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

2 Accounting rules 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 adopted. These, however, are not expected to have a material impact on the consolidated financial statements.

IFRS 9

IFRS 9 "Financial Instruments" has been applied in the Deka Group on a retrospective basis as from 1 January 2018. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and contains new regulations governing the classification and measurement of financial instruments, the impairment of financial assets and the recognition of hedging relationships. The Deka Group has exercised the option not to apply the IFRS 9 rules for hedging relationships as at 1 January 2018 and to continue applying the rules under IAS 39 instead. Comparative information in the Notes is disclosed unchanged in accordance with the IAS 39 structure. The effects on the consolidated financial statements are disclosed in note [3] "Effects of applying IFRS 9".

IFRS 15

IFRS 15 "Revenue from Contracts with Customers" has also been applied on a modified retrospective basis as from 1 January 2018. The 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. Disclosures in the notes are also required, depending on the circumstances of the Deka Group. The effects resulting from initial adoption of the new standard are set out in note [16] "Revenue from contracts with customers" and note [35] "Net commission income".

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

Standards adopted into European law but not yet applied

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.

The standard requires lessees to follow a 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 the risks and rewards of ownership of the leased item have been transferred to the lessee. In future, accounting treatment by the lessee will no longer distinguish between finance and operating leases. Under IFRS 16, leases are recognised in the lessee's balance sheet as a lease liability and a right-of-use asset at the time at which the underlying asset is made available to the Group.

Lease liabilities are recognised at the present value of future lease payments. Discounting is based on the interest rate implicit in the lease, if this can be determined; otherwise, discounting is based on the lessee's incremental borrowing rate. At the commencement of the lease, the right-of-use asset essentially corresponds to the lease liability. Recognition of the right-of-use asset must take into account directly attributable initial costs and lease payments made prior to the provision of the underlying asset; any lease incentives received must be deducted.

During the term of the lease, the lease liability is calculated as at each reporting date by discounting the outstanding lease payments, and the resulting interest expense is recognised in profit or loss. For the purposes of subsequent measurement within the Deka Group, the right-of-use asset is measured at amortised cost and is depreciated, through profit or loss, over the shorter of the useful life or the contractual lease term.

In the case of short-term leases or leases of low-value assets, the lessee can opt not to recognise the right-of-use asset and the corresponding lease liability on the balance sheet. Lease payments for these contracts are recognised as expenses on a straight-line basis over the lease term as a general rule.

The accounting requirements for lessors remain largely unchanged, in particular in terms of the ongoing requirement to classify leases.

Leases at the Deka Group and their future recognition

The Deka Group is applying IFRS 16 for the first time on a modified retrospective basis as from 1 January 2019 in accordance with the transitional provisions set out in IFRS 16.C5 (b), i.e. comparative figures for the previous year will not be adjusted and any effect resulting from initial adoption will be reported in retained earnings.

In accordance with the transitional provisions, the Deka Group will refrain from reassessing whether existing agreements constitute leases and will apply the new provisions of IFRS 16 to existing operating leases. Lease payments will be divided into their lease and non-lease components (usage-based ancillary costs or service charges). As at the reporting date of 31 December 2018, the Deka Group had rental and lease agreements for office properties, motor vehicles, plant and equipment and machinery (e.g. printers). The rental agreements for office properties are generally concluded for fixed terms of five to ten years. The lease term for motor vehicles is three to four years, while plant and equipment and machinery are leased for five years on average.

The incremental borrowing rate used at the time of initial adoption is between 0.39% and 1.28%, depending on the lease term.

The right-of-use assets are shown in the balance sheet under property, plant and equipment and the lease liabilities are shown under other liabilities.

In the opening balance sheet as at 1 January 2019, property, plant and equipment will increase by around €188m, with around €182m of this amount attributable to office properties as a result of the capitalisation of right-of-use assets. The total amount of other liabilities will show a corresponding increase, with lease liabilities amounting to around €194m being reported for the first time, while other liabilities from leasing incentives received will fall by around €6m. There will be no effect on the Deka Group's retained earnings.

Furthermore, the Deka Group will make use of the following simplifications when applying IFRS 16 for the first time:

- The simplification rules for short-term leases will be applied to leases that have a remaining life of less than twelve months at the time of initial adoption.
- Initial direct costs will not be included in the measurement of right-of-use assets.
- The accounting provisions of IFRS 16 will not be applied to leases involving low-value assets.
- A uniform discount rate will be applied to portfolios with similar leasing arrangements.
- The term of a lease featuring renewal or termination options will be determined retrospectively.

IFRS 9

In October 2017, the IASB published amendments to IFRS 9 "Financial Instruments: Prepayment Features with Negative Compensation". 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 material effect on the consolidated financial statements.

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 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.

Standards and interpretations not yet adopted into European law

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 affect the recognition and measurement of transactions. Voluntary early adoption is permitted. With the exception of the amendments to IAS 12 (see note [43] "Income taxes"), the amendments will not have any material impact on the consolidated financial statements.

IFRS 3
In October 2018, the IASB published amendments to IFRS 3 "Business Combinations". The amendments relate to the definition of a business and include clearer guidance on how to distinguish a business from a group of assets when applying IFRS 3. The amended definition is to be applied to acquisition transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. The amendments are currently being evaluated.

IAS 1 and IAS 8
In October 2018, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendment clarifies the definition of "material" and aligns the definition used in the Conceptual Framework and the standards themselves. The definition is supplemented by explanatory paragraphs in IAS 1. The previous definition of "material" in IAS 8 is replaced by a reference to IAS 1. Application of the new rules is mandatory for financial years beginning on or after 1 January 2020. Voluntary early adoption is permitted. The amendments are currently being evaluated.

3 Effects of applying IFRS 9

This note sets out the changes in accounting policy that result from IFRS 9 and the material effects on the Deka Group arising on first application.

Classification and measurement of financial assets and 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 financial assets are managed in order to generate cash flows.

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

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

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

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

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

Sales from "Held to collect portfolios" are not considered detrimental to the "Held to collect" business model if they are executed for specific reasons or are infrequent or insignificant (both individually and in the aggregate). Within the Deka Group, checks to ensure that sales from "Held to collect portfolios" are not considered detrimental are performed for each portfolio group. Both qualitative criteria and quantitative thresholds (both portfolio-based and results-based) have been defined for this purpose.

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

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

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

Explanation of the individual IFRS 9 measurement categories

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

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

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

Assets measured at fair value through other comprehensive income (FVOCI)
Financial assets are allocated to this category if they belong to a portfolio with a "held to collect and sell" business model and their cash flows solely comprise payments of principal and interest.

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

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

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

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

Financial assets are also classified in this category if they are not held for trading but also do not fall under the "held to collect" or "held to collect and sell" business models.

In addition, financial assets not held for trading are also measured at fair value through profit or loss if they are held within the "held to collect" or "held to collect and sell" business model but do not meet the SPPI condition.

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

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

In the Deka Group, all derivatives, units in investment funds and equity instruments are normally allocated to this category.

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

Financial liabilities are classified as part of the trading portfolio if they were issued or entered into primarily with a view to redemption in the short term.

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

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

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

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

Reconciliation of classification (measurement categories under IAS 39 and IFRS 9)
The tables below reconcile the carrying values (net of provisions) at 31 December 2017 of the measurement categories under IAS 39 to the corresponding carrying values (net of provisions) under IFRS 9. A distinction is made between changes in carrying values that are due to the measurement category (reclassification) under IAS 39 and those that are due to a change in the measurement basis (remeasurement) upon switching to IFRS 9.

€m	Carrying value under IAS 39 31 Dec 2017	Reclassi-fication	Re-measurement	Carrying value under IFRS 9 1 Jan 2018
Financial assets measured at amortised cost (AC)[1]				
Cash reserves	10,039.6	–	–	10,039.6
Due from banks	26,396.4	–	0.1	26,396.5
thereof: remeasurement of risk provisions	–	–	0.1	–
Due from customers	20,650.5	–472.2	–18.1	20,160.2
thereof: remeasurement of risk provisions	–	–	–18.1	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–472.2	–	–
Financial investments	3,726.5	–386.1	0.9	3,341.3
Transfer from "financial assets held-to-maturity" (HtM)	–	2,851.2	1.7	–
thereof: remeasurement of risk provisions	–	–	1.7	–
Transfer to "financial assets measured at amortised cost" (AC)	–	–2,851.2	–0.8	–
thereof: remeasurement of risk provisions	–	–	–0.8	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–386.1	–	–
thereof: remeasurement of risk provisions	–	–	–	–
Total	**60,813.0**	**–858.3**	**–17.1**	**59,937.6**
Financial assets measured at fair value through profit or loss (FVPL)				
Financial assets at fair value	31,985.4	–7,411.3	–29.4	24,544.7
Trading portfolio (FVPL)	12,472.7	488.4	–	12,961.1
Transfer from "financial assets designated at fair value"	–	488.4	–	–
Financial assets mandatorily measured at fair value through profit or loss (FVPL)	–	11,613.0	–29.4	11,583.6
Transfer from "loans and receivables" (LaR)	–	858.3	–29.4	–
thereof: remeasurement due to reclassification	–	–	–29.4	–
Transfer from "financial assets available for sale" (AfS)	–	48.2	–	–
Transfer from "financial assets designated at fair value"(DaFV)	–	10,706.5	–	–
Financial assets designated as at fair value through profit or loss (DaFV)	19,512.7	–19,512.7	–	–
Transfer to trading portfolio (FVPL)	–	–488.4	–	–
Transfer to "financial assets measured at fair value through other comprehensive income" (FVOCI)	–	–8,317.8	–	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–10,706.5	–	–
Positive market values of derivative hedging instruments	20.4	–	–	20.4
Total	**32,005.8**	**–7,411.3**	**–29.4**	**24,565.1**
Financial assets measured at fair value through other comprehensive income (FVOCI)[2]				
Financial investments	48.2	8,269.6	–	8,317.8
Transfer from "financial assets designated at fair value" (DaFV)	–	8,317.8	–	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–48.2	–	–
Total	**48.2**	**8,269.6**	**–**	**8,317.8**

[1] Financial assets measured at amortised cost include the IAS 39 measurement categories "loans and receivables" (LaR) and "held-to-maturity investments" (HtM).
[2] Financial assets measured at fair value through other comprehensive income include the IAS 39 measurement category "available for sale" (AfS).

€m	Carrying value under IAS 39 31 Dec 2017	Reclassi-fication	Re-measurement	Carrying value under IFRS 9 1 Jan 2018
Financial liabilities measured at amortised cost (LAC)				
Due to banks	19,237.8	–	–	19,237.8
Due to customers	26,660.9	–	–	26,660.9
Securitised liabilities	14,234.8	–	–	14,234.8
Subordinated capital	927.1	–	–	927.1
Total	**61,060.6**	**–**	**–**	**61,060.6**
Financial liabilities measured at fair value through profit or loss (LFV)				
Financial liabilities at fair value	25,982.7	–	–	25,982.7
Negative market values of derivative hedging instruments	12.0	–	–	12.0
Total	**25,994.7**	**–**	**–**	**25,994.7**

The transition to IFRS 9 gives rise to an initial application effect of €–29.4m as at 1 January 2018 due to the reclassification of financial instruments. An initial adoption effect of €–17.6m (thereof €–0.5m for off-balance sheet commitments) arises due to the change in risk provisions. These initial adoption effects have been duly recognised directly in equity, specifically under retained earnings. They give rise to a change in balance-sheet equity of €–47.0m (before tax) and €–31.9m (after tax).

Financial assets valued at €19,512.7m that were designated at fair value under IAS 39 had to be reclassified upon the adoption of IFRS 9. This reclassification was mainly due to the requirement to allocate assets to a business model. Under IFRS 9, it is also no longer possible to designate a financial instrument at fair value on the grounds that its performance is managed on a fair value basis.

Securities held for liquidity management purposes have been classified in the "held to collect and sell" business model under IFRS 9 and are therefore measured at fair value through other comprehensive income. The fair value option had been exercised in respect of such securities under IAS 39; this option no longer applies following the adoption of IFRS 9. The table below shows the fair value of such securities that were still held in the portfolio as at 31 December 2018 and the net income from changes in their fair value, which was reported in profit or loss under IAS 39 but is now reported in other comprehensive income (OCI).

	Fair value	Net income from change in fair value
€m	31 Dec 2018	2018
Reclassification of financial assets		
from the subcategory "Designated at Fair Value" (IAS 39) to the category "Assets measured at fair value through other comprehensive income" (IFRS 9)	4,482.8	–44.8

Impairment of financial assets

A further significant innovation of IFRS 9 is the switch to the expected credit loss model for determining provisions, in place of the incurred loss model used under IAS 39. IFRS 9 requires a provision equal to the amount of the expected losses to be recognised for all financial instruments within its sphere of application. These rules apply to instruments measured at amortised cost or at fair value through other comprehensive income, as well as loan commitments and financial guarantees.

Tiered concept

Under the expected credit loss model, financial instruments have to be allocated to one of three "stages" depending on their credit quality in order to calculate the risk provisions for loan losses. The stage to which an asset is allocated affects the size of the risk provisions to be set up for that asset.

IFRS distinguishes between the following three stages:

Stage 1: Loss allowances are recognised in the amount of the expected loss for the next twelve months, unless the risk of default has significantly increased.
Stage 2: Loss allowances are recognised in the amount of the expected loss over the entire remaining life of the financial instrument if the risk of default has increased significantly.
Stage 3: Loss allowances are recognised based on the recoverable cash flows on the assumption that a loss event has already occurred.

Financial instruments that fall within the scope of IFRS 9 and are not already impaired upon initial recognition are allocated to stage 1 and risk provisions are recognised in profit or loss in the amount of the expected loss for the next twelve months. If the default risk has significantly increased since the financial instrument was acquired, it is allocated to stage 2 and the lifetime expected credit loss is recognised in profit or loss. If indications exist that creditworthiness is impaired, the instrument is to be transferred to stage 3 and the expected loss for the remaining lifetime of the instrument is recognised in profit or loss.

Within the Deka Group, significant increases in default risk since the addition of a financial instrument are assessed on the basis of quantitative and qualitative criteria, as well as based on the assessments performed by the units and committees responsible for early risk identification. A significant risk increase is assumed where the credit rating has dropped by a specified amount relative to the initial rating on the first balance sheet date, or where the exposure has been classified as requiring intensive support. A loan is classified as requiring intensive support, in particular, in cases involving non-compliance with contractual agreements providing concrete indications of an acute threat to debt servicing capabilities in the long term, as well as in the event of certain rating downgrades or repayment deferrals if the circumstances of the individual case call for intensive support.

In addition, for financial instruments where payment is more than 30 days overdue, a check is also made as to whether the presumption of a significant increase in default risk can be rebutted. This involves an analysis of the individual case, which is submitted to the Monitoring Committee so that a decision can be made. If the assumption of a significant increase in default risk cannot be refuted, these transactions are also assigned to stage 2.

For securities measured at fair value through other comprehensive income (FVOCI), the Deka Group makes use of the relief provided under the standard, whereby a test for significant risk increase may be dispensed with for instruments with a low risk of default. Such securities exclusively comprise securities held in the liquidity reserve, which must satisfy strict requirements as to credit quality and liquidity. These securities generally have at least an investment grade rating.

If there is objective evidence that a loss event has already occurred, the financial instrument should be allocated to stage 3. Indications of impaired creditworthiness are:

- significant financial difficulty of the issuer or debtor,
- an actual breach of contract, such as a default or past-due event,
- concessions granted by the lender to the debtor for economic or contractual reasons in connection with the debtor's financial difficulties that the creditor would not otherwise consider,
- a high probability that the borrower will enter bankruptcy or other financial reorganisation,
- the disappearance of an active market for the financial asset because of financial difficulties and
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

In the Deka Group, the definition of default applied for the purposes of allocation to stage 3 is based on the regulatory definition of default. Accordingly, financial assets are deemed to have defaulted if:

- it is considered unlikely that a debtor will settle its liability in full without recourse to the realisation of collateral, or
- a material liability of the debtor is more than 90 days past due.

Transfers back from stage 2 to stage 1 or from stage 3 to stage 2 or 1 are made if the indicators of a significant increase in default risk or impaired creditworthiness no longer apply on the reporting date.

If the contractual cash flows of a financial asset have been renegotiated or otherwise modified and that financial asset has not been derecognised, the stage allocation is still reviewed on the basis of the initial rating of the original asset on the first balance sheet date and is compared against the current default risk of the adjusted asset.

The derecognition of a financial instrument already assigned to stage 3 is effected by utilising the risk provisions. A financial instrument is derecognised upon its disposal (in particular due to waivers or sales of receivables) or if there is every likelihood that no further payments will be made. If there is insufficient risk provisioning for a financial instrument, it is written down directly in profit or loss (direct write-down). Receivables that have been written down can still, however, be subject to enforcement measures.

A simplified impairment model is used for trade receivables. The simplified model must always be used where the financial asset does not contain a significant financing component; otherwise, its use is optional. Unlike under the general impairment model, provisions under the simplified impairment model are always measured at the amount of the lifetime expected credit loss. The three-stage classification is not applied.

Separate provisions also apply to financial assets that already show indications of an impaired credit rating upon initial recognition. For these financial assets, risk provisions are not set up at the time of initial recognition, but rather in subsequent periods in the amount of the change in lifetime expected losses. When determining the expected credit losses, the expected cash flows are discounted using the credit risk-adjusted effective interest rate.

In stages 1 and 2 of the impairment model, interest income is recognised on the basis of the gross carrying value – i.e. the amortised carrying value before risk provisions. If the asset is transferred to Stage 3, interest income is recognised in subsequent periods on the basis of the net carrying value – i.e. the gross carrying value less risk provisions.

Determining the ECL (Expected Credit Loss)

Under IFRS 9, the ECL is determined in different ways for the different stages of the impairment model. The ECL for stages 1 and 2 is determined on the basis of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

At stage 1, risk provisions are set up in the amount of the 12-month ECL. This corresponds to the expected net present value loss over the remaining life of the instrument resulting from a default event that is expected to occur within the twelve months following the reporting date, weighted by the probability of this default. The current gross carrying value as at the reporting date is thus multiplied by the customer's 12-month probability of default and by the expected loss given default.

12-Month ECL = 12-month probability of default (PD) x loss given default (LGD) x gross carrying value EAD

In the Deka Group, a debtor's default risk is measured by the probability of default (PD). The probability of default refers to all transactions entered into with this debtor. It is defined as the average probability that a debtor in a risk class to which it is assigned by means of a rating will default within a period of twelve months. The loss given default (LGD) is defined as the level of economic loss as a percentage of the exposure at the time of default. The EAD corresponds to the gross carrying value on the reporting date when calculating the ECL for stage 1.

For financial assets in stage 2, a provision is made in the amount of the present value of the lifetime expected credit loss, i.e. the total expected credit losses from all potential default events over the remaining lifetime of the financial asset. For each time period, the exposure at default is multiplied by the relevant probability of default and the amortised loss given default and then discounted to the reporting date; the results are then added together.

$$\mathrm{ECL} := \sum_{\mathrm{i} \geq \mathrm{Stichtag}} \mathrm{EAD_i} \cdot \mathrm{PD_i} \cdot \mathrm{LGD_i} \cdot \mathrm{DF_i}$$

ECL = expected credit loss at calculation date
EAD_i = exposure at time i
PD_i = marginal probability of default during the period from i to i+1
LGD_i = loss given default at time i
DF_i = discount factor from time i to the reporting date
i = start of the i+1th time period (i=0 represents the start of the first time period)

The probabilities of default for calculating the ECL at stage 2 are derived from long-term rating histories. The LGD used to calculate the ECL at stage 2 is adjusted as at each potential time of default using models for collateral values over time. The EAD is applied over the remaining life on the basis of the future cash flows associated with the financial instrument.

At stage 3, risk provisions are determined using probability-weighted cash flows in at least three scenarios. The expected cash flows are estimated on a case-by-case basis, taking into account going concern or gone concern assumptions. The amount of the ECL is the difference between the gross carrying value under IFRS 9 and the probability-weighted present value of the expected cash flows, discounted at the effective interest rate.

The ECL is calculated using prospective information, including macroeconomic factors. Macroeconomic forecasts are produced based on the process used by the Macro Research department for the purposes of preparing the official research opinion (baseline scenario) of the Deka Group using a large volume of external information. The statements relate to the analysis and forecasting of fundamental economic data and financial market indicators. The baseline scenario represents the most probable event and is supplemented by a positive and a negative scenario, including information on their respective probability of occurrence (probabilities of occurrence as at 31 December 2018: baseline scenario = 70%, negative scenario = 25% and positive scenario = 5%) to cover a wide range of possible macroeconomic developments. The forecast horizon is three years and the forecast covers those countries in which the Deka Group is primarily active. Eight predefined macroeconomic factors are taken into account for each country and scenario over the forecast period (e.g. unemployment rate, interest rates, GDP growth, oil prices, etc.).

External sources of information include, for example, economic data and forecasts published by government and monetary authorities and by supranational organisations such as the OECD and International Monetary Fund.

The modules and processes employed in the Deka Group allow the PD and LGD to be determined in a manner that is consistent with IFRS 9 while taking account of all of the available and reliable information, including economic aspects.

Reconciliation of loss allowances (provisions under IAS 39 and IFRS 9)

The table below reconciles the risk provisions under IAS 39 and the provisions under IAS 37 as at 31 December 2017 to the opening risk provision balances under IFRS 9 as at 1 January 2018. The effects on loss allowances of changes in measurement category are shown separately.

The total effect of implementing the IFRS-9 impairment model is €–17.6m. This amount was recognised directly in equity in retained earnings as at the date of adoption.

€m	IAS 39 Risk provisions/ IAS 37 Provisions 31 Dec 2017	Effects due to new measurement category	Effects due to change in impairment model	IFRS 9 Provisions 1 Jan 2018			
				Total	Stage 1	Stage 2	Stage 3
Risk provisions							
Financial assets measured at amortised cost (AC)							
from loans and advances to banks (loans and receivables – LaR)	0.3	–	–0.1	0.2	0.2	0.0	–
from loans and advances to customers (loans and receivables – LaR)[1]	143.5	–39.2	18.1	122.4	8.0	19.0	95.4
from financial assets (held-to-maturity investments – HtM)	40.4	–	–1.7	38.7	0.9	1.2	36.6
from financial assets (loans and receivables – LaR)[1]	2.8	–0.1	0.8	3.5	0.3	3.2	–
Financial assets measured at fair value through other comprehensive income (FVOCI)							
from financial assets (assets designated at fair value – DaFV)	–	1.0	–	1.0	1.0	–	–
Total risk provisions	**187.0**	**–38.3**	**17.1**	**165.8**	**10.4**	**23.4**	**132.0**
Other provisions for credit risk							
Off-balance sheet commitments[2]	1.6	–	0.5	2.1	1.7	0.1	0.3
Total other provisions for credit risks	**1.6**	**–**	**0.5**	**2.1**	**1.7**	**0.1**	**0.3**
Total risk provisions and other provisions for credit risik	**188.6**	**–38.3**	**17.6**	**167.9**	**12.1**	**23.5**	**132.3**

[1] The effect due to new measurement category results from the transfer of these items to the category "Financial assets mandatorily measured at fair value".
[2] Within the off-balance sheet commitments, €0.1m was reclassified from provisions for credit risks to other provisions.

Hedge accounting

While IFRS 9 also contains new rules for hedge accounting, their application is not mandatory until further notice. Please refer to note [11] "Hedge accounting" for information on hedge accounting. During the reporting year, the amendments made, as a result of IFRS 9, to IFRS 7 "Financial Instruments: Disclosures" relating to the disclosures on hedge accounting in the notes were implemented for the first time.

Segment reporting

4 Segmentation by operating business divisions

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

As total 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 the total of profit or loss before tax, the economic result includes changes in the revaluation reserve (before tax) as well as the interest- and currency-related valuation result from financial instruments recognised at amortised cost. This allows economic hedges that do not meet the criteria for hedge accounting under IAS 39 to be fully reflected for internal management purposes. The economic result also includes the interest expense on Additional Tier 1 bonds, which is reported directly within equity, as well as effects relevant for management. The latter relate to a provision for potential charges where the probability of such charges arising in the future is assessed as possible, and which are taken into account within corporate management activities as a result of the use of the economic result for management purposes, but which may not yet be reported under IFRS because they are not sufficiently substantiated. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in the reconciliation to consolidated profit before tax in the "reconciliation" column.

Another key indicator for the operating segments, in addition to the economic result, is total customer assets. Total customer assets primarily comprise the income-relevant assets of the mutual and special funds (including ETFs) in the Asset Management Securities and Asset Management Real Estate divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and master funds. Total customer assets also include fund units of €1.7bn held as part of the proprietary portfolio (previous year: €1.6bn). These mainly relate to start-up financing for investment funds.

Based on the definition of section 19 (1) of the German Banking Act (*Kreditwesengesetz* – KWG), gross loan volume includes additional risk exposures such as, 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 essentially based on the business divisional structure of the Deka Group, as also used in internal reporting. The segments are defined by the different products and services of the Deka Group.

Asset Management Securities

The Asset Management Securities reporting segment focuses on the active 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 transport 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 real estate 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.

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. 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. The Capital Markets reporting segment is also responsible for the Deka Group's strategic investments. Strategic investments comprise the securities in the proprietary portfolio that are not held for liquidity management purposes. As the winding-down of activities in the former Non-Core Business segment has largely been completed, all remaining portfolios were transferred to the Capital Markets division as at 1 January 2018. The objective of winding down these activities while safeguarding assets remains in place.

Financing
Since the reorganisation of the divisional structure as at 1 January 2017, the Financing reporting segment has been 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, public sector financing and savings bank financing. Specialised financing positions concluded before the credit risk strategy was changed in 2010 have been pooled in a legacy portfolio, which continues to be wound down while safeguarding assets. Real estate lending relates mainly to commercial real estate and is focused on marketable properties in the office, retail, shopping, hotel and logistics segments in liquid markets in Europe and North America.

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, and 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.

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

During the financial year, the reporting and measurement differences between internal reporting and the total profit or loss before tax under IFRS amounted to €–65.1m (previous year: –31.6m) and mainly resulted from the circumstances referred to below.

The result not recognised in profit or loss amounted to €75.2m in the reporting period (previous year: €–98.2m). Of this total, €68.6m (previous year: €25.2m) was attributable to interest- and currency-related valuation results relating to financial instruments recognised at amortised cost. The result not recognised in profit or loss also includes the total interest expense (including accrued interest) of €–28.4m on the AT1 bonds (previous year: €–28.4m). Distributions made were recorded directly in equity, in accordance with IAS 32. In addition, a general provision to cover potential risks that could materialise in the coming months was recognised for the first time in the 2012 financial year. In 2018, the provision for these effects in the management accounts amounted to €–170.0m (previous year: €–205.0m). The effect on the economic result in 2018 was €35.0m (previous year: €–95.0m) and is disclosed under Other.

The change of €–130.3m in the revaluation reserve before tax (previous year: €67.5m) was also included in the economic result. Of this, €–30.7m (previous year: €15.4m) was attributable to the change in the revaluation reserve for provisions for pensions.

The other amounts shown in the reconciliation column concern differences in presentation between management reporting and the consolidated financial statements. Of these, €87.5m (previous year: €61.4m) relates to internal transactions that are reported in the economic result. The majority of these are included within net interest income, while the corresponding offsetting income effects are reported under net financial income. There are also reporting differences in net financial income and other operating profit from the different allocation of income effects from the repurchases of own issues. The reconciliation column for the previous year also includes the movement of €10.7m in risk provisions for securities (part of net financial income in the previous year) as well as net income of €13.1m on disposals of assets measured at amortised cost (part of net interest income in the previous year).

	Asset Management Securities		Asset Management Real Estate		Asset Management Services		Capital Markets[7]	
				Economic result				
€m	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income[1]	7.2	16.0	3.7	4.8	5.3	4.2	45.3	39.2
Risk provisions in the lending and securities business[2]	–	–	–	–	–0.1	–	8.3	11.8
Net commission income	649.4	716.1	303.1	240.4	181.8	161.7	56.3	51.2
Net financial income[1, 2, 3]	–7.7	26.9	–4.5	–0.2	–4.5	–0.1	215.2	292.5
Other operating profit[4]	–7.6	–8.8	1.6	1.9	–0.4	–2.1	5.0	2.3
Total income without contributions to earnings from Treasury function	**641.3**	**750.2**	**303.8**	**246.9**	**182.1**	**163.7**	**330.1**	**397.0**
Administrative expenses (including depreciation and amortisation)	389.9	389.7	137.3	133.0	170.0	165.4	172.1	166.3
Restructuring expenses[4]	3.9	3.8	–	–	6.0	1.6	–	–
Total expenses before allocation of Treasury function	**393.8**	**393.5**	**137.3**	**133.0**	**176.1**	**167.0**	**172.1**	**166.3**
(Economic) result before tax excluding Treasury function	**247.5**	**356.7**	**166.5**	**113.9**	**6.0**	**–3.3**	**158.1**	**230.7**
Treasury function	–17.1	–11.3	–3.8	–2.9	–1.9	–1.6	–73.1	–23.9
(Economic) result before tax	**230.5**	**345.4**	**162.7**	**111.0**	**4.1**	**–4.8**	**85.0**	**206.8**
Cost/income ratio[5]	0.61	0.52	0.45	0.54	0.93	1.01	0.53	0.43
Total risk (value-at-risk)[6]	618	494	89	79	110	110	945	692
Total customer assets	217,337	230,991	38,099	34,345	–	–	20,443	17,552
Gross loan volume	6,830	6,545	213	35	618	675	91,582	84,074

[1] Net income of €+4.8m (previous year: €+13.1m) from the disposal of assets recognised at amortised cost is included in net financial income for the first time in the year 2018. This was disclosed under net interest income in the previous year. For better comparability, prior-year economic result figures have been reclassified and adjusted accordingly.

[2] This includes for the first time the change of €+7.9m in risk provisions for securities under IFRS 9 categories AC and FVOCI (previous year: €+10.7). This was disclosed under net financial income in the year 2017. For better comparability, prior-year economic result figures have been reclassified and adjusted accordingly.

[3] 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.

[4] Restructuring expenses are disclosed in the Group fianancial statements under Other operating profit.

[5] Calculation of the cost/income ratio does not take into account the restructuring expenses or risk provisions in the lending and securities business. Previous year's figures were adjusted for better comparability.

[6] 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 the risk for the Deka Group are not cumulative.

[7] Previous year's figures were adjusted due to the transfer of portfolios of the former Non-core business segment to the Capital Markets segment.

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

[9] This includes effects relevant for management purposes of €+35.0m (previous year: €–95.0m) 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.

Financing		Other[8]		Deka Group		Reconciliation		Deka Group	
		Economic result						Total profit or loss before tax (IFRS)	
2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
126.4	113.3	−6.5	−35.0	181.5	142.5	−59.1	−19.1	122.4	123.4
14.7	−29.7	−0.4	0.1	22.4	−17.8	–	−10.7	22.4	−28.5
29.6	34.3	−2.1	−1.1	1,218.0	1,202.7	−0.1	−0.9	1,217.9	1,201.8
−15.2	−8.5	−52.5[9]	−151.8[9]	130.8	158.8	96.7	84.7	227.5	243.5
1.7	14.6	−44.0	0.3	−43.7	8.0	27.6	−22.5	−16.1	−14.5
157.1	**123.9**	**−105.5**	**−187.5**	**1,509.0**	**1,494.1**	**65.1**	**31.6**	**1,574.1**	**1,525.7**
54.7	56.6	114.5	128.9	1,038.5	1,039.8	–	–	1,038.5	1,039.8
–	–	8.8	–	18.7	5.4	–	–	18.7	5.4
54.7	**56.6**	**123.2**	**128.9**	**1,057.2**	**1,045.2**	**–**	**–**	**1,057.2**	**1,045.2**
102.4	**67.4**	**−228.7**	**−316.4**	**451.8**	**448.9**	**65.1**	**31.6**	**516.9**	**480.5**
−35.0	−16.9	130.9	56.5	–	–	–	–	–	–
67.4	**50.5**	**−97.8**	**−259.9**	**451.8**	**448.9**	**65.1**	**31.6**	**516.9**	**480.5**
0.38	0.37	–	–	0.70	0.69				
581	462	237	246	2,492	2,035				
–	–	–	–	275,878	282,888				
24,004	21,577	28,042	23,911	151,288	136,817				

5 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	2018	2017	2018	2017	2018	2017	2018	2017
Income	1,438.4	1,221.0	133.7	283.0	2.0	21.7	1,574.1	1,525.7
Total profit before tax	472.6	355.4	43.6	106.0	0.7	19.1	516.9	480.5
Long-term segment assets[1]	202.0	209.2	11.1	12.8	0.1	0.1	213.2	222.1

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

Accounting policies

6 General information

The accounting policies described were applied in a uniform and consistent manner to the reporting periods presented, with the exception of the new accounting standards in connection with IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”, which were applied for the first time in the 2018 reporting year.

Due to the transition methods chosen for both IFRS 9 and IFRS 15 (no retrospective restatement for earlier reporting periods), comparative information has generally not been restated. For a description of the new accounting policies, please refer to note [2] “Accounting standards applied for the first time and to be applied in future” and note [3] “Effects of applying IFRS 9”.

In addition, the Deka Group has applied corresponding amendments to IFRS 7 “Financial Instruments: Disclosures”. The amendments only apply to disclosures in the notes for the current reporting period and not to comparative information.

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. Where discretionary management decisions have a material impact on items or scenarios, these are explained in detail in the notes to the relevant items.

Estimation uncertainties may arise in particular for the situations listed below:

- the classification of financial assets (see note [3] “Effects of applying IFRS 9”);
- risk provisions in the lending and securities business and provisions for off-balance sheet commitments (see note [3] “Effects of applying IFRS 9”);
- the fair value measurement of financial instruments (see note [68] “Fair value disclosures”);
- the recognition of pension obligations (see note [27] “Provisions for pensions and similar obligations” and note [60] “Provisions for pensions and similar obligations”);
- the impairment test for goodwill (see note [51] “Intangible assets”);
- the recognition of other provisions and other liabilities (see note [28] “Other provisions” and note [76] “Contingent and other liabilities”).

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 information on default risk (see note [47] “Risk provisions in the lending and securities business”) and the breakdown by remaining maturity (see note [72] “Breakdown by remaining maturity“), presented in the risk report as a part of the Group management report.

7 Consolidation principles

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

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

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

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

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

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

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

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

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

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

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

An 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 [51] "Intangible assets"). Where third parties hold minority interests in the equity or earnings of subsidiaries of the Bank, these are reported separately as minority interests under equity and as profit attributable to non-controlling interests in the statement of profit or loss and other comprehensive income. Where third parties hold immaterial minority interests in investment funds and partnerships, and those third parties have a right to return their holdings at any time, the minority interests constitute debt capital from the Group's perspective and are thus reported under other liabilities.

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

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

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

8 Scope of consolidation

The changes in the 2018 reporting year result from the inclusion of Deka Real Estate International GmbH, Frankfurt am Main, in the scope of consolidation for the first time. The subsidiary commenced business operations in the Deka Group with effect from 30 November 2018.

Three structured entities over which DekaBank can exert control in accordance with IFRS 10 were also included in the scope of consolidation for the first time as at 1 November 2018. The purpose of the structured entities Treasury One UG (haftungsbeschränkt) & Co. KG, Hamburg, Treasury Two Shipping Limited, Majuro (Marshall Islands) and Treasury Three Shipping Limited, Majuro (Marshall Islands) lies in the ownership and management of ships.

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

9 Financial instruments

All financial assets and liabilities, including all derivative financial instruments, are recognised in the statement of financial position in accordance with IFRS 9. Spot purchases and sales (regular way contracts) are recognised on the settlement date. Valuation effects from spot purchases and sales 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 IFRS 9.

The corresponding IFRS 9 measurement categories and their implications for the recognition and measurement of financial instruments are presented in note [3] "Effects of applying IFRS 9".

10 Fair value measurement of financial instruments

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

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

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

be the model value as at the reporting date, which reflects a realistic estimate of how the market would be likely to value the financial instrument.

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

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

11 Hedge accounting

The Deka Group enters into derivatives both for trading purposes and hedging purposes. Please refer to the risk report for a description of the overall risk management strategy. In accordance with the provisions set out in IFRS 9, derivatives are generally classified as held for trading and are measured at fair value, with the valuation result and the current result being reported under "Trading profit or loss". Derivatives entered into for hedging purposes can be treated, together with qualifying underlying transactions, as a hedge accounting item (hedge accounting) under certain conditions. With the first-time application of IFRS 9, the IASB has provided the option of applying the previous provisions of IAS 39 Hedge Accounting until further notice, instead of the new provisions on hedge accounting under IFRS 9. The Deka Group has made use of this option. With the mandatory application of IFRS 9 as at 1 January 2018, the Deka Group will therefore continue to apply the hedge accounting provisions set out in IAS 39 for the time being.

In the banking book, in line with its strategic orientation, the Deka Group mainly executes transactions involving interest-related products for which a significant part of the change in market value in the currency of issue results from the interest component. General interest rate risks and any currency risks associated with interest rate risk positions are systematically hedged against market fluctuations. In particular, interest rate swaps, cross-currency swaps, futures, caps, floors, collars, swaptions and forward rate agreements are used to manage this risk.

General interest rate risks result from changes in currency-specific swap curves and their volatility. The fixed interest rate on a position may deviate from the relevant market interest rate due to future market developments, resulting in changes in the value of the financial product. For example, the value of a purchased fixed-rate bond decreases when the market interest rate rises.

Changes in the risk profile of the banking book are monitored as part of the management process using sensitivity ratios and are hedged in accordance with the targeted interest rate position. The hedging instruments used to manage the interest rate risk are adjusted to reflect changes in the risk. If possible, interest rate risks relating to asset and liability items are offset against each other directly. Interest rate hedges that are no longer required are cancelled. The interest rate hedging of newly added exposures from fixed-interest positions is generally based on matching maturities. In general, the Deka Group strives to ensure consistency in parameters such as maturity and repayment structure. The risk of interest-rate induced market price changes for fixed-interest asset items is offset by concluding what are known as payer swaps (the Deka Group pays fixed interest and receives variable interest). In cases involving fixed-rate

items on the liabilities side, this risk is hedged using what are known as receiver swaps (the Deka Group pays variable interest and receives fixed interest).

Fair value hedges for interest rate risks

In order to be able to reflect dynamic risk management on the balance sheet by way of approximation, the Deka Group selectively sets up hedges on the face of the balance sheet. The main objective pursued by setting up and cancelling hedge accounting relationships is to largely avoid the inconsistent interest-driven measurement of balance sheet assets and liabilities.

In order to achieve this objective, there is no need to designate all risk positions as hedge accounting relationships, as some of these transactions offset each other with regard to the measurement of interest rate risk. The portion of the transactions to be designated is determined as part of a dynamic process. The hedge accounting relationships set up within the Deka Group are exclusively micro fair value hedges of swap curve risk.

Hedge accounting relationships have to be documented individually at the time they are established. The main items documented are the identification of the hedged item and the hedge, as well as the type of risk hedged. 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.

For fair value hedges, changes in the value of the underlying transaction that are attributable to the hedged risk are included in the "Profit or loss from fair value hedges according to IAS 39" along with the offsetting change in the fair value of the hedge. The hedged interest component of the underlying transactions is calculated, for this purpose, as the change in fair value of the underlying transaction due to a change in the currency-specific 3-month-based swap curves. The credit spread at the time the hedge is established is kept constant over the entire hedge term (constant credit spread method). The hedged interest rate risk (swap curve) – where appropriate together with the gains or losses from currency translation in cases involving foreign currency transactions – generally accounts for the bulk of the change in the value of the underlying transactions due to market price risk.

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

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

The derivatives used in fair value hedges are shown on the balance sheet under "Positive market values of derivative hedging instruments" or "Negative market values of derivative hedging instruments". The underlying transactions hedged using fair value hedges are shown in the same balance sheet item as non-hedged transactions. Within the context of fair value hedges, medium and long-term lending, securities and issuing transactions are designated as underlying transactions within the Deka Group. The financial assets designated as hedged items are allocated to the "held to collect" and "held to collect and sell" business models.

In principle, the retrospective effectiveness of the fair value hedges is monitored on a daily basis using regression analysis. A hedge is deemed to be effective retrospectively if, throughout the entire term of the hedge to date, 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 assessment is performed using the critical term match method.

Expected ineffectiveness in interest fair value hedges mainly results from the difference in the discounting of hedged items and hedges. This arises because, unlike the underlying transactions, the derivative

hedging transactions secured using cash collateral are measured on the basis of OIS curves (changes in the tenor basis spread between the currency-specific 3-month-based swap curve used for discounting the underlying transaction and the OIS curve used for discounting the hedging transaction result in hedge ineffectiveness). Other reasons for the expected ineffectiveness lie in the differences in the amount of the coupon for underlying and hedging transactions and in any fair value of the reference interest component of the variable sides of the derivative hedging transactions on the reporting date. Other than the foreseeable inefficiencies above, there were no hedge inefficiencies during the reporting period.

Risks extending beyond the swap curve risk, such as currency risk, credit spread risk or basis spread risk, are also managed by the Deka Group, but the opposing risk positions are not shown in the balance sheet using hedge accounting. Derivative financial instruments that are used for this economic hedging are treated in the same way as derivatives held for trading purposes and are to be reported under financial assets or financial liabilities at fair value. In the Deka Group, the current result from the economic hedging transactions is shown in the item "Net interest income", like the current result from the hedging derivatives. The valuation result from economic hedging derivatives, on the other hand, is disclosed under "Trading profit or loss".

Note [39], note [49], note [59] and note [73] contain detailed quantitative disclosures on fair value hedges for interest rate risks.

Cash flow hedge for currency risks

The Deka Group ceased to apply the rules on cash flow hedge accounting as from the first half of 2018.

12 Structured products

Structured products are financial instruments composed of a host contract and one or more derivative financial instruments (embedded derivatives), whereby the embedded derivatives constitute an integral part of the contract and cannot be traded separately. If the host contract is a financial asset under IFRS 9, the embedded derivative must be accounted for together with the host contract under IFRS 9. The assessment of the contractual cash flow characteristics criterion of a structured financial asset is applied accordingly to the entire financial asset, including the embedded derivative.

Embedded derivatives whose host contract is not a financial asset under IFRS 9 must be separated from the host contract subject to the following conditions and accounted for as standalone derivatives:

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

There were no host contracts subject to separation at the reporting date.

13 Currency translation

Currency translation in the Deka Group is carried out in accordance with IAS 21. All monetary foreign currency items and pending spot foreign-exchange transactions are converted using the mean spot rate as at the reporting date. Realised and unrealised gains and losses from currency translation are included in "Trading profit or loss" in the income statement to bring the gains and losses from currency translation into line with the amounts recognised resulting from the related currency-specific transactions (derivatives) that hedge these monetary assets and liabilities.

Non-monetary items are converted in accordance with their applicable valuation standard: Non-monetary items valued at amortised cost are converted at the rate applicable at the time of initial recognition (historical rate). Non-monetary items carried at fair value are converted at the year-end closing rate in the same way as monetary items.

Realised expenses and income are translated at the spot rate that applies at the time they are realised.

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

14 Genuine repurchase agreements and securities lending transactions

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

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

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

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

Income and expenses from repurchase agreements and securities lending transactions in the trading book are reported under trading profit or loss, while income and expenses from banking book portfolios are reported under net interest income.

Forward repos constitute forward contracts as per IFRS 9 and are treated as derivatives from the trading date until the settlement date. Changes in the fair value of forward repos are recognised accordingly in trading profit or loss.

15 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 balance sheet. The rental and lease instalments payable by the Deka Group are recorded as administrative expenses. Lease payments made in advance are recognised as prepayments 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.

16 Revenue from contracts with customers

In the Deka Group, revenue from contracts with customers was recognised for the first time in the 2018 reporting year in accordance with the provisions of IFRS 15. Revenue is generally realised when the performance obligation is deemed to have been fulfilled. A performance obligation is normally considered to have been fulfilled when the service has been rendered or the service agreement has been concluded.

If a service has already been rendered for which payment has not yet been made, a contract asset is recognised in the balance sheet. Conversely, a contract liability has to be recognised if the customer has already made the payment or if the Bank has an unconditional right to payment before the service has been rendered.

In the Deka Group, a receivable is recognised as and when the service is provided, as this is the point at which consideration becomes unconditional and the only thing standing in the way of performance is the period of time until the payment falls due. Fees and commission that arise over time in Asset Management are generally settled on a monthly or quarterly basis, meaning that the uncertainty with regard to the variable consideration is resolved at the end of each month or quarter. Contract assets and receivables are generally subject to the impairment provisions set out in IFRS 9.

As at the balance sheet date of 31 December 2018, the Deka Group had no contractual assets, contractual liabilities or receivables from contracts with customers in its portfolio.

In the Deka Group, there are no material contracts with customers in which the Deka Group is involved in the provision of services as an agent. As a rule, there are no contracts with more than one performance obligation either.

The contracts concluded with customers within the Deka Group do not contain any significant financing components, as the period between the provision of the service and payment does not generally exceed twelve months.

Costs incurred in initiating a contract are recognised as an immediate expense because the amortisation period does not exceed one year.

In the Deka Group, fees and commission falling within the scope of IFRS 15 arise, in particular, in connection with the asset management of investment funds and in connection with capital market and lending business activities. These are reported under net commission income (see note [35] "Net commission income").

17 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. Receivables are generally assigned to the IFRS 9 measurement category "Assets measured at cost" if they meet the necessary classification criteria (see note [3] "Effects of applying IFRS 9"). Receivables assigned to this category are reported on the balance sheet at amortised cost less any risk provisions for loan losses. 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 [11] "Hedge accounting" apply to receivables that are subject to fair value hedges.

18 Risk provisions in the lending and securities business

IFRS 9 requires a provision equal to the amount of the expected losses to be recognised for all financial assets within its sphere of application (expected loss model). Explanations of the tiered concept and the calculation of the expected credit loss can be found in note [3] "Effects of applying IFRS 9".

19 Financial assets and financial liabilities at fair value

This item includes all assets and liabilities measured at fair value through profit or loss. These include the following sub-categories: trading portfolio, financial assets mandatorily measured at fair value and financial assets and liabilities designated at fair value. Information on the classification and measurement methods under IFRS 9 can be found in note [3] "Effects of applying IFRS 9".

20 Positive and negative market values of 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 balance sheet.

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

21 Financial investments

Financial investments mainly comprise negotiable bonds and other fixed-interest securities as well as shares and other non-fixed-interest securities. The "Financial investments" item comprises both financial instruments measured at amortised cost and financial instruments measured at fair value through other comprehensive