense of €4.8m (previous year: income of €6.8m) arising from changes in the creditworthiness of own issues. It also included an expense of €0.2m (previous year: expense of €4.1m) arising from changes in the creditworthiness of receivables designated at fair value.

The Bank calculates the change in value arising from changes in creditworthiness as the difference between the result based on full fair value measurement and the result from measurement based on swap rates for the relevant issue currency, plus the spread which applied at the time of sale of the issue in the market for similar liabilities. The valuation result arising from changes in creditworthiness during the reporting period is calculated as the movement in this difference relative to the nominal value as at the reporting date.

36 Profit or loss from fair value hedges according to IAS 39

Changes in the value of the underlying hedged transactions, together with changes in the fair value of 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	**2017**	**2016**	Change
Valuation result from hedged underlying transactions	14.3	–85.7	100.0
Valuation result from hedging derivatives	–14.9	88.1	–103.0
Profit or loss from fair value hedges according to IAS 39	**–0.6**	**2.4**	–3.0

37 Profit or loss on financial investments

€m	**2017**	**2016**	Change
Sale and valuation results from securities	0.0	–1.6	1.6
Sale and valuation results from shareholdings	4.7	–0.6	5.3
Reversal of/allocation to risk provision for securities	10.7	–15.2	25.9
Write-downs arising from impairment of equity-accounted companies	–	–	–
Write-backs of impairment losses previously recorded for equity-accounted companies	–	2.6	–2.6
Net income from equity-accounted companies	11.2	1.3	9.9
Profit or loss on financial investments	**26.6**	**–13.5**	40.1

38 Administrative expenses

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

€m	2017	2016	Change
Personnel expenses			
Wages and salaries	422.7	397.3	25.4
Social security contributions	51.8	48.8	3.0
Allocations to/reversals of provisions for pensions and similar commitments	45.2	38.9	6.3
Expenses for defined contribution plans	3.5	2.7	0.8
Other expenses for retirement pensions and benefits	1.1	0.6	0.5
Total personnel expenses	**524.3**	**488.4**	35.9
Other administrative expenses			
Consultancy expenses	108.8	88.1	20.7
Computer equipment and machinery	70.9	75.8	–4.9
Rentals and expenses for buildings	56.9	56.6	0.3
Marketing and sales expenses	45.5	40.3	5.2
IT information services	41.1	39.2	1.9
Subscriptions and fees	36.8	38.3	–1.5
Bank levy	35.3	34.4	0.9
Lump sum fees for fund administration services	28.1	28.8	–0.7
Postage/telephone/office supplies	20.7	12.7	8.0
Other administrative expenses	52.1	49.4	2.7
Total other administrative expenses	**496.2**	**463.6**	32.6
Depreciation of intangible assets	14.8	15.8	–1.0
Depreciation of property, plant and equipment	4.5	2.3	2.2
Total depreciation	**19.3**	**18.1**	1.2
Administrative expenses	**1,039.8**	**970.1**	69.7

Other administrative expenses primarily include expenses for the annual accounts and auditing costs as well as motor vehicle and travel costs.

Administrative expenses include payments of €49.8m (previous year: €49.1m) on rental and lease agreements for buildings, vehicles, and plant and equipment (operating leases) where DekaBank is the lessee. The following minimum lease payments are payable under these leases in the coming years:

€m	2017	2016	Change
Up to 1 year	47.2	51.4	–4.2
Between 1 and 5 years	149.1	160.8	–11.7
More than 5 years	56.1	89.7	–33.6

39 Other operating profit

The breakdown of other operating profit is as follows:

€m	2017	2016	Change
Income from repurchased debt instruments	**–7.7**	**–22.7**	15.0
Other operating income			
Reversal of other provisions	0.5	24.9	–24.4
Rental income	1.3	1.2	0.1
Other income	43.2	81.1	–37.9
Total other operating income	**45.0**	**107.2**	–62.2
Other operating expenses			
Restructuring expenses	6.3	18.6	–12.3
VAT on provision of intra-Group services	16.0	17.0	–1.0
Other taxes	0.3	1.3	–1.0
Other expenses	34.6	23.4	11.2
Total other operating expenses	**57.2**	**60.3**	–3.1
Other operating profit	**–19.9**	**24.2**	–44.1

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

The restructuring expenses are mainly due to the establishment of restructuring provisions for the strategic reorganisation of LBB-INVEST.

40 Income taxes

This item includes all domestic and foreign taxes levied on the basis of the total profit for the year. Income tax expenses comprise the following:

€m	2017	2016	Change
Current tax expense in financial year	140.6	179.8	–39.2
Current tax expense/income (–) in previous years	0.1	–6.3	6.4
Current tax expense	**140.7**	**173.5**	–32.8
Effect of origination and reversal of temporary differences	21.8	–24.3	46.1
Effects of changes in tax legislation and/or tax rate	–0.8	–1.4	0.6
Effect of initial recognition of deferred tax on loss carry-forwards	–	–0.4	0.4
Prior-year deferred tax income	–3.1	16.9	–20.0
Deferred tax expense	**17.9**	**–9.2**	27.1
Total income tax expense	**158.6**	**164.3**	–5.7

The rate of tax that applies in Germany comprises a corporation tax rate of 15.0% plus a solidarity surcharge on this of 5.5% and the applicable rate of trade tax. As DekaBank is treated for tax purposes as an atypical silent partnership, this results in a combined tax rate of 24.68% (previous year: 24.68%) for the companies in the DekaBank tax group. Furthermore, atypical silent partners have a right to withdraw the

portion of corporation tax expense attributable to them, which is equal to 7.22%. A tax rate of 31.90% (previous year: 31.90%) is therefore applied for the measurement of deferred taxes (see note [23]). This tax rate is assumed as the expected tax rate in the reconciliation statement below. As in the previous year, the other domestic companies determined their deferred taxes at a tax rate of around 32%.

The foreign companies determine deferred taxes using the tax rate for the country in question. The tax rate for the DekaBank Luxembourg tax group amounts to 26.01% (previous year: 27.08%). With effect from 1 January 2018 the corporate tax rate in Luxembourg was reduced from 19.0% to 18.0%. Taking into account the surcharge for the unemployment fund and trade tax, this results in a new combined tax rate of 26.01%, which was used as the basis for determining deferred taxes. This led to an imputed tax reduction of €0.8m (previous year: €1.5m).

The origination or reversal of temporary differences led to deferred tax expenses of €21.8m (previous year: €24.3m income). The current tax expense for previous years predominantly relates to DekaBank (€0.3m). This amount is offset by a receipt of €0.2m in relation to the Luxembourg companies. Prior-year deferred tax income relates predominantly to adjustments made in relation to tax audits.

The following statement reconciles total profit before tax with the tax expense:

€m	**2017**	**2016**	Change
Total of profit or loss before tax	480.5	489.5	–9.0
x income tax rate	31.90%	31.90%	0.0
= Anticipated income tax expense in financial year	**153.3**	**156.2**	–2.9
Increase from taxes due to non-deductible expenses	16.8	15.6	1.2
Decrease from taxes on tax-exempt income	0.4	16.1	–15.7
Withholding tax	0.1	0.3	–0.2
Tax effect of special funds	–0.5	–0.1	–0.4
Effects of tax rate changes	–0.8	–1.5	0.7
Tax effect of holdings accounted for under the equity method	–3.5	1.5	–5.0
Effects of differing effective tax rates	–3.5	–2.8	–0.7
Tax effects from past periods	–3.1	10.6	–13.7
Other	0.2	0.7	–0.5
Tax expenses according to IFRS	**158.6**	**164.3**	–5.7

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

The tax effect of holdings valued under the equity method concerns a write-back in relation to an associate company which has been in liquidation since 1 January 2017.

In the IFRS consolidated financial statements, the servicing of AT1 bonds is treated as remuneration for capital, and is offset directly against reserves. From a taxation point of view, the interest is accrued and is deductible. In order to align the figures with the treatment in the IFRS consolidated financial statements, the corresponding imputed tax benefit of €9.1m was recorded directly in equity. If the figure had been posted to profit or loss, the tax burden would have been 1.89% lower.

Notes to the statement of financial position

41 Cash reserves

The breakdown in cash reserves is as follows:

€m	31 Dec 2017	31 Dec 2016	Change
Cash on hand	0.8	4.9	–4.1
Balances with central banks	10,038.8	3,682.7	6,356.1
Total	**10,039.6**	**3,687.6**	6,352.0

The required minimum reserve was maintained at all times during the reporting year and amounted to €228.2m at the reporting date (previous year: €231.5m).

42 Due from banks

€m	31 Dec 2017	31 Dec 2016	Change
Domestic banks	13,682.6	14,049.0	–366.4
Foreign banks	12,714.1	6,605.1	6,109.0
Due from banks before risk provisions	**26,396.7**	**20,654.1**	5,742.6
Provisions for loan losses	–0.3	–0.2	–0.1
Total	**26,396.4**	**20,653.9**	5,742.5

DekaBank paid €17.3bn (previous year: €8.8bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and pledgor respectively.

43 Due from customers

€m	31 Dec 2017	31 Dec 2016	Change
Domestic borrowers	4,434.9	5,230.5	–795.6
Foreign borrowers	16,359.1	17,943.5	–1,584.4
Due from customers before risk provisions	**20,794.0**	**23,174.0**	–2,380.0
Provisions for loan losses	–143.5	–333.1	189.6
Total	**20,650.5**	**22,840.9**	–2,190.4

DekaBank paid €3.6bn (previous year: €5.8bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and pledgor respectively.

44 Provisions for loan losses

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

€m	31 Dec 2017	31 Dec 2016	Change
Provisions for loan losses – due from banks			
Specific provisions	–	–	–
Collective provisions for creditworthiness risks	0.3	0.2	0.1
Provisions for loan losses – due from customers			
Specific provisions	130.6	310.6	–180.0
Collective provisions for creditworthiness risks	12.9	17.5	–4.6
Collective provisions for country risks	–	5.0	–5.0
Total	**143.8**	**333.3**	–189.5

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

€m	Opening balance 1 Jan 2017	Additions	Allocation	Utilisation	Reversal	Disposals	Reclassi-fications	Cur-rency effects	Closing balance 31 Dec 2017
Provisions for loan losses – due from banks									
Specific provisions	–	–	–	–	–	–	–	–	–
Collective provisions for creditworthiness risks	0.2	–	0.1	–	–	–	–	–	0.3
Sub-total	**0.2**	**–**	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.3**
Provisions for loan losses – due from customers									
Specific provisions	310.6	–	67.1	200.5	28.4	–	–	–18.2	130.6
Collective provisions for creditworthiness risks	17.5	–	0.1	–	4.7	–	–	–	12.9
Collective provisions for country risks	5.0	–	–	–	4.9	–	–	–0.1	–
Sub-total	**333.1**	**–**	**67.2**	**200.5**	**38.0**	**–**	**–**	**–18.3**	**143.5**
Provisions for credit risks									
Specific risks	0.3	–	0.4	–	–	–	–	–	0.7
Portfolio risks	0.7	–	0.3	–	–	–	–	–	1.0
Sub-total	**1.0**	**–**	**0.7**	**–**	**–**	**–**	**–**	**–**	**1.7**
Total	**334.3**	**–**	**68.0**	**200.5**	**38.0**	**–**	**–**	**–18.3**	**145.5**

€m	Opening balance 1 Jan 2016	Additions	Allocation	Utilisation	Reversal	Disposals	Reclassi-fications	Cur-rency effects	Closing balance 31 Dec 2016
Provisions for loan losses – due from banks									
Specific provisions	2.1	–	–	1.4	0.6	–	–	–0.1	0.0
Collective provisions for creditworthiness risks	0.3	–	–	–	0.1	–	–	–	0.2
Sub-total	**2.4**	**–**	**–**	**1.4**	**0.7**	**–**	**–**	**–0.1**	**0.2**
Provisions for loan losses – due from customers									
Specific provisions	185.2	0.3	218.4	95.8	5.9	–	–1.1	9.5	310.6
Collective provisions for creditworthiness risks	32.9	–	2.0	–	17.4	–	–	–	17.5
Collective provisions for country risks	3.9	–	1.7	–	0.7	–	–	0.1	5.0
Sub-total	**222.0**	**0.3**	**222.1**	**95.8**	**24.0**	**–**	**–1.1**	**9.6**	**333.1**
Provisions for credit risks									
Specific risks	0.4	–	–	0.1	1.0	–	1.1	–0.1	0.3
Portfolio risks	1.4	–	–	–	0.7	–	–	–	0.7
Sub-total	**1.8**	**–**	**–**	**0.1**	**1.7**	**–**	**1.1**	**–0.1**	**1.0**
Total	**226.2**	**0.3**	**222.1**	**97.3**	**26.4**	**–**	**–**	**9.4**	**334.3**

Key ratios for provisions for loan losses:

%	2017	2016
Reversal/allocation ratio as at reporting date[1]		
(Ratio of net allocation to lending volume)	–0.11	–0.76
Default rate as at reporting date		
(Ratio of loan defaults to lending volume)	0.76	0.37
Average default rate		
(Ratio of loan defaults in 5-year average to lending volume)	0.58	0.51
Net provisioning ratio as at reporting date		
(Ratio of provisions for loan losses to lending volume)	0.56	1.30

[1] Reversal ratio shown without negative leading sign

Calculations of the above key ratios are based on the following lending volume as reflected in the statement of financial position:

€m	31 Dec 2017	31 Dec 2016
Due from banks[1]	5,414.2	7,081.5
Due from customers[1]	16,392.0	15,389.0
Contingent liabilities	3,088.4	2,565.6
Irrevocable lending commitments	1,283.8	702.3
Total	**26,178.4**	**25,738.4**

[1] Excluding money transactions

Provisions for loan losses by risk segment:

	Valuation allowances and provisions for loan losses and credit risks		Loan defaults[1]		Net allocations to[2]/reversals of valuation allowances and provisions for loan losses	
€m	31 Dec 2017	31 Dec 2016	2017	2016	2017	2016
Customers						
Transport and export finance	127.9	281.7	167.1	36.1	–32.4	–189.0
Public infrastructure	0.3	40.9	32.1	–	4.5	–1.4
Property risks	1.9	1.6	–0.2	25.7	–0.2	3.6
Energy and utility infrastructure	14.0	8.6	–	33.0	–2.0	–10.0
Corporates	–	–	–	–	–	0.4
Other	1.1	1.3	–	–	0.2	–
Total customers	**145.2**	**334.1**	**199.0**	**94.8**	**–29.9**	**–196.4**
Banks						
Corporates	–	–	–	1.4	–	0.6
Financial institutions	0.3	0.2	–	–	–0.1	0.1
Total banks	**0.3**	**0.2**	**–**	**1.4**	**–0.1**	**0.7**
Total	**145.5**	**334.3**	**199.0**	**96.2**	**–30.0**	**–195.7**

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

45 Financial assets at fair value

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

€m	31 Dec 2017	31 Dec 2016	Change
Held for trading			
Debt securities and other fixed-interest securities	4,310.2	5,309.9	–999.7
Bonds and debt securities	4,216.6	5,214.8	–998.2
Money market securities	93.6	95.1	–1.5
Shares and other non fixed-interest securities	2,375.6	1,107.2	1,268.4
Shares	975.1	643.1	332.0
Units in investment funds	1,400.5	464.1	936.4
Promissory note loans	782.9	1,026.1	–243.2
Positive market values of derivative financial instruments (trading)	5,004.0	7,194.8	–2,190.8
Total – held for trading	**12,472.7**	**14,638.0**	–2,165.3
Designated at fair value			
Debt securities and other fixed-interest securities	17,665.7	18,695.4	–1,029.7
Bonds and debt securities	17,665.7	18,695.4	–1,029.7
Shares and other non fixed-interest securities	1,277.0	1,016.4	260.6
Shares	10.2	15.9	–5.7
Units in investment funds	1,266.8	980.7	286.1
Other non fixed-interest securities	–	19.8	–19.8
Promissory note loans	81.6	297.4	–215.8
Positive market values of derivative financial instruments (economic hedges)	488.4	256.0	232.4
Total – designated at fair value	**19,512.7**	**20,265.2**	–752.5
Total	**31,985.4**	**34,903.2**	–2,917.8

The fair value of receivables in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €–0.2m (previous year: €–4.1m).

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

€m	31 Dec 2017	31 Dec 2016	Change
Debt securities and other fixed-interest securities	20,794.5	23,048.1	–2,253.6
Shares and other non fixed-interest securities	1,358.7	1,054.0	304.7

46 Positive market values of derivative hedging instruments

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

€m	31 Dec 2017	31 Dec 2016	Change
Fair value hedges			
Asset items			
Due from banks	–	0.1	–0.1
Due from customers	12.5	10.0	2.5
Liability items			
Due to banks	0.1	–	0.1
Due to customers	7.6	11.9	–4.3
Securitised liabilities	–	6.6	–6.6
Subordinated capital	0.1	–	0.1
Total – fair value hedges	**20.3**	**28.6**	–8.3
Cash flow hedges			
Asset items	0.1	–	0.1
Total	**20.4**	**28.6**	–8.2

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

47 Financial investments

€m	31 Dec 2017	31 Dec 2016	Change
Loans and receivables			
Debt securities and other fixed-interest securities	878.1	674.3	203.8
Held to maturity			
Debt securities and other fixed-interest securities	2,891.6	2,309.4	582.2
Available for sale			
Debt securities and other fixed-interest securities	0.0	0.0	–0.0
Shares and other non fixed-interest securities	–	0.0	–0.0
Shareholdings			
Equity investments	45.7	30.8	14.9
Shares in equity-accounted companies	16.0	6.9	9.1
Shares in affiliated, non-consolidated companies	1.1	1.1	–
Shares in associated companies not accounted for under the equity method	1.4	0.2	1.2
Financial investments before risk provision	**3,833.9**	**3,022.7**	811.2
Risk provision	–43.2	–53.8	10.6
Total	**3,790.7**	**2,968.9**	821.8

Changing the method used for estimating the fair value of shares in entities listed as "shareholdings" led to a rise of €33.6m in comparison to previous year in the carrying value of financial investments.

Of the financial investments, the following are listed on the stock exchange:

€m	31 Dec 2017	31 Dec 2016	Change
Debt securities and other fixed-interest securities	3,029.1	2,753.9	275.2

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

€m	Equity investments	Shares in equity-accounted companies	Shares in affiliated companies	Shares in associated companies	Total
Historical cost					
As at 1 January 2016	28.8	131.8	4.6	0.2	165.4
Additions	–	0.0	0.4	–	0.4
Disposals	2.2	–	–	–	2.2
Change in scope of consolidation	–	–55.6	–3.9	–	–59.5
As at 31 December 2016	**26.6**	**76.2**	**1.1**	**0.2**	**104.1**
Disposals	12.4	–	–	–	12.4
As at 31 December 2017	**14.2**	**76.2**	**1.1**	**0.2**	**91.7**
Cumulative amortisation/impairment					
As at 1 January 2016	0.9	119.5	–	–	120.4
Write-backs	–	2.6	–	–	2.6
Net income from equity-accounted companies	–	1.3	–	–	1.3
Reclassifications and other changes	–	1.2	–	–	1.2
Change in the revaluation reserve	5.1	–1.2	–	–	3.9
Change in scope of consolidation	–	–48.7	–	–	–48.7
As at 31 December 2016	**–4.2**	**69.3**	**–**	**–**	**65.1**
Net income from equity-accounted companies	–	11.2	–	–	11.2
Change in the revaluation reserve	27.3	–2.1	–	1.2	26.4
As at 31 December 2017	**–31.5**	**60.2**	**–**	**–1.2**	**27.5**
Carrying value as at 31 December 2016	**30.8**	**6.9**	**1.1**	**0.2**	**39.0**
Carrying value as at 31 December 2017	**45.7**	**16.0**	**1.1**	**1.4**	**64.2**

48 Intangible assets

€m	31 Dec 2017	31 Dec 2016	Change
Purchased goodwill	**148.1**	**148.1**	–
Software			
Purchased	28.8	29.6	–0.8
Developed in-house	3.6	3.5	0.1
Total software	**32.4**	**33.1**	–0.7
Other intangible assets	14.2	16.9	–2.7
Total	**194.7**	**198.1**	–3.4

Purchased goodwill includes goodwill arising on the acquisition of LBB-INVEST (€95.0m). For the purposes of the impairment test performed as at 31 December 2017, this was allocated to the Asset Management Securities business division as the cash-generating unit. Purchased goodwill also includes goodwill arising on the acquisition of WestInvest Gesellschaft für Investmentfonds mbH (WestInvest) (€53.1m). The impairment test was carried out at the level of the Asset Management Real Estate business division in the course of normal testing procedures as at 31 December 2017.

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

The performance of the Asset Management Securities business division's total customer assets under management was identified as a key value driver in its capacity as a cash-generating unit. The forecast was based on national economic data and past empirical values. Business and earnings trends are expected to remain stable. The values taken for the perpetual annuity represent the forecast for 2022. The long-term growth rate remains unchanged at 1.0%. The discount rate was 8.47% (previous year: 8.86%). The value in use established using this approach was higher than the carrying value of the cash-generating unit. As a result, no impairment charge was required.

Internal forecasts based on national economic data and specific competition and market analyses were used for the Asset Management Real Estate business division cash-generating unit. Account was taken of past empirical values, particularly with regard to the material value driver, which is the future development of total customer assets. On the basis of planned net sales, the fund business is expected to see a further increase in total customer assets and to consolidate its successful market position over the next three years. This is contingent on the successful completion of planned transactions in the target segments, in which competition remains intense. Lower net cash inflows and hence also lower transaction income are expected in 2021 and 2022, owing to the cyclical nature of sales and also to the effects of regulatory uncertainties (for example, the investment tax reforms or MiFID II) or other unpredictable events (such as interest rate rises). A perpetual return based on the forecast for 2022 was also taken into account and an unchanged long-term growth rate of 1.0% was assumed. The discount rate was 7.17% (previous year: 7.46%). The value in use established using this approach was higher than the carrying value of the cash-generating unit. As a result, no impairment write-down was required.

Other intangible assets primarily comprise sales partnerships and customer relationships from the acquisition of LBB-INVEST.

The following table shows the movement in intangible assets:

€m	Purchased goodwill	Software purchased	Software developed in-house	Other intangible assets	Total
Historical cost					
As at 1 January 2016	240.4	150.5	74.0	51.7	516.6
Additions	–	18.9	0.3	–	19.2
Disposals	–	3.5	0.4	1.1	5.0
Change in scope of consolidation	–	12.1	2.6	–	14.7
As at 31 December 2016	**240.4**	**178.0**	**76.5**	**50.6**	**545.5**
Additions	–	9.4	2.2	–	11.6
Disposals	–	0.2	–	–	0.2
Change in scope of consolidation	–1.7	–	–	–	–1.7
As at 31 December 2017	**238.7**	**187.2**	**78.7**	**50.6**	**555.2**
Cumulative amortisation/impairment					
As at 1 January 2016	92.3	130.4	71.9	30.8	325.4
Amortisation/impairment	–	10.3	1.5	4.1	15.9
Disposals	–	3.5	0.4	1.2	5.1
Change in scope of consolidation	–	11.2	–	–	11.2
As at 31 December 2016	**92.3**	**148.4**	**73.0**	**33.7**	**347.4**
Amortisation/impairment	–	10.0	2.1	2.7	14.8
Disposals	–	0.0	–	–	0.0
Change in scope of consolidation	–1.7	–	–	–	–1.7
As at 31 December 2017	**90.6**	**158.4**	**75.1**	**36.4**	**360.5**
Carrying value as at 31 December 2016	**148.1**	**29.6**	**3.5**	**16.9**	**198.1**
Carrying value as at 31 December 2017	**148.1**	**28.8**	**3.6**	**14.2**	**194.7**

49 Property, plant and equipment

€m	31 Dec 2017	31 Dec 2016	Change
Plant and equipment	21.5	14.7	6.8
Technical equipment and machines	5.9	2.4	3.5
Total	**27.4**	**17.1**	10.3

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

€m	Plant and equipment	Technical equipment and machines	Total
Historical cost			
As at 1 January 2016	44.5	59.7	104.2
Additions	1.2	1.6	2.8
Disposals	0.1	3.7	3.8
Change in scope of consolidation	0.6	2.5	3.1
As at 31 December 2016	**46.2**	**60.1**	**106.3**
Additions	9.6	5.3	14.9
Disposals	6.4	3.4	9.8
Change in scope of consolidation	–0.3	–	–0.3
As at 31 December 2017	**49.1**	**62.0**	**111.1**
Cumulative amortisation/impairment			
As at 1 January 2016	29.9	58.0	87.9
Amortisation/impairment	1.1	1.2	2.3
Disposals	0.1	3.7	3.8
Change in scope of consolidation	0.6	2.2	2.8
As at 31 December 2016	**31.5**	**57.7**	**89.2**
Amortisation/impairment	2.7	1.8	4.5
Disposals	6.5	3.4	9.9
Change in scope of consolidation	–0.1	–	–0.1
As at 31 December 2017	**27.6**	**56.1**	**83.7**
Carrying value as at 31 December 2016	**14.7**	**2.4**	**17.1**
Carrying value as at 31 December 2017	**21.5**	**5.9**	**27.4**

50 Income tax assets

€m	31 Dec 2017	31 Dec 2016	Change
Current income tax assets	186.2	193.6	–7.4
Deferred income tax assets	148.4	156.1	–7.7
Total	**334.6**	**349.7**	–15.1

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

In the year under review, deferred tax assets included €2.9m in relation to loss carry-forwards at one Group company (previous year: €3.8m).

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

€m	31 Dec 2017	31 Dec 2016	Change
Asset items			
Due from customers	6.6	0.6	6.0
Financial assets at fair value	0.9	0.6	0.3
Intangible assets	16.5	20.0	–3.5
Other assets	0.3	0.4	–0.1
Liability items			
Due to banks	11.8	18.8	–7.0
Due to customers	59.9	75.3	–15.4
Securitised liabilities	–	0.8	–0.8
Financial liabilities at fair value	222.3	299.6	–77.3
Negative market values of derivative hedging instruments	10.3	21.0	–10.7
Provisions	97.5	96.1	1.4
Other liabilities	5.6	5.0	0.6
Subordinated capital	1.3	3.5	–2.2
Loss carryforwards	**2.9**	**3.8**	–0.9
Sub-total	**435.9**	**545.5**	–109.6
Netting	–287.5	–389.4	101.9
Total	**148.4**	**156.1**	–7.7

Reported deferred tax assets include €148.4m (previous year: €156.0m) that are medium or long-term in nature.

As at the reporting date, a loss carryforward of €0.2m existed at one Luxembourg company (previous year: €0.0m) which has not been recognised in the financial statements. There were no other temporary differences for which deferred tax assets have not been recognised (tax assets not recognised in the previous year: €0.0m).

The netting of deferred tax assets and liabilities relates mainly to short-term deferred taxes arising from temporary differences in connection with financial assets and liabilities at fair value.

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

Deferred income tax assets amounting to €49.2m (previous year: €54.1m) in connection with pension provisions and deferred income tax assets amounting to €1.1m (previous year: €9.3m) in connection with cash flow hedges were offset against equity.

51 Other assets

€m	31 Dec 2017	31 Dec 2016	Change
Amounts due from investment funds	160.4	125.7	34.7
Amounts due from non-banking business	20.8	22.3	– 1.5
Amounts due or refunds from other taxes	0.3	0.7	– 0.4
Other miscellaneous assets	89.6	129.1	– 39.5
Prepaid expenses	29.5	28.9	0.6
Total	**300.6**	**306.7**	– 6.1

Other assets include €9.8 thousand (previous year: €9.8 thousand) that are of a medium or long-term nature.

52 Due to banks

€m	31 Dec 2017	31 Dec 2016	Change
Domestic banks	14,541.3	13,150.2	1,391.1
Foreign banks	4,696.5	4,212.2	484.3
Total	**19,237.8**	**17,362.4**	1,875.4
Thereof:			
Collateralised registered bonds and promissory note loans	78.7	199.1	– 120.4
Unsecured registered bonds and promissory note loans	2,749.3	2,797.7	– 48.4

Amounts due to banks include payments received of €3.6bn on genuine securities repurchase agreements and collateralised securities lending transactions (previous year: €3.5bn).

53 Due to customers

€m	31 Dec 2017	31 Dec 2016	Change
Domestic customers	18,683.6	16,523.3	2,160.3
Foreign customers	7,977.3	6,895.8	1,081.5
Total	**26,660.9**	**23,419.1**	3,241.8
Thereof:			
Collateralised registered bonds and promissory note loans	1,467.5	1,633.3	– 165.8
Unsecured registered bonds and promissory note loans	1,219.1	1,262.8	– 43.7

Amounts due to customers include payments received of €3.6bn from genuine securities repurchase agreements and collateralised securities lending transactions (previous year: €2.5bn).

54 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. In accordance with IAS 39, issued bonds are disclosed net of bonds with a nominal value of €0.2bn held within the Deka Group (previous year: €0.2bn).

€m	31 Dec 2017	31 Dec 2016	Change
Uncovered debt securities issued	7,629.0	8,100.6	–471.6
Covered debt securities issued	241.8	224.8	17.0
Money market securities issued	6,364.0	2,750.7	3,613.3
Total	**14,234.8**	**11,076.1**	3,158.7

55 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 of 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. Short positions are also reported in this line item.

€m	31 Dec 2017	31 Dec 2016	Change
Held for trading			
Trading issues	17,463.1	15,063.5	2,399.6
Securities short portfolios	960.9	772.8	188.1
Negative market values of derivative financial instruments (trading)	5,326.7	7,409.5	–2,082.8
Total – held for trading	**23,750.7**	**23,245.8**	504.9
Designated at fair value			
Issues	1,755.8	2,116.7	–360.9
Negative market values of derivative financial instruments (economic hedges)	476.3	1,157.0	–680.7
Total – designated at fair value	**2,232.1**	**3,273.7**	–1,041.6
Total	**25,982.7**	**26,519.5**	–536.8

Issues can be broken down by product type as follows:

€m	31 Dec 2017	31 Dec 2016	Change
Held for trading			
Uncovered trading issues			
Bearer bonds issued	14,016.8	11,601.0	2,415.8
Registered bonds issued	1,163.2	1,094.3	68.9
Promissory notes raised	2,283.1	2,368.3	–85.2
Total	**17,463.1**	**15,063.5**	2,399.6
Designated at fair value			
Uncovered issues			
Bearer bonds issued	329.8	364.7	–34.9
Registered bonds issued	288.2	342.1	–53.9
Promissory notes raised	216.8	329.0	–112.2
Covered issues	921.0	1,080.9	–159.9
Total	**1,755.8**	**2,116.7**	–360.9

The fair value of issues in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €12.6m (previous year: €8.9m).

The carrying value of liabilities allocated to the designated at fair value category is €203.4m higher (previous year: €247.9m) higher than the repayment amount.

56 Negative market values from derivative hedging instruments

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

€m	31 Dec 2017	31 Dec 2016	Change
Fair value hedges			
Asset items			
Due from banks	0.1	–	0.1
Due from customers	11.6	31.0	–19.4
Liability items			
Due to banks	0.1	–	0.1
Securitised liabilities	0.2	0.1	0.1
Subordinated capital	–	0.1	–0.1
Total – fair value hedges	**12.0**	**31.2**	–19.2
Cash flow hedges			
Asset items	–	3.2	–3.2
Total	**12.0**	**34.4**	–22.4

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

57 Provisions for pensions and similar commitments

The following table shows the movement in provisions:

€m	Provisions for pensions	Provisions for similar commitments[1]	Total
As at 1 January 2016	**188.7**	**24.9**	**213.6**
Allocation	36.6	2.3	38.9
Utilisation	13.4	6.2	19.6
Reclassifications	–	1.6	1.6
Change in plan assets	–13.0	–0.9	–13.9
Business combinations and change in scope of consolidation	0.2	–	0.2
Revaluations recognised in other comprehensive income	15.1	–	15.1
As at 31 December 2016	**214.2**	**21.7**	**235.9**
Allocation	36.6	8.6	45.2
Utilisation	13.4	6.7	20.1
Reclassifications	–	0.1	0.1
Change in plan assets	–65.5	–1.1	–66.6
Business combinations and change in scope of consolidation	2.9	0.8	3.7
Revaluations recognised in other comprehensive income	–15.4	–	–15.4
As at 31 December 2017	**159.4**	**23.4**	**182.8**

[1] Including provision for working hours accounts

The present value of the obligations can be reconciled to the provision on the statement of financial position as follows:

€m	31 Dec 2017	31 Dec 2016	Change
Present value of fully or partially funded defined benefit obligations	746.0	709.3	36.7
Fair value of plan assets at reporting date	612.3	519.9	92.4
Funding status	**133.7**	**189.4**	–55.7
Present value of unfunded defined benefit obligations	49.1	46.5	2.6
Provisions for pensions	**182.8**	**235.9**	–53.1

The movement in the net liability was as follows:

	Defined benefit obligations		Fair value of plan assets		Net obligation/ (net asset)	
€m	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
As at 1 January	**755.8**	**705.5**	**519.9**	**491.9**	**235.9**	**213.6**
Current service cost	32.3	32.1	–	–	32.3	32.1
Interest expense or income	14.5	15.9	10.2	11.4	4.3	4.5
Other pension expenses	8.6	2.3	–	–	8.6	2.3
Pension expenses (recognised in profit or loss)	**55.4**	**50.3**	**10.2**	**11.4**	**45.2**	**38.9**
Actuarial gains/losses from:						
Financial assumptions	6.4	24.9	–	–	6.4	24.9
Experience adjustment	–10.2	–8.1	–	–	–10.2	–8.1
Income from plan assets excluding interest income	–	–	11.6	1.7	–11.6	–1.7
Revaluation gains/losses (recognised in other comprehensive income)	**–3.8**	**16.8**	**11.6**	**1.7**	**–15.4**	**15.1**
Transfers	0.1	1.6	–	–	0.1	1.6
Business combinations and change in scope of consolidation	7.7	1.2	4.0	1.0	3.7	0.2
Employer contributions	–	–	58.9	6.2	–58.9	–6.2
Employee contributions	–	–	8.7	9.9	–8.7	–9.9
Benefits paid	–20.1	–19.6	–1.0	–2.2	–19.1	–17.4
As at 31 December	**795.1**	**755.8**	**612.3**	**519.9**	**182.8**	**235.9**
Comprising:						
Final salary plans and general contribution schemes	492.5	484.8	374.9	311.7	117.6	173.1
Unit-linked defined contribution plans	272.5	243.8	230.7	202.5	41.8	41.3

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

%	31 Dec 2017	31 Dec 2016	Change
Actuarial interest rate	1.90	1.95	–0.05
Pension trend for adjustments according to Section 16(2) Company Pension Funds Act (BetrAVG)[1]	1.75	1.75	–
Pension adjustment with overall trend updating[1]	2.25	2.25	–
Salary trend[1]	2.50	2.50	–

[1] Not relevant for the valuation of unit-linked pension commitments as these are not dependent on final salary

For non-vested projected benefits, staff turnover profiles published by Heubeck-Richttafeln-GmbH are also used in the calculation with a level parameter of 1.5. The discount factor for similar commitments was –0.28% (previous year: –0.25%). This rate takes account of the shorter time to maturity compared to pension commitments as well as the rate of adjustment in early retirement and transitional payments not shown separately.

The sensitivity analysis presented below shows how a change in significant actuarial assumptions can affect the defined benefit obligation (DBO). This analysis considers the change in one assumption, leaving the other assumptions unchanged relative to the original calculation. This means that potential correlation

effects between the individual assumptions are disregarded. The sensitivity analysis only applies to the present value of the DBO and not to the net obligation, as the latter is determined by a number of factors including both the actuarial assumptions and the fair value of the plan assets.

€m	Change in actuarial assumptions	Effect on defined benefit obligations	
		31 Dec 2017	31 Dec 2016
Actuarial interest rate	Increase of 1.0 percentage points	– 112.0	– 110.9
	Reduction of 1.0 percentage points	146.2	144.7
Salary trend	Increase of 0.25 percentage points	6.3	6.8
	Reduction of 0.25 percentage points	– 5.9	– 6.4
Pension trend	Increase of 0.25 percentage points	16.1	15.9
	Reduction of 0.25 percentage points	– 15.4	– 15.2
Life expectancy	Extended by 1 year	22.7	22.0

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

€m	31 Dec 2017	31 Dec 2016	Change
Mutual funds	236.5	207.1	29.4
Equity funds	219.1	191.8	27.3
Bond funds	1.6	1.7	– 0.1
Mixed funds	9.1	8.0	1.1
Near-money-market funds	6.7	5.6	1.1
Special funds	375.0	311.9	63.1
Insurance contracts	0.8	0.9	– 0.1
Total	**612.3**	**519.9**	92.4

Apart from insurance contracts, the plan assets consist of assets for which quoted market prices are available on an active market. As at 31 December 2017, the plan assets included €611.5m of the Deka Group's own investment funds (previous year: €519.0m). They did not include properties used by the Deka Group or other assets.

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

Income from the plan assets is assumed to match the actuarial interest rate, which is determined on the basis of corporate bonds with a credit rating of 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. The current very low level of interest rates leads to a relatively high net obligation. A further decline in corporate bond yields would lead to a further increase in the defined benefit obligations, which may only be partially offset by the positive performance of the plan assets.

The weighted average maturity of the defined benefit pension obligations was 16.3 years as at the balance sheet date (previous year: 17.4 years).

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

€m	31 Dec 2017	31 Dec 2016	Change
Current scheme members	424.4	398.7	25.7
Former scheme members	170.5	166.8	3.7
Pensioners and surviving dependents	200.2	190.3	9.9
Present value of defined benefit obligation	**795.1**	**755.8**	39.3

For the 2018 financial year it is expected that contributions amounting to €14.8m (previous year: €16.1m) will have to be allocated to the defined benefit schemes.

58 Other provisions

€m	31 Dec 2017	31 Dec 2016	Change
Provisions for restructuring measures	27.7	27.2	0.5
Provisions for legal risks	27.0	7.4	19.6
Provisions for operational risks	0.9	0.6	0.3
Provisions for credit risks	1.7	1.0	0.7
Provisions in human resources	1.0	0.5	0.5
Provisions in investment funds business	70.2	72.6	–2.4
Sundry other provisions	11.6	12.8	–1.2
Total	**140.1**	**122.1**	18.0

Restructuring provisions arise from the Deka Group’s various restructuring activities, including the transformation process aimed at turning DekaBank into a *Wertpapierhaus* for the savings banks, as well as the strategic reorganisation of the subsidiary LBB-INVEST (Landesbank Berlin Investment GmbH) in the Asset Management Securities business division.

Provisions for legal and operational risks are established for potential losses that could result from the use of inadequate internal processes and systems or their failure, as well as from human error and external events. The provisions exist mainly to cover legal risks in the HR area and for refunds of unlawful processing charges in relation to lending business. Operational risks can lead to claims from customers, counterparties and supervisory authorities or to legal action.

Provisions for credit risks are provisions created for impairments identified in relation to guarantees and sureties (see note [44]).

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

The Deka Group's range of products includes investment funds with guarantees of various types. Upon maturity of the fund or at the end of the investment period, the investment management company guarantees that the investor will receive either the capital originally invested (less charges) or the unit value

at the start of that investment period. The amount of the provision is the forecast shortfall at the guarantee date, which is the difference between the expected unit value and the unit value guaranteed. As at the balance sheet date, provisions of €2.1m (previous year: €2.4m) had been made based on the performance of the relevant funds. As at the reporting date, the guarantees covered a maximum total volume of €3.4bn (previous year: €3.9bn) as at the respective guarantee dates. The market value of the relevant funds totalled €3.7bn (previous year: €4.1bn). This includes funds with a forecast return performance, as described below, which had a volume of €1.6bn (previous year: €2.4bn).

Investment funds whose return is forecast and published on the basis of current money market rates set by the Group exist in two varieties: with or without a capital guarantee. The level of the provision is determined using potential loss scenarios taking account of the risks related to liquidity, interest rate and spreads. As at the reporting date, provisions of €44.4m (previous year: €40.1m) had been established. The underlying total value of the funds was €6.8bn (previous year: €6.5bn), of which €1.6bn (previous year: €2.4bn) related to funds with a capital guarantee and €5.2bn (previous year: €4.1bn) to funds without a capital guarantee.

The sundry other provisions were established in respect of liabilities arising from a range of issues.

The movement in other provisions is as follows:

€m	Opening balance 1 Jan 2017	Allocation	Utilisations	Reversal	Reclassi-fications	Accrued interest	Currency effects	Closing balance 31 Dec 2017
Provisions for restructuring measures	27.2	5.9	4.5	0.9	–	–	–	27.7
Provisions for legal risks	7.4	19.8	0.1	0.1	–	–	–	27.0
Provisions for operational risks	0.6	0.4	0.1	–	–	–	–	0.9
Provisions for credit risks	1.0	0.7	–	–	–	–	–	1.7
Provisions in human resources	0.5	1.0	0.3	0.1	−0.1	–	–	1.0
Provisions in investment funds business	72.6	7.3	0.9	8.7	–	−0.1	–	70.2
Sundry other provisions	12.8	0.8	1.9	0.1	–	–	–	11.6
Other provisions	**122.1**	**35.9**	**7.8**	**9.9**	**−0.1**	**−0.1**	**–**	**140.1**

Some of the provisions for restructuring measures are reclassified as provisions for pensions and similar commitments in the subsequent year, in accordance with their underlying nature.

Other provisions include €35.9m (previous year: €45.0m) that are of a medium or long-term nature.

59 Income tax liabilities

€m	31 Dec 2017	31 Dec 2016	Change
Provisions for income taxes	15.8	16.8	−1.0
Current income tax liabilities	5.9	42.1	−36.2
Deferred income tax liabilities	147.3	123.3	24.0
Total	**169.0**	**182.2**	−13.2

Provisions for income taxes relate to corporation tax, the solidarity surcharge and trade tax. Provisions for income taxes include €15.8m (previous year: €16.8m) that are of a medium or long-term nature.

Current income tax liabilities include payments for income taxes from the reporting year and earlier periods that were due but had not yet been paid as at the reporting date. Deferred income tax liabilities represent

the potential income tax charges from temporary differences between the values of assets and liabilities on the IFRS statement of financial position and the tax statement of financial position.

Deferred tax liabilities were recognised in relation to the following line items on the statement of financial position:

€m	31 Dec 2017	31 Dec 2016	Change
Asset items			
Due from banks	0.7	3.0	–2.3
Due from customers	0.1	5.6	–5.5
Financial assets at fair value	290.9	317.3	–26.4
Positive market values of derivative hedging instruments	87.6	124.5	–36.9
Financial investments	47.9	50.6	–2.7
Shares in equity-accounted companies	0.1	–	0.1
Intangible assets	4.5	5.7	–1.2
Other assets	2.3	4.8	–2.5
Liability items			
Securitised liabilities	0.5	–	0.5
Provisions	–	0.0	–0.0
Other liabilities	0.2	1.2	–1.0
Sub-total	**434.8**	**512.7**	–77.9
Netting	–287.5	–389.4	101.9
Total	**147.3**	**123.3**	24.0

Reported deferred tax liabilities include €142.5m (previous year: €121.7m) that are of a short-term nature.

The netting of deferred tax assets and liabilities relates mainly to short-term deferred taxes arising from temporary differences in connection with financial assets and liabilities at fair value.

As at the reporting date, temporary differences existed in connection with outside basis differences at consolidated subsidiaries amounting to €462.5m (previous year: €475.5m), resulting in imputed deferred tax liabilities of €7.4m (previous year: €7.6m). In accordance with IAS 12.39, these have not been recognised on the statement of financial position.

During the reporting year, deferred income tax liabilities amounting to €0.7m (previous year: €0.1m) were deducted from equity in relation to the first-time remeasurement of various equity interests held in the available-for-sale portfolio.

60 Other liabilities

The breakdown of other liabilities is as follows:

€m	31 Dec 2017	31 Dec 2016	Change
Liabilities			
Debt capital from minority interests	0.7	0.8	– 0.1
Commissions not yet paid to sales offices	111.4	101.2	10.2
Liabilities from current other taxes	69.9	26.5	43.4
Unsettled securities spot deals	0.1	2.2	– 2.1
Shares of profit attributable to atypical silent partners	77.6	84.1	– 6.5
Other	82.9	75.1	7.8
Accruals			
Sales performance compensation	308.9	290.6	18.3
Personnel costs	116.4	106.5	9.9
Year-end audit and other audit costs	6.9	5.9	1.0
Other accruals	52.7	48.6	4.1
Prepaid expenses	3.6	4.2	– 0.6
Total	**831.1**	**745.7**	85.4

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

DekaBank offsets the share of profit attributable to atypical silent partners against the taxes already deducted for the benefit of the owners. As at the reporting date the share of profit was €77.6m higher than the taxes deducted.

"Other" includes in particular trade payables of €50.9m (previous year: €42.4m).

Other liabilities include €4.9m (previous year: €3.3m) that are of a medium or long-term nature.

61 Subordinated capital

€m	31 Dec 2017	31 Dec 2016	Change
Subordinated bearer bonds	186.8	187.8	– 1.0
Subordinated promissory note loans	171.4	172.4	– 1.0
Other subordinated liabilities	520.9	525.8	– 4.9
Prorated interest on subordinated liabilities	20.6	20.6	–
Capital contributions of typical silent partners	26.4	203.9	– 177.5
Prorated interest on capital contributions of typical silent partners	1.0	8.0	– 7.0
Total	**927.1**	**1,118.5**	– 191.4

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

Year of issue	Nominal value €m	Interest rate % p.a.	Maturity
2009	75.0	6.00	2019
2013	25.0	4.00	2023
2013	12.7	4.13	2024
2013	5.0	4.26	2025
2013	52.1	4.50	2028
2013	18.0	4.75	2033
2014	105.7	4.01	2024
2014	137.5	4.15	2025
2014	6.0	4.34	2027
2014	10.0	4.53	2028
2014	97.0	4.52	2029
2014	6.0	4.57	2030
2014	25.0	4.80	2034
2015	207.3	3.51	2025
2015	22.7	3.58	2026
2015	10.0	3.74	2027
2015	60.0	4.04	2030

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

Interest expenses for typical silent capital contributions existing as at the reporting date amounted to €2.9m and are reported in net interest income (see note [31]). Notice of termination has been given in respect of all silent capital contributions. An initial repayment of silent capital contributions totalling €177.5m was made in the year under review.

62 Atypical silent capital contributions

Atypical silent capital contributions amounted to €52.4m (previous year: €52.4m). The distribution on atypical silent capital contributions in the year under review was €60.6m (previous year: €59.3m).

63 Equity

€m	31 Dec 2017	31 Dec 2016	Change
Subscribed capital	286.3	286.3	–
Less own shares	94.6	94.6	–
Additional capital components (AT1 bonds)	473.6	473.6	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings			
Statutory reserve	6.3	6.3	–
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	4,405.0	4,235.4	169.6
Total reserves from retained earnings	**4,462.6**	**4,293.0**	169.6
Revaluation reserve			
For provisions for pensions	–154.1	–169.5	15.4
For cash flow hedges	–3.4	–29.1	25.7
For financial instruments available for sale	33.6	5.1	28.5
For equity-accounted companies	–6.6	–4.5	–2.1
Applicable deferred taxes	49.6	63.3	–13.7
Total revaluation reserve	**–80.9**	**–134.7**	53.8
Currency translation reserve	–0.1	1.8	–1.9
Consolidated profit/loss	72.3	70.7	1.6
Total	**5,309.5**	**5,086.4**	223.1

In 2017, a positive valuation result from cash flow hedges totalling €+13.2m (previous year: €–3.0m) was recorded in the revaluation reserve. In addition, a loss of €–2.9m from the early closing-out of hedging transactions was reclassified from the revaluation reserve to profit or loss on financial instruments designated at fair value. At the same time, a loss of €–9.6m (previous year: €–13.4m) on expired hedging transactions was reclassified from the revaluation reserve to profit on financial instruments designated at fair value category. As a result of unscheduled repayments and syndications, margin cash flows from loans that were originally hedged, converted in the amount of €92.2m (previous year: €42.4m), will not arise in future periods. The cash flow hedge was modified accordingly. There were no reclassifications due to the ineffectiveness of hedges during the reporting year.

Hedged cash flows are expected to occur in subsequent reporting periods and are scheduled to be recognised through profit or loss in those periods:

€m	31 Dec 2017	31 Dec 2016	Change
Expected cash flows from asset items			
Up to 3 months	31.3	34.4	–3.1
Between 3 months and 1 year	5.9	57.2	–51.3
Between 1 year and 5 years	–	172.0	–172.0
More than 5 years	–	48.7	–48.7
Total expected cash flows	**37.2**	**312.3**	–275.1

Following an adjustment to the hedging strategy during the year under review, gross lending margins are now only hedged for the next year. In previous years, margins for all future periods were hedged.

Notes on financial instruments

64 Carrying values by measurement category

In the Deka Group, financial instruments are classified as per IFRS 7 by balance sheet line item and IFRS category:

€m	31.12.2017	31.12.2016	Change
Asset items			
Loans and receivables			
Due from banks	26,396.4	20,653.9	5,742.5
Due from customers	20,650.5	22,840.9	–2,190.4
Financial investments	875.3	672.4	202.9
Held to maturity			
Financial investments	2,851.2	2,257.5	593.7
Available for sale			
Financial investments	64.2	39.0	25.2
Held for trading			
Financial assets at fair value	12,472.7	14,638.0	–2,165.3
Designated at fair value			
Financial assets at fair value	19,512.7	20,265.1	–752.4
Positive market values of derivative hedging instruments	20.4	28.6	–8.2
Total asset items	**82,843.4**	**81,395.4**	1,448.0
Liability items			
Other liabilities			
Due to banks	19,237.8	17,362.4	1,875.4
Due to customers	26,660.9	23,419.1	3,241.8
Securitised liabilities	14,234.8	11,076.1	3,158.7
Subordinated capital	927.1	1,118.5	–191.4
Held for trading			
Financial liabilities at fair value	23,750.7	23,245.8	504.9
Designated at fair value			
Financial liabilities at fair value	2,232.0	3,273.6	–1,041.6
Negative market values from derivative hedging instruments	12.0	34.4	–22.4
Total liability items	**87,055.3**	**79,529.9**	7,525.4

65 Net profit or loss by measurement category

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

€m	31 Dec 2017	31 Dec 2016	Change
Loans and receivables	474.7	289.8	184.9
Held to maturity	71.6	50.1	21.5
Other liabilities	–354.5	–363.8	9.3
Other comprehensive income	28.5	5.1	23.4
Result recognised in profit and loss	8.0	2.5	5.5
Available for sale	36.5	7.6	28.9
Held for trading	239.6	304.8	–65.2
Designated at fair value	–92.2	57.9	–150.1
Valuation result from hedge accounting for fair value hedges	–0.6	2.4	–3.0
Result from hedge accounting for cash flow hedges, recognised in other comprehensive income	25.7	10.4	15.3

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

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

66 Fair value disclosures

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

	31 Dec 2017		31 Dec 2016	
€m	Fair value	Carrying value	Fair value	Carrying value
Asset items				
Cash reserves	10,039.6	10,039.6	3,687.6	3,687.6
Due from banks	26,515.5	26,396.4	20,835.2	20,653.9
Due from customers	20,910.3	20,650.5	23,122.1	22,840.9
Financial assets at fair value	31,985.4	31,985.4	34,903.2	34,903.2
Positive market values of derivative hedging instruments	20.4	20.4	28.6	28.6
Financial investments	3,821.7	3,790.7	2,983.3	2,968.9
Loans and receivables	850.7	875.3	632.9	672.4
Held to maturity	2,906.8	2,851.2	2,311.4	2,257.5
Available for sale	64.2	64.2	39.0	39.0
Other assets	214.6	214.6	183.9	183.9
Total asset items	**93,507.5**	**93,097.6**	**85,743.9**	**85,267.0**
Liability items				
Due to banks	19,357.6	19,237.8	17,521.7	17,362.4
Due to customers	26,882.2	26,660.9	23,691.8	23,419.1
Securitised liabilities	14,303.0	14,234.8	11,164.2	11,076.1
Financial liabilities at fair value	25,982.7	25,982.7	26,519.5	26,519.5
Negative market values of derivative hedging instruments	12.0	12.0	34.4	34.4
Subordinated capital	1,014.0	927.1	1,217.8	1,118.5
Other liabilities	240.6	240.6	230.7	230.7
Total liability items	**87,792.1**	**87,295.9**	**80,380.1**	**79,760.7**

For financial instruments due on demand or short-term financial instruments, fair value is the amount payable as at the reporting date. The carrying value therefore represents a reasonable approximation to the fair value. These include, *inter alia*, the cash reserve, overdraft facilities and demand deposits due from or owed to banks and customers, and financial instruments included in other assets or other liabilities. In the following description of the fair value hierarchy, financial assets amounting to €11,148.4m (previous year: €4,565.5m) and financial liabilities amounting to €14,897.0m (previous year: €10,729.3m) are not allocated to any level of the fair value hierarchy.

Fair value hierarchy

Financial instruments carried at fair value on the statement of financial position, as well as financial instruments that are not measured at fair value but whose fair value must be stated, must be allocated to the following three fair value hierarchy levels specified in IFRS 13, depending on the input factors influencing their valuation:

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

Level 2 (Valuation method based on observable market data): Financial instruments whose fair value can be determined either from similar financial instruments traded on active and liquid markets, from

similar or identical financial instruments traded on less liquid markets or based on valuation methods with directly or indirectly observable input factors are allocated to this level.

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

The tables below show the fair values of the financial instruments recognised on the statement of financial position, according to their level in the fair value hierarchy.

	Prices listed on active markets (level 1)		**Valuation method based on observable market data (level 2)**		**Valuation method not based on observable market data (level 3)**	
€m	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Assets measured at fair value						
Debt securities, other fixed-interest securities and loan receivables	14,965.4	12,942.4	5,897.1	9,884.3	1,977.9	2,502.2
Shares and other non fixed-interest securities	3,605.1	1,996.3	47.5	127.2	–	–
Derivative financial instruments						
Interest-rate-related derivatives	–	0.1	4,389.4	5,705.2	1.2	15.8
Currency-related derivatives	–	–	184.3	225.9	–	–
Share and other price-related derivatives	371.9	329.7	531.5	1,170.6	14.1	3.5
Other financial assets (dafv)	–	–	–	–	–	–
Positive market values of derivative hedging instruments	–	–	20.4	28.6	–	–
Financial investments (shareholdings)	–	–	–	–	64.2	–
Assets measured at cost						
Due from banks	–	–	21,653.3	14,338.6	4,377.1	6,150.4
Thereof: Assets from genuine repurchase agreements and collateralised securities lending transactions	–	–	17,344.9	8,753.8	–	–
Due from customers	–	–	4,403.4	7,770.4	16,097.8	15,003.9
Thereof: Assets from genuine repurchase agreements and collateralised securities lending transactions	–	–	3,640.7	5,813.0	–	–
Financial investments	1,961.1	1,254.9	1,254.6	656.6	541.8	1,032.8
Total	**20,903.5**	**16,523.4**	**38,381.5**	**39,907.4**	**23,074.1**	**24,708.6**

€m	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Liabilities measured at fair value						
Securities short portfolios	841.9	647.1	119.0	125.7	–	–
Derivative financial instruments						
Interest-rate-related derivatives	–	0.9	4,231.5	5,923.5	22.3	139.9
Currency-related derivatives	–	–	207.7	214.0	–	–
Share and other price-related derivatives	700.5	665.8	633.3	1,621.0	7.7	1.4
Issues	–	–	18,271.8	16,472.4	947.0	707.8
Negative market values of derivative hedging instruments	–	–	12.0	34.4	–	–
Liabilities measured at cost						
Due to banks	–	–	18,670.7	14,008.4	126.4	2,565.2
Thereof: Liabilities from genuine repurchase agreements and collateralised securities lending transactions	–	–	3,551.6	3,788.9	–	–
Due to customers	–	–	12,212.0	12,701.4	574.3	1,439.9
Thereof: Liabilities from genuine repurchase agreements and collateralised securities lending transactions	–	–	3,625.2	2,563.8	–	–
Securitised liabilities	–	–	14,303.0	11,164.2	–	–
Subordinated capital	–	–	84.1	–	929.9	1,217.8
Total	**1,542.4**	**1,313.8**	**68,745.1**	**62,265.0**	**2,607.6**	**6,072.0**

Reclassifications

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

€m	Reclassifications from level 1 to level 2		Reclassifications from level 2 to level 1	
	2017	2016	2017	2016
Assets measured at fair value				
Debt securities, other fixed-interest securities and loan receivables	266.5	3,487.9	2,624.4	925.6
Liabilities measured at fair value				
Securities short portfolios	46.6	68.3	39.6	4.0

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

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

Fair value hierarchy level 1

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

The fair value of units in unconsolidated investment funds is generally determined from the redemption price published by the investment management company.

Fair value hierarchy level 2

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

Unless they are traded on the stock market, derivative financial instruments are generally measured using standard valuation models, such as the Black-Scholes model, the Black-76 model, the SABR model, the Bachelier model, the G1PP model, the G2PP model or the local volatility model. The models are always calibrated using observable market data.

In some cases and under restrictive conditions, options traded on the stock market are also measured using the Black-Scholes model. This case-by-case rule 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, cross-currency swaps and unlisted interest rate futures are measured on the basis of the discounted cash flow model using the market interest rates applying to the remainder of the term of the financial instruments. The tenor structures of the individual interest rates are taken into account by means of separate forward interest rate curves. Interest rate swaps are discounted using the currency-specific interest rate curve. This is used for bootstrapping the forward yield curve. For the foreign currency cash flows in interest rate/currency swaps, discounting is carried out taking into account the cross-currency basis.

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

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

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

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

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.

Fair value hierarchy level 3

Fair values of amounts due from banks or due from customers relating to lending business are determined using the present value method. Future cash flows from receivables are discounted at a risk-adjusted market rate based on the categories of borrower, sector, rating, rank and maturity.

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 either on the basis of indicative quotations or using the discounted cash flow model, applying risk-adjusted market interest rates. The differing credit ratings of issuers are taken into account through appropriate adjustments in the discount rates.

The bonds and debt securities designated at fair value that are reported under financial assets at fair value are plain vanilla bonds and non-synthetic securitisation positions. Since early 2009, the Bank has been winding down the latter whilst safeguarding assets. Determining the fair value of plain vanilla bonds involves the use of credit spreads that are not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the plain vanilla bonds could have been €0.7m higher or lower. The fair value of non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations or via spreads derived from indicative quotations for comparable bonds. These quotations are obtained from various brokers as well as from market price providers, such as S&P. The bid-ask spreads from the available price indications for the individual securitisation positions were used to determine a cautious bid-ask spread, which was used as an estimate for price sensitivity. Using this bid-ask spread, a variation range of 0.45 percentage points averaged across the portfolio was obtained. On this basis, the market value of the securitisation positions concerned could have been €0.4m higher or lower.

The bonds and debt securities presented within the financial assets at fair value line item in the held for trading category are plain vanilla bonds measured using credit spreads not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the market value of the positions concerned could have been €2.3m higher or lower.

The Bank also allocates to level 3 a limited number of equity, credit and interest rate derivatives or issues with embedded equity, credit and interest rate derivatives, for example if unobservable valuation parameters are used which are significant for their valuation. For equity and interest rate derivatives whose valuation requires correlations, the Bank typically uses historical correlations with the relevant share prices or interest rate fixings, or changes to these. The sensitivity of the equity option positions concerned as at 31 December 2017 was around €–4.5m. 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 +5.0%, giving rise to a measurement difference of €+0.1m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty amounts to an equity vega of 1.35, resulting in a value of approximately €4.5m as at 31 December 2017. For credit default swaps (CDS) and credit linked notes with a longer maturity than CDS spreads quoted on the market, a temporal extrapolation uncertainty of five basis points is assumed. As at 31 December 2017, this results in a value of €0.7m.

There are no publicly quoted market prices for the company shares listed as shareholdings in the financial investments item. The fair value of the company shares is determined using the dividend discount model, provided that these companies pay dividends on a sustained basis. Other company shares are measured on the basis of the net asset value approach. Following a review of the valuation models in 2017, any equity investments for which there are regular share buyback programmes were measured using the market method based on comparable transaction prices. There is currently no intention to sell these assets.

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

The fair values of amounts due to banks or due to customers relating to issuing business are determined using the present value method. The future cash flows of the liabilities are discounted at a risk-adjusted market rate that is based on DekaBank's credit risk. For the valuation of collateralised issues, the collateral structure is also taken into account. The interest rate for a comparable unsecured issue is adjusted according to the collateralisation category and percentage.

As at 31 December 2017, 100.0% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.

Performance of financial instruments in fair value hierarchy level 3

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

€m	Debt securities, other fixed-interest securities and loan receivables	Shares and other non fixed-interest securities	Interest-rate-related derivatives	Share and other price-related derivatives	Financial investments (shareholdings)	Total
As at 1 January 2016	**2,395.1**	**–**	**15.7**	**7.6**	**–**	**2,418.4**
Additions through purchase	1,084.5	0.1	16.3	0.5	–	1,101.4
Disposals through sale	620.5	0.1	–	–	–	620.6
Maturity/repayments	548.6	–	–	6.2	–	554.8
Transfers						
To Level 3	332.0	–	0.8	1.9	–	334.7
From Level 3	195.6	–	15.7	1.4	–	212.7
Changes arising from measurement/disposals[1]						
Recognised in profit or loss	48.6	–	–	1.0	–	49.6
Recognised in other comprehensive income	–	–	–	–	–	–
As at 31 December 2016	**2,495.5**	**–**	**17.1**	**3.4**	**–**	**2,516.0**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[2]	**39.0**	**–**	**–**	**1.0**	**–**	**40.0**
Additions through purchase	983.8	–	0.1	13.4	–	997.3
Disposals through sale	1,117.9	–	–	0.1	–	1,118.0
Maturity/repayments	368.5	–	15.8	0.7	–	385.0
Transfers						
To Level 3	258.7	–	–	0.5	30.6	289.8
From Level 3	257.0	–	0.8	–	–	257.8
Changes arising from measurement/disposals[1]						
Recognised in profit or loss	−22.5	–	0.6	−2.4	–	−24.3
Recognised in other comprehensive income	–	–	–	–	33.6	33.6
As at 31 December 2017	**1,972.1**	**–**	**1.2**	**14.1**	**64.2**	**2,051.6**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[2]	**−34.2**	**–**	**0.6**	**−2.5**	**–**	**−36.1**

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

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

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

€m	Interest-rate-related derivatives	Share and other price-related derivatives	Issues	Total
As at 1 January 2016	**32.9**	**8.2**	**528.2**	**569.3**
Additions through purchase	2.2	0.8	23.8	26.9
Disposals through sale	–	0.1	–	0.1
Additions through issues	–	–	346.7	346.7
Maturity/repayments	–	7.1	184.5	191.6
Transfers				
To Level 3	64.1	–	52.7	116.8
From Level 3	14.0	0.5	72.2	86.8
Changes arising from measurement/disposals[1]				
Recognised in profit or loss	–38.3	–	–10.7	–49.0
Recognised in other comprehensive income	–	–	–	–
As at 31 December 2016	**123.5**	**1.3**	**705.3**	**830.1**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[2]	**–38.3**	**–**	**–12.4**	**–50.7**
Additions through purchase	0.3	2.9	17.8	21.0
Disposals through sale	–	0.7	–	0.7
Additions through issues	–	–	516.5	516.5
Maturity/repayments	61.9	–	291.7	353.6
Transfers				
To Level 3	–	0.1	58.2	58.3
From Level 3	10.1	–	79.4	89.5
Changes arising from measurement/disposals[1]				
Recognised in profit or loss	37.3	–3.9	–18.0	15.4
Recognised in other comprehensive income	–	–	–	–
As at 31 December 2017	**14.5**	**7.5**	**944.7**	**966.7**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[2]	**37.2**	**–3.9**	**–13.8**	**19.5**

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

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

During the reporting period, positive market values from debt securities, other fixed-interest securities and loan receivables amounting to €257.0m and negative market values from issues/trading issues in the amount of €79.4m were transferred from level 3. Furthermore, positive market values from debt securities, other fixed-interest securities and loan receivables amounting to €258.7m and negative market values from issues/trading issues in the amount of €58.2m were migrated to level 3. This was due to a more detailed analysis of the market data used for valuation.

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 in the process are the provision of market data that is independent of trading activities, parametrisation, performance of the valuation and quality assurance. Each of these steps and processes has a team responsible for design and implementation.

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

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

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

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

67 Offsetting financial assets and liabilities

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

31 Dec 2017				Associated amounts not offset in the statement of financial position		
€m	Financial assets/ liabilities (gross)	Offset financial assets/ liabilities	Amount disclosed in the statement of financial position (net)	Collateral – securities	Cash – collateral	Net amount
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	9,068.5	4,448.7	4,619.8	4,619.8	–	–
Receivables arising from securities repurchase agreements (not eligible for offsetting)	15,720.5	–	15,720.5	15,720.5	–	–
Derivatives (eligible for offsetting)	6,199.0	6,149.6	49.4	–	49.4	–
Derivatives (not eligible for offsetting)	5,463.4	–	5,463.4	181.0	1,248.8	4,033.6
Total	**36,451.4**	**10,598.3**	**25,853.1**	**20,521.3**	**1,298.2**	**4,033.6**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	7,957.7	4,448.7	3,509.0	3,509.0	–	–
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	3,369.8	–	3,369.8	3,369.8	–	–
Derivatives (eligible for offsetting)	5,793.3	5,734.7	58.6	58.6	–	–
Derivatives (not eligible for offsetting)	5,756.3	–	5,756.3	84.1	1,778.6	3,893.6
Total	**22,877.1**	**10,183.4**	**12,693.7**	**7,021.5**	**1,778.6**	**3,893.6**

31 Dec 2016				Associated amounts not offset in the statement of financial position		
€m	Financial assets/ liabilities (gross)	Offset financial assets/ liabilities	Amount disclosed in the statement of financial position (net)	Collateral – securities	Cash – collateral	Net amount
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	5,650.7	3,248.6	2,402.1	2,402.1	–	–
Receivables arising from securities repurchase agreements (not eligible for offsetting)	11,551.1	–	11,551.1	11,551.1	–	–
Derivatives (eligible for offsetting)	6,960.9	6,960.9	–	–	–	–
Derivatives (not eligible for offsetting)	7,539.2	–	7,539.2	184.3	1,209.2	6,145.7
Total	**31,701.9**	**10,209.5**	**21,492.4**	**14,137.5**	**1,209.2**	**6,145.7**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	4,734.7	3,248.6	1,486.1	1,486.1	–	–
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	3,907.1	–	3,907.1	3,907.1	–	–
Derivatives (eligible for offsetting)	6,841.5	6,841.5	–	–	–	–
Derivatives (not eligible for offsetting)	8,673.7	–	8,673.7	125.9	3,011.5	5,536.3
Total	**24,157.0**	**10,090.1**	**14,066.9**	**5,519.1**	**3,011.5**	**5,536.3**

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

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

68 Information on the quality of financial assets

Impaired exposure and provisions for loan losses by risk segment

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

€m	Financial institu-tions	Transport and export finance	Energy and utility infrastruc-ture	Property risks	Public infrastruc-ture	Corpo-rates	Other	Total 31 Dec 2017	Total 31 Dec 2016
Impaired gross loan volume[1]	–	241.6	68.6	–	–	46.6	1.1	357.9	720.4
Collateral[2]	–	69.3	–	–	–	–	–	69.3	163.6
Impaired net loan volume[1]	–	172.5	68.6	–	–	46.6	1.1	288.8	556.8
Provisions for loan losses	4.0	127.9	16.4	1.8	0.3	37.3	1.0	188.7	388.1
Specific provisions	–	117.9	12.4	–	–	36.7	0.2	167.2	347.2
Provisions	–	0.4	0.1	–	–	–	0.2	0.7	0.3
Collective provisions for country risks	–	–	–	–	–	–	–	–	5.0
Collective provisions for creditworthiness risks	4.0	9.6	3.9	1.8	0.3	0.6	0.6	20.8	35.6

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

In addition to provisions for loan losses of €145.5m (previous year: €334.3m) in the lending business, risk provisions also include provisions for financial investments amounting to €43.2m (previous year: €53.8m).

As at the reporting date, the total amount of loans in default but not written down amounted to €109.3m (previous year: €44.5m).

Non-performing exposures

Non-performing exposures under the definition introduced by the EBA for supervisory reporting (FINREP) amounted to €433.6m (previous year: €807.3m). This relates to exposures that are more than 90 days overdue or for which the Bank expects that the borrower will not satisfy its loan obligations in full. It is also mandatory to classify exposures as non-performing where the CRR regulations (Article 178) require them to be classified as in default or where specific provisions have been made against them. In addition, exposures subject to successful restructuring measures may only be classified as performing after a recovery period of at least one year has elapsed.

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

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corporates	Other	Total 31 Dec 2017	Total 31 Dec 2016
Non-performing exposures[1]	295.3	68.7	–	–	68.6	1.0	433.6	807.3
Collateral[2]	100.6	–	–	–	21.5	–	122.1	213.1
Provisions for loan losses	121.0	12.5	–	–	36.7	0.4	170.6	355.0
Specific provisions	117.9	12.4	–	–	36.7	0.2	167.2	347.2
Provisions	0.4	0.1	–	–	–	0.2	0.7	0.3
Collective provisions for country risks	–	–	–	–	–	–	–	4.0
Collective provisions for creditworthiness risks	2.7	–	–	–	–	–	2.7	3.5

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

The amounts given for collateral are the values that the Deka Group calculates for internal purposes. These amounts are generally determined on the basis of the underlying market value, taking into account appropriate discounts for general resale risks and allowing for future volatility in market values. The amounts stated for guarantees and sureties are primarily based on the creditworthiness of the party providing the collateral. As at the balance sheet date, the market value of the physical collateral provided amounted to €184.7m (previous year: €297.7m) and guarantees and sureties received amounted to €7.1m (previous year: €20.0m).

Exposures with forbearance measures

The Deka Group concludes extension or restructuring agreements with borrowers experiencing financial difficulties if there is a prospect of recovery. Responsibility for the monitoring and management of such deferred or restructured exposures rests with the Monitoring Committee, in accordance with the general rules on default monitoring (see the risk report). Furthermore, creditworthiness-related restructuring measures or deferral agreements represent objective evidence of an impairment. Relevant exposures are tested individually for impairment, and where necessary specific provisions are recognised (see note [16]). Where restructuring measures entail such extensive contractual amendments that a new asset exists from an accounting perspective, this is presented on the statement of financial position as a disposal of the original asset and acquisition of a new asset. If there is a difference between the carrying value of the asset to be disposed of and the fair value of the asset acquired, the difference is posted directly to profit or loss.

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

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

As at the balance sheet date, there were €363.7m (previous year: €798.8m) of deferred or restructured exposures requiring classification as forborne exposures under the EBA definition. Risk provisions in place in respect of these exposures amounted to €123.0m (previous year: €309.6m).

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

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corporates	Other	Total 31 Dec 2017	Total 31 Dec 2016
Forborne exposures[1]	267.4	74.3	–	–	22.0	–	363.7	798.8
Thereof: Performing	3.6	19.6	–	–	–	–	23.2	94.7
Thereof: Non-performing	263.8	54.7	–	–	22.0	–	340.5	704.1
Collateral[2]	86.3	–	–	–	21.5	–	107.8	196.8
Provisions for loan losses	116.5	6.5	–	–	–	–	123.0	309.6
Specific provisions	113.6	6.5	–	–	–	–	120.1	305.1
Collective provisions for creditworthiness risks	2.9	0.0	–	–	–	–	2.9	4.5

[1] The figures shown represent the gross carrying value of the credit risk-bearing financial assets classified as forborne.

[2] Recognition of measurable collateral after discounts; as at the balance sheet date, the market value of the physical collateral provided amounted to €166.1m (previous year €295.1m).

Key ratios for non-performing and forborne exposures

%	2017	2016
NPE ratio at the reporting date (Ratio of non-performing exposures to maximum credit risk)	0.48	0.96
NPE coverage ratio, including collateral, at the reporting date (Ratio of provisions for loan losses, including collateral, to non-performing exposures)	67.50	70.37
Forborne exposures ratio at the reporting date (Ratio of forborne exposures to maximum credit risk)	0.40	0.95

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.36a, using credit risk-bearing financial assets and the corresponding off-balance sheet liabilities. Financial instruments measured at amortised cost are stated at gross carrying value, credit-risk-bearing financial instruments measured at fair value are stated at fair value, irrevocable lending commitments are stated at the respective amount of the commitment and sureties and guarantees are stated at nominal value. On this basis, as at the reporting date the maximum credit risk was €90.5bn (previous year: €84.1bn).

69 Derivative transactions

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

	Nominal value		Positive fair values[1]		Negative fair values[1]	
€m	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Interest rate risks						
OTC products						
Interest rate swaps	495,360.7	433,632.2	9,646.0	11,945.0	8,936.5	10,953.3
Forward rate agreements	19,425.0	24,291.0	0.3	1.4	0.3	1.3
Interest rate options						
Purchases	14,782.8	9,683.3	146.0	242.7	88.5	63.4
Sales	14,370.0	12,805.2	192.3	148.1	349.1	441.6
Caps, floors	12,057.9	8,633.9	39.3	45.5	38.4	27.7
Other interest rate contracts	1,744.6	2,268.5	2.1	23.0	44.1	198.8
Exchange traded products						
Interest rate options	12.0	–	0.0	–	0.0	–
Interest rate futures/options	18,615.6	10,768.4	6.6	2.4	2.8	5.0
Sub-total	**576,368.6**	**502,082.5**	**10,032.6**	**12,408.1**	**9,459.7**	**11,691.1**
Currency risks						
OTC products						
Foreign exchange future contracts	16,935.8	14,870.0	184.5	226.0	207.7	217.2
(Interest rate) currency swaps	10,310.4	10,163.9	534.4	364.5	543.7	1,323.6
Sub-total	**27,246.2**	**25,033.9**	**718.9**	**590.5**	**751.4**	**1,540.8**
Share and other price risks						
OTC products						
Share options						
Purchases	824.8	948.0	141.8	336.5	–	–
Sales	6,053.7	6,388.7	–	–	315.3	725.7
Credit derivatives	9,350.9	10,866.0	120.1	93.7	59.8	77.1
Other forward contracts	3,830.2	2,674.0	11.0	52.6	67.2	15.6
Exchange traded products						
Share options	15,945.5	18,530.7	644.6	1,021.1	899.0	1,469.9
Share futures	2,092.1	2,813.4	12.0	12.2	6.8	56.4
Sub-total	**38,097.2**	**42,220.8**	**929.5**	**1,516.1**	**1,348.1**	**2,344.7**
Total	**641,712.0**	**569,337.2**	**11,681.0**	**14,514.7**	**11,559.2**	**15,576.6**
Net amount disclosed in the statement of financial position			**5,512.8**	**7,479.4**	**5,814.9**	**8,600.9**

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

The lower amount carried in the statement of financial position compared with fair values is due to allowance for the variation margin from transactions with central counterparties. Within assets, the variation margin received reduced the fair values by a total of around €6.2bn (previous year: €7.0bn). Conversely, the variation margin paid reduced fair values within liabilities by a total of around €5.7bn (previous year: €7.0bn).

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

	Nominal value		Positive fair values[1]		Negative fair values[1]	
€m	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Banks in the OECD	257,296.2	204,051.8	4,728.4	5,898.4	5,323.3	7,120.7
Public sector entities in the OECD	10,067.3	8,117.4	949.6	1,171.0	147.4	172.2
Other counterparties	374,348.5	357,168.0	6,003.0	7,445.3	6,088.5	8,283.7
Total	**641,712.0**	**569,337.2**	**11,681.0**	**14,514.7**	**11,559.2**	**15,576.6**

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

70 Breakdown by remaining maturity

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

€m	31 Dec 2017	31 Dec 2016	Change
Asset items			
Due from banks			
Due on demand and indefinite term	3,269.4	3,534.5	–265.1
Up to 3 months	5,944.3	4,418.9	1,525.4
Between 3 months and 1 year	7,125.7	6,326.5	799.2
Between 1 year and 5 years	8,811.4	4,862.3	3,949.1
More than 5 years	1,245.6	1,511.7	–266.1
Due from customers			
Due on demand and indefinite term	1,211.8	1,603.4	–391.6
Up to 3 months	1,569.2	1,967.7	–398.5
Between 3 months and 1 year	3,318.2	4,287.9	–969.7
Between 1 year and 5 years	9,370.7	10,147.9	–777.2
More than 5 years	5,180.6	4,834.0	346.6
Financial assets at fair value			
Thereof: Non-derivative assets			
Due on demand and indefinite term	3,562.4	2,103.7	1,458.7
Up to 3 months	1,961.1	2,679.3	–718.2
Between 3 months and 1 year	6,790.7	9,277.0	–2,486.3
Between 1 year and 5 years	13,042.2	12,245.0	797.2
More than 5 years	1,136.6	1,147.4	–10.8
Thereof: Derivative assets			
Up to 3 months	449.7	456.2	–6.5
Between 3 months and 1 year	3,690.6	5,770.0	–2,079.4
Between 1 year and 5 years	588.1	330.0	258.1
More than 5 years	764.0	894.6	–130.6
Positive market values of derivative hedging instruments			
Up to 3 months	0.7	0.2	0.5
Between 3 months and 1 year	0.9	0.3	0.6
Between 1 year and 5 years	2.8	6.0	–3.2
More than 5 years	16.0	22.2	–6.2
Financial investments			
Due on demand and indefinite term	0.0	0.1	–0.1
Up to 3 months	89.1	148.1	–59.0
Between 3 months and 1 year	1,005.6	479.8	525.8
Between 1 year and 5 years	876.3	1,720.5	–844.2
More than 5 years	1,755.5	581.4	1,174.1

€m	31 Dec 2017	31 Dec 2016	Change
Liability items			
Due to banks			
Due on demand and indefinite term	1,988.7	2,487.9	–499.2
Up to 3 months	7,397.3	6,545.0	852.3
Between 3 months and 1 year	5,279.6	4,511.5	768.1
Between 1 year and 5 years	3,620.3	2,605.6	1,014.7
More than 5 years	951.9	1,212.4	–260.5
Due to customers			
Due on demand and indefinite term	15,311.2	11,772.4	3,538.8
Up to 3 months	6,064.4	6,582.3	–517.9
Between 3 months and 1 year	2,216.7	1,530.1	686.6
Between 1 year and 5 years	1,616.8	1,990.7	–373.9
More than 5 years	1,451.8	1,543.7	–91.9
Securitised liabilities			
Up to 3 months	7,944.9	2,655.2	5,289.7
Between 3 months and 1 year	1,703.7	1,239.7	464.0
Between 1 year and 5 years	3,876.5	6,039.8	–2,163.3
More than 5 years	709.7	1,141.4	–431.7
Financial liabilities at fair value			
Thereof: Non-derivative liabilities			
Due on demand and indefinite term	120.0	289.3	–169.3
Up to 3 months	1,775.3	1,477.7	297.6
Between 3 months and 1 year	17,271.8	14,892.5	2,379.3
Between 1 year and 5 years	900.9	845.5	55.4
More than 5 years	111.7	448.0	–336.3
Thereof: Derivative liabilities			
Up to 3 months	771.2	563.5	207.7
Between 3 months and 1 year	4,272.0	6,399.2	–2,127.2
Between 1 year and 5 years	300.6	967.4	–666.8
More than 5 years	459.2	636.4	–177.2
Negative market values of derivative hedging instruments			
Up to 3 months	1.1	3.9	–2.8
Between 3 months and 1 year	0.6	1.2	–0.6
Between 1 year and 5 years	7.6	19.9	–12.3
More than 5 years	2.7	9.4	–6.7
Subordinated capital			
Up to 3 months	48.1	206.1	–158.0
Between 3 months and 1 year	–	26.4	–26.4
Between 1 year and 5 years	76.6	77.7	–1.1
More than 5 years	802.4	808.3	–5.9

Other disclosures

71 Capital management

The objectives of capital management are to ensure adequate capital to carry out the business strategy determined by the Board of Management, to achieve an appropriate return on equity and to comply with regulatory capital requirements (for more information, see note [72]).

For economic risk-bearing capacity analysis purposes, "economic capital" means the risk capacity as defined in the risk strategy. In principle, DekaBank determines the overall risk across all significant risk types that impact income and also includes those risks not taken into consideration for regulatory purposes, for example business risk. Overall risk is measured as the amount of capital that is highly likely to be sufficient to cover losses from all main risk exposures in a one-year period at any time. DekaBank uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and to aggregate them as an indicator for overall risk.

To assess risk-bearing capacity on a differentiated basis, DekaBank distinguishes between the risk capacity, the maximum risk appetite and the risk appetite. Under an economic risk-bearing capacity analysis, the risk capacity essentially consists of equity capital according to IFRS, earnings 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. Based on this, a capital buffer is reserved for stress scenarios, which corresponds at a minimum to the level of subordinated capital components. The primary control parameter and hence the basis of the risk capital allocated as risk appetite is referred to as the maximum risk appetite, which results from deducting the buffer for stress scenarios from the risk capacity.

Compliance with regulatory capital requirements is managed primarily through the Common Equity Tier 1 capital ratio. For the utilisation of risk-weighted assets (RWAs) – an essential component of this key ratio – guidelines are stipulated for the next three years with regard to both the Group and the individual business divisions, as part of the annual planning process. Within the framework of this overall plan, in principle the business divisions must not exceed the target RWAs specified in the medium-term planning. In the event that the target is exceeded, measures to reduce the RWAs are examined. In addition, in order to assess capital adequacy, regular internal credit risk stress tests are conducted on the RWAs.

When managing regulatory capital requirements, particular attention is paid to assessing future regulatory developments. This includes analysing current recommendations from supervisory committees and proposed legislation on an ongoing basis, and assessing the impact of such proposals on capital and RWA positions. The findings are incorporated into the annual planning process.

72 Regulatory capital (own funds)

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

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

	31 Dec 2017		31 Dec 2016	
€m	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Subscribed capital	286	286	286	286
Less repurchased Common Equity Tier 1 items	95	76	95	57
Open reserves	4,445	4,445	4,310	4,310
Other comprehensive income	132	109	131	89
Prudential filters	107	105	4	1
Deductions from Common Equity Tier 1 items	253	202	389	234
Common Equity Tier 1 (CET 1) capital	**4,145**	**4,238**	**3,978**	**4,216**
Additional Tier 1 capital instruments	474	474	474	474
Silent capital contributions	–	26	–	31
Deductions from Additional Tier 1 items	–	63	–	157
Additional Tier 1 (AT 1) capital	**474**	**437**	**474**	**348**
Tier 1 capital	**4,619**	**4,676**	**4,451**	**4,564**
Subordinated liabilities	823	823	838	838
Deductions from Tier 2 items	–	6	–	36
Tier 2 (T2) capital	**823**	**817**	**838**	**801**
Own funds	**5,442**	**5,492**	**5,289**	**5,366**

The increase in Tier 1 capital is mainly due to the reinvestment of profits from the 2016 financial year. The reduction in relation to Tier 2 capital is attributable to regulatory amortisation in accordance with Article 64 of the CRR.

Credit risk is essentially determined according to the Internal Ratings-Based approach. The capital charges for specific market risk and CVA risk are determined using standard methods. General market risk is determined using an internal model. Operational risk is measured using the advanced measurement approach (AMA). Each of the aforementioned risk factors must be backed by own funds. The items subject to a capital charge are shown in the following table:

	31 Dec 2017		31 Dec 2016	
€m	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Credit risk	15,568	15,568	15,038	15,038
Market risk	5,127	5,127	4,478	4,478
Operational risk	3,242	3,242	2,887	2,887
CVA risk	950	950	1,411	1,411
Risk-weighted assets (total risk exposure amount)	**24,886**	**24,886**	**23,813**	**23,813**

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

	31 Dec 2017		31 Dec 2016	
%	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 capital ratio	16.7	17.0	16.7	17.7
Tier 1 capital ratio	18.6	18.8	18.7	19.2
Total capital ratio	21.9	22.1	22.2	22.5

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

73 Contingent and other liabilities

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

€m	31 Dec 2017	31 Dec 2016	Change
Irrevocable lending commitments	1,283.8	702.3	581.5
Other liabilities	62.9	102.7	–39.8
Total	**1,346.7**	**805.0**	541.7

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

As in the previous year, other financial liabilities include payment obligations of €0.1m and subsequent funding obligations of €5.1m (previous year: €5.1m) to unconsolidated companies or companies outside the Group. There is an additional funding obligation for the deposit guarantee scheme of the Landesbanken and Girozentralen of €57.7m (previous year: €97.6m). By 2024, the assets held in the guarantee scheme must be built up to the statutory target level of 0.8% of the covered deposits held by members of the guarantee scheme. Each year the guarantee scheme collects contributions from its members for this purpose.

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

In a circular dated 17 July 2017, the Federal Ministry of Finance (BMF) presented rules for the tax treatment of share trades around the dividend record date, and noted, *inter alia*, that certain transaction types may fall under the scope of section 42 of the German Tax Code (*Abgabenordnung* – AO). Based on a preliminary analysis, it cannot be ruled out that some share trades carried out by DekaBank around the dividend record date in the years concerned will be re-examined by the tax authorities in the light of the said BMF circular. However, DekaBank sees no convincing reason to believe that share trades it transacted around the dividend record date will fall under these rules and therefore considers it unlikely that a final claim will be made in this regard.

Consequently, there are no grounds to create provisions for potential financial burdens arising from the possible refusal by tax authorities to allow relief from capital yields tax (*Kapitalertragsteuer*). Since a degree of uncertainty remains as to how the tax authorities and fiscal courts will ultimately assess the share trades concerned, it cannot be wholly ruled out that an adverse financial impact of around €64m may arise in this regard.

74 Assets transferred or received as collateral

Assets transferred as collateral for the Group's liabilities are shown in the following table:

€m	31 Dec 2017	31 Dec 2016	Change
Carrying value of transferred collateral			
Under *Pfandbrief* Act	3,924.9	4,160.8	– 235.9
For refinancing purposes with Deutsche Bundesbank	1,591.8	1,062.4	529.4
From transactions on German and foreign futures exchanges	2.1	–	2.1
From repurchase agreements	726.0	989.3	– 263.3
From securities lending agreements	4,047.2	4,103.7	– 56.5
From tri-party transactions	3,165.0	3,284.9	– 119.9
From other transactions	262.8	146.6	116.2
Loan and securities collateral	**13,719.8**	**13,747.7**	– 27.9
Cash collateral relating to securities lending and repurchase agreements	649.5	613.7	35.8
Cash collateral relating to derivative transactions	1,905.3	3,138.5	– 1,233.2
Cash collateral	**2,554.8**	**3,752.2**	– 1,197.4
Total	**16,274.6**	**17,499.9**	– 1,225.3

Collateral received for repurchase agreements, securities lending transactions and other securities transactions that may be re-pledged or resold even if the party providing the collateral does not default amounted to €62.3bn (previous year: €57.1bn). Of this total, €38.9bn (previous year: €36.1bn) was resold or re-pledged.

75 Financial instruments transferred but not derecognised

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

€m	31 Dec 2017	31 Dec 2016	Change
Carrying value of non-derecognised securities in relation to			
Genuine repurchase agreements			
Held to maturity	108.1	21.7	86.4
Financial assets at fair value	559.9	968.2	–408.3
Securities lending transactions			
Held to maturity	65.5	27.0	38.5
Financial assets at fair value through profit or loss	418.8	1,569.9	–1,151.1
Other transfers not constituting economic disposal			
Loans and receivables	563.3	558.7	4.6
Held to maturity	207.6	–	207.6
Financial liabilities at fair value	23.7	2.1	21.6
Total	**1,946.9**	**3,147.6**	–1,200.7

Liabilities of €1.5bn (previous year: €1.5bn) were recorded for financial instruments transferred but not derecognised.

76 Letter of comfort

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

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

77 Information on interests in subsidiaries

Composition of the Deka Group

In addition to DekaBank (the parent company), the consolidated financial statements include a total of 10 (previous year: 10) German and 6 (previous year: 7) foreign affiliated enterprises in which DekaBank holds a direct or indirect majority of the voting rights. The scope of consolidation also encompasses 7 (previous year: 9) structured entities controlled the by Deka Group.

A total of 15 (previous year: 15) affiliated companies controlled by the Deka Group were not consolidated, because they are of minor significance for the presentation of the Group's financial position and financial performance. The interests held in these subsidiaries are reported under financial investments (see note [47]). Where they are of minor significance to the consolidated financial statements, structured entities are also not consolidated (see list of shareholdings in note [79]). To determine their significance for the presentation of the financial position and financial performance of the Group, investment funds are assessed using both qualitative and quantitative criteria. Units in unconsolidated investment funds are recognised at fair value through profit or loss. These are shown on the statement of financial position under financial assets at fair value (note [45]).

Significant restrictions

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

Banks are also obliged to maintain mandatory deposits in accounts held with their national central banks (minimum reserve requirement). The extent of the mandatory minimum reserve is determined by the central banks (see note [41]).

Interests in joint arrangements and associates

DekaBank has interests in three jointly controlled entities and one associated company. Equity investments in the joint ventures S-PensionsManagement GmbH and Dealis Fund Operations GmbH (in liquidation) are accounted for in the consolidated financial statements using the equity method. Two affiliated companies were not consolidated despite the fact that DekaBank exercises significant influence over them, because they are of minor significance for the presentation of the financial position and financial performance of the Group.

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

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

	Joint ventures[1]	
€m	**31 Dec 2017**	**31 Dec 2016**
Carrying value of equity participation	**16.0**	**6.9**
Profit or loss from continuing business operations	–	1.3
Profit or loss after tax from discontinued business operations	11.2	–
Other comprehensive income	–2.1	–1.2
Total income[2]	**9.1**	**0.1**

[1] At the time of the preparation of DekaBank's consolidated financial statements, no consolidated financial statements were available for S-PensionsManagement GmbH for 2017. For this reason, measurement under the equity method was performed on the basis of forecast results which take account of impact of any significant transactions and other events that have arisen since the last reporting date of S-PensionsManagement GmbH, or are expected to occur.

[2] Does not include distributions, which are disclosed in net interest income

78 Information on interests in unconsolidated structured entities

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

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

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

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

Investment funds
Part of the Deka Group's core business involves providing securities and real estate investments to private and institutional investors. As a result, companies in the Deka Group play a role, directly or indirectly, in setting up fund structures as part of their ordinary business activities, and are involved in determining the purpose and design of such structures. In addition, the Group's activities cover the whole of the usual value chain for fund business. In return, the Group receives appropriate commission, for example in the form of management and custodial fees. The Group also invests in holdings in investment funds owned by the Group in the context of start-up financing, thereby providing those funds with liquidity. Investment funds are therefore considered to be structured entities within the meaning of IFRS 12. Funds are primarily financed by issuing unit certificates (equity). To a limited extent, funds can also take up loans. Borrowings are generally secured against the assets held within the fund. Fund assets held in Group-owned and external investment funds amount to €354.4bn (previous year: €248.2bn). This amount includes all fund assets and also the fund assets of third parties in which the Deka Group has an interest within the meaning of IFRS 12, irrespective of the percentage of the Deka Group's unit holding. Fund assets calculated exclusively for the purposes of the IFRS 12 disclosures do not correspond to the key indicator total customer assets used for management purposes.

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

The table below provides an overview of the maximum risk of loss to which the Deka Group is exposed from the securitisation positions it holds, shown by type of securitisation transaction and by seniority of the tranche held. In addition, the table includes potential losses to be absorbed by other creditors who rank above Deka Group. The total volume of issued securities from the securitisation companies classified as structured amounts to €1.9bn (previous year: €3.5bn).

€m	Subordinated interest 31 Dec 2017	Subordinated interest 31 Dec 2016	Mezzanine interest 31 Dec 2017	Mezzanine interest 31 Dec 2016	Senior interest 31 Dec 2017	Senior interest 31 Dec 2016	Most Senior interest 31 Dec 2017	Most Senior interest 31 Dec 2016
ABS								
Maximum default risk	–	–	–	2.2	–	–	–	0.5
Potential losses of prior-ranking creditors[1]	–	–	–	19.8	–	–	–	–
CLO								
Maximum default risk	–	–	38.0	114.2	9.2	23.3	–	9.1
Potential losses of prior-ranking creditors[1]	–	–	76.9	261.8	–	–	–	–
CMBS								
Maximum default risk	–	–	11.3	24.2	2.4	4.5	–	2.3
Potential losses of prior-ranking creditors[1]	–	–	157.8	228.4	–	–	–	–
RMBS								
Maximum default risk	–	–	91.7	89.6	1.9	9.0	13.9	23.2
Potential losses of prior-ranking creditors[1]	19.8	21.2	116.8	122.3	–	23.5	–	–

[1] Nominal values

Lending business

According to the definition, if a company is founded specifically to finance or operate the assets for which a loan is made, and the design of that company is such that it is not controlled by means of voting or similar rights, then this constitutes a structured entity for DekaBank. A holding in a structured entity may also exist if rights that are contractually agreed as part of the loan agreement (for example intellectual property or trademark rights) are converted into co-determination rights in the event of deteriorating creditworthiness. An operating company can, for example, become a structured entity if relevant business activities start to be governed predominantly by the provisions of the loan agreement. As part of the classification performed in accordance with IFRS 12, structured entities were identified within the transport and export finance, energy and utility infrastructure, and real estate risk segments. The financing concerned is generally collateralised by charges on property, aircraft mortgages, ship mortgages, and sureties and guarantees. When determining the size of the financing classified as structured, the balance sheet totals of the current available financial statements or the market value of the (co-)financed asset were used. This amounts to €1.6bn (previous year: €2.0bn).

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

	Investment funds		Lending business[1]		Securitisation entities[1]	
€m	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Asset items						
Due from customers	1,638.5	1,126.3	411.9	267.6	–	–
Financial assets at fair value	2,545.6	1,318.5	–	0.2	167.3	300.0
Financial investments	–	–	4.4	4.7	1.1	2.1
Other assets	0.4	–	–	–	–	–
Total asset items	**4,184.5**	**2,444.8**	**416.3**	**272.5**	**168.4**	**302.1**
Liability items						
Due to customers	12,722.1	9,781.8	0.6	0.0	–	–
Financial liabilities at fair value	570.4	862.7	–	–	–	–
Other liabilities	2.0	–	–	–	–	–
Total liability items	**13,294.5**	**10,644.5**	**0.6**	**0.0**	**–**	**–**
Contingent and other liabilities						
Irrevocable lending commitments	–	39.9	0.6	10.4	–	–
Other liabilities	–	–	5.1	6.2	–	–
Total contingent and other liabilities	**–**	**39.9**	**5.7**	**16.6**	**–**	**–**
Maximum risk of loss	**4,184.5**	**2,484.7**	**422.0**	**289.1**	**168.4**	**302.1**

[1] Including loan loss provision

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

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

In addition, provisions are established for investment funds with formal guarantees (see note [58]).

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

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

Sponsored unconsolidated structured entities

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

used by the unconsolidated structured entity – for example its company name or the name of a product – is connected to a company in the Deka Group.

No relationships with sponsored unconsolidated structured entities existed during the year under review. As at 31 December 2017, there were no sponsored unconsolidated entities.

79 List of shareholdings

DekaBank Deutsche Girozentrale, Frankfurt/Berlin, is entered in Commercial Register A at the District Court of Frankfurt am Main under number HRA 16068. The following information on shareholdings is a supplementary disclosure required under section 315e of the German Commercial Code. No comparative information is therefore presented in respect of the previous period.

Consolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity %
bevestor GmbH, Frankfurt/Main	100.00
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Far East Pte. Ltd., Singapore	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Real Estate Services USA Inc., New York	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
International Fund Management S.A., Luxembourg	100.00
Landesbank Berlin Investment GmbH, Berlin	100.00
S Broker Management AG, Wiesbaden	100.00
S Broker AG & Co. KG, Wiesbaden	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90[1]

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

Consolidated subsidiaries (structured entities):

Name, registered office	Share in fund assets %
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
S Broker 1 Fonds, Frankfurt/Main	100.00
Masterfonds S Broker, Frankfurt/Main	100.00

Joint ventures and associated companies consolidated at equity:

Name, registered office	Share of equity %	Equity €'000[1]	Total of profit or loss €'000[1]
Joint ventures			
S-PensionsManagement GmbH, Cologne	50.00	26,442.6	21,812.4
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00	18,587.0	943.5

[1] Amounts reported in financial statements for the year ended 31 December 2016

Joint ventures and associated companies not consolidated at equity:

Name, registered office	Share of equity %
Joint ventures	
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Associated companies	
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.20

Unconsolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity %
Datogon S.A., Luxembourg	100.00
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien	100.00
Deka Real Estate Lending k.k. i.L., Tokyo[1]	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 04 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 05 mbH, Frankfurt/Main	100.00
Europäisches Kommunalinstitut S.à.r.l., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Perfeus S.A., Luxembourg	100.00
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90

[1] Deconsolidation in 2017

Unconsolidated structured entities:

Name, registered office	Fund assets €m	Share of equity/ fund assets %
Deka-BR 45, Frankfurt/Main	6.6	100.00
Deka-MultiFactor Global Corporates, Luxembourg	35.0	100.00
Deka-MultiFactor Global Government, Luxembourg	15.0	100.00
Deka-MultiFactor Global Corporates HY, Luxembourg	25.1	100.00
Deka-MultiFactor Emerging Markets Corporates, Luxembourg	20.0	100.00
Deka-Relax 30, Frankfurt/Main	0.5	99.66
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	78.3	98.63
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	5.0	94.51
Deka-Relax 50, Frankfurt/Main	0.5	93.91
Deka Deutsche Boerse EUROGOV® Germany 10+ UCITS ETF, Frankfurt/Main	46.8	80.61
Deka-Relax 70, Frankfurt/Main	0.7	71.67
Deka Eurozone Rendite Plus 1-10 UCITS ETF, Frankfurt/Main	25.7	70.59
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	30.7	69.08
Deka-BasisStrategie Aktien, Frankfurt/Main	19.3	65.11
Deka MSCI Japan UCITS ETF, Frankfurt/Main	50.9	57.46
Deka-EuroFlex Plus, Luxembourg	113.5	48.82
Deka-Globale Renten High Income, Frankfurt/Main	54.7	46.68
Deka-PB ManagerMandat, Frankfurt/Main	82.2	40.82
Deka-ImmobilienNordamerika, Frankfurt/Main	159.3	34.09

80 Related party disclosures

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

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

	Board of Management		Administrative Board	
€m	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Short-term benefits	3.2	3.2	0.7	0.7
Post-employment benefits	2.0	1.8	–	–
Other long-term benefits	2.4	2.6	–	–
Total	**7.6**	**7.6**	**0.7**	**0.7**

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

Transactions are carried out with related parties under normal market terms and conditions as part of the ordinary business activities of the Deka Group. These relate, inter alia, to loans, call money, time deposits

and derivatives. The liabilities of the Deka Group to mutual funds and special funds essentially comprise balances with banks from the temporary investment of liquid funds. The tables below show the extent of these transactions.

Business relationships with shareholders of DekaBank and unconsolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	31 Dec 2017	31 Dec 2016	31.12.2017	31 Dec 2016
Asset items				
Due from customers	45.0	45.0	1.5	5.5
Financial assets at fair value	–	–	5.2	28.0
Other assets	–	–	0.3	0.5
Total asset items	**45.0**	**45.0**	**7.0**	**34.0**
Liability items				
Due to customers	46.0	39.7	32.6	49.3
Financial liabilities at fair value	–	–	1.2	–
Other liabilities	–	–	0.2	0.1
Total liability items	**46.0**	**39.7**	**34.0**	**49.4**

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

	Joint ventures/ associated companies		Other related parties	
€m	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Asset items				
Due from customers	–	0.3	–	–
Financial assets at fair value	–	–	2.6	2.9
Other assets	0.5	0.2	0.4	0.3
Total asset items	**0.5**	**0.5**	**3.0**	**3.2**
Liability items				
Due to customers	55.0	115.6	636.9	399.7
Financial liabilities at fair value	33.4	33.3	0.8	0.2
Total liability items	**88.4**	**148.9**	**637.7**	**399.9**

81 Average number of staff

	2017			2016		
	Male	Female	Total	Male	Female	Total
Full-time employees	2,502	1,065	3,567	2,443	1,033	3,476
Part-time and temporary employees	168	684	852	152	655	807
Total	**2,670**	**1,749**	**4,419**	**2,595**	**1,688**	**4,283**

82 Remuneration of Board members

€	31 Dec 2017	31 Dec 2016
Total remuneration of active Board members		
Board of Management	5,318,673	5,317,132
Administrative Board	709,417	711,833
Total remuneration of former Board members and their surviving dependents		
Board of Management	4,848,031	5,350,116
Provisions for pensions for former Board members and their dependents	60,512,832	61,289,500

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

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

In the 2017 financial year, variable remuneration elements that are dependent on future performance amounting to €2.4m (previous year: €2.5m) were committed to current and former members of the Board of Management.

Variable remuneration components that are not paid out in the year of the commitment depend on the sustainable performance of the Deka Group and are deferred until the three years following the commitment year. Sustainable components of remuneration granted are subject to a two-year holding period and are paid out after that period has elapsed.

Distributable earnings, corporate value, the economic result, payments to savings bank alliance partners, net sales performance and the individual earnings contribution of the Board Members are used to evaluate sustainability.

Total emoluments include deferred variable remuneration components from previous years payable to active members of the Board of Management amounting to €2.0m and to former members of the Board of Management amounting to €1.3m. The entitlement of active board members comprises €0.5m for the 2016 financial year, €0.7m for the 2015 financial year, €0.3m for the 2014 financial year, €0.4m for the 2013 financial year and €0.1m for the 2012 financial year.

83 Auditor's fees

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

€m	31 Dec 2017	31 Dec 2016	Change
Fees for			
Year-end audit services	3.5	2.5	1.0
Non-audit services			
Other assurance services	0.7	1.0	–0.3
Tax advisory services	0.2	0.1	0.1
Other services	–	–	–
Total	**4.4**	**3.6**	0.8

84 Additional miscellaneous information

Post balance sheet events

No major developments of particular significance occurred after the 2017 balance sheet date.

Recommendation regarding appropriation of net profit

The proposed appropriation of the net profit for the 2017 financial year of €72,281,961.40 is as follows:

- Distribution of a dividend amounting to €72,281,961.40, i.e. 37.7% on existing shares in the Bank's subscribed capital (€191,729,340.56) that are entitled to dividends as at 31 December 2017.

The consolidated financial statements were approved for publication on 21 February 2018 by the Board of Management of DekaBank.

Assurance of the Board of Management

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

Frankfurt am Main, 21 February 2018

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger

Dr. Stocker

Better

Dr. Danne

Müller

Independent Auditor’s Report

To DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main, and its subsidiaries (the Group), which comprise the statement of profit or loss and other comprehensive income for the financial year from January 1, 2017 to December 31, 2017, the balance sheet as of December 31, 2017, and the statement of changes in equity and the statement of cash flows for the financial year from January 1, 2017 to December 31, 2017, and notes to the consolidated financial statements. In addition, we have audited the group management report of DekaBank Deutsche Girozentrale AöR for the financial year from January 1, 2017 to December 31, 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2017, and of its financial performance for the financial year from January 1, 2017 to December 31, 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2017 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of financial assets valued at fair value
For the accounting policies applied, please refer to notes 9, 17 and 55 in the notes to the consolidated financial statements.

THE CONSOLIDATED FINANCIAL STATEMENT RISK

As of December 31, 2017, the Deka Group recognized "financial assets valued at fair value" totaling EUR 32.0 billion. At 34.1% of total assets this represents a significant item on the assets side for DekaBank and contains securities and derivatives, for which there is a quoted price on an active market and those for which a valuation method was used based on observable and/or unobservable market data (this corresponds to the fair value categories 1 to 3 of IFRS 13).

The financial statement risk could lie in particular in no appropriate market prices, valuation methods and models as well as the valuation parameters incorporated as part of this being used when calculating the fair value in line with IFRS 13.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we developed an audit approach, which encompasses both controls testing as well as substantive audit procedures. We therefore performed the following audit procedures, among others:

For our assessment, we inspected documentation and conducted surveys, and also tested the functionality of key controls. In particular we evaluated the key processes and controls of DekaBank regarding

- the procurement and validation of the independent verification of quoted prices and observable market data,
- the validation of the valuation method and models,
- the fair value measurement of securities and derivatives as well as
- the calculation and recording of valuation adjustments to determine the fair value

in respect of their adequacy and effectiveness. In addition, we also audited the effectiveness of the general IT controls in the IT systems that are in use.

With the involvement of internal KPMG experts (valuation specialists) we carried out, inter alia, the following substantive audit procedures for selected portfolios of securities and derivatives as of December 31, 2017:

- Performance of an independent price verification in the event that there is a quoted price on an active market.
- Where there are no quoted prices on an active market, we carried out a re-evaluation using an independent valuation methods, parameters and models.

OUR OBSERVATIONS

Based on the results of the controls testing and the substantive audit procedures we conclude that the market prices, valuation methods and models used by DekaBank to value the financial assets valued at fair value are reasonable and the parameters used were properly derived.

The determination and recognition of net commission income from the fund business
For the accounting policies used, please refer to notes 5 and 33 in the notes to the consolidated financial statements.

THE CONSOLIDATED FINANCIAL STATEMENT RISK

The net commission income from the Deka Group's fund business is, in terms of amount, a key component of both the overall net commission income as well as the net income of the DekaBank Group. In the notes to the consolidated financial statements for the 2017 financial year the Deka Group recognized commission income from the fund business of EUR 2,093.5 million and commission expenses from the fund business of EUR 1,049.3 million.

The Deka Group generates commission income from the administration and/or sale of investment fund units when the preconditions pursuant to IAS 18 are satisfied. Accordingly, commission expenses, which mainly arise from remuneration to sales partners, are recognized with the commission income with which they are associated.

The invoicing system and posting logic for commission income and expenses from the fund business of the Deka Group is multi-faceted. This multi-faceted nature is reflected in particular in the different types of commission in the fund business as well as the settlement of acquisition, issuance, invoicing and payment transactions between funds, the asset management companies of the Deka Group and DekaBank as well as the savings banks (*Sparkassen*).

The consolidated financial statement risk could arise due to net commission income from the fund business not being properly presented in the consolidated financial statements due to the inappropriate determination and recognition of the corresponding commission income and expenses.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we developed an audit approach, which encompasses both controls testing as well as substantive audit procedures. We therefore performed the following audit procedures, among others:

In order to audit the net commission income from the fund business we evaluated the key internal accounting-related processes and controls pertaining to

- the proper order entry
- the recognition and maintenance of fund and custodial account master data and
- the presentation for accounting purposes of commission income and expenses from the fund business

in respect of their adequacy and effectiveness. In addition, we also audited the effectiveness of the general IT controls in the IT systems that in use.

In the course of our substantive audit procedures we verified the proper entry into the accounts of commission income and expenses by reconciling the invoices with the underlying documents, which represent the basis for the determination and recognition of commission income and expenses, for individual transactions.

In addition, we also carried out plausibility assessments of ratios and industry trends in the course of our analytical audit procedures.

OUR OBSERVATIONS

Based on the results of the controls testing and substantive audit procedures we conclude that the commission income and expenses from the fund business have been properly determined and recognized.

Recognition of tax claims from share trading transactions settled around the dividend date
For the accounting policies applied by DekaBank Deutsche Girozentrale AöR regarding tax refunds received and tax claims from share trading transactions settled around the dividend date from the years 2013 to

2015, please refer to the notes to the consolidated financial statements (note 23, 73) and the group management report in the "Operational risks" section.

THE CONSOLIDATED FINANCIAL STATEMENT RISK

For assessment periods from 2013 to 2015 that are not yet statute-barred, DekaBank obtained dividends from share trading transactions settled around the dividend date and reported the withholding tax due therefrom for tax crediting or a tax refund and reported corresponding tax refund claims as assets or had already received the tax refund. Due to the existing legal uncertainty regarding the final tax assessment on basis of the BMF circular dated July 17, 2017 on the part of the tax authorities and tax jurisdiction, the recognition of tax claims resulting from such transactions could be subject to uncertainty for DekaBank. The assessment made by DekaBank regarding the risk of the tax authorities refusing to recognize these tax claims requires judgement. Thus, the financial statement risk could be that if the tax claims were subsequently not recognized, the current tax assets recognized pursuant to IAS 12 (line item: current income tax assets) would be impaired, then a provision pursuant to IAS 12 would have to be recognized for repaying tax refunds already received and the notes disclosures on the contingent liabilities would not correspond fully to the requirements set out in the accounting standards.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we have developed an audit approach, which encompasses both a process audit as well as substantive audit procedures. We therefore performed the following audit procedures, among others, with the involvement of our employees who are specialists in tax law:

For our assessment we conducted discussions with the Board of Management and employees from the departments concerned and gained an understanding of the procedure carried out by DekaBank to derive to an estimation regarding this matter. We assessed and critically scrutinized the appropriateness of the assumptions requiring judgement used by DekaBank, in particular with regard to the complete identification and grouping of share trading transactions around the dividend date. In addition, based on the assessment made by DekaBank and using external opinions we verified the assessment of the risk that the tax authorities will subsequently refuse to recognize the tax claims from the types of share transactions identified around the dividend date.

Using data analyses prepared by DekaBank of the share trading transactions settled around the dividend date we verified the amount of the tax claims resulting from this and in particular the allocation of the individual offsetting items from the withholding tax for the periods from 2013 to 2015 by comparing the data analysis prepared by DekaBank with supplementary analyses and evidence.

Furthermore, we evaluated the completeness and appropriateness of the corresponding explanatory disclosure notes on contingent liabilities in the notes to the consolidated financial statements with regard to the requirements set out by accounting standards.

OUR OBSERVATIONS

Based on our audit procedures we conclude that the assessment carried out by DekaBank of the tax risks stemming from the tax authorities possibly not recognizing tax claims that have been made is reasonable. The presentation of tax claims and the resulting risks including the explanatory disclosure notes on contingent liabilities in the notes to the consolidated financial statements was prepared in line with the requirements set out by respective accounting standards.

Other Information
The Board of Management is responsible for the other information. The other information comprises the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Board of Management and the Administrative Board for the Consolidated Financial Statements and the Group Management Report
The Board of Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Board of Management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Board of Management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Administrative Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Board of Management and the reasonableness of estimates made by the Board of Management and related disclosures.
- Conclude on the appropriateness of the Board of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Board of Management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on March 30, 2017. We were engaged by the Administrative Board on June 16, 2017. We have been the group auditor of the DekaBank without interruption since the financial year 2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities services that are not disclosed in the consolidated financial statements or in the group management report.

In addition to the consolidated financial statements, we audited the annual financial statements of DekaBank and carried out a review of the half-year financial report. In addition, we audited the financial statements of various subsidiaries. Furthermore, we also performed other assurance services, including inter alia custody account audits/audits pursuant to the German Securities Trading Act [WpHG], an assurance engagement pursuant to ISAE 3402 (e.g. investment compliance testing), issuing of letters of comfort as well as other assurance services required by supervisory law and tax advisory services for Asset Management.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Markus Fox.

Frankfurt am Main, 22 February 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski Fox

Wirtschaftsprüfer Wirtschaftsprüfer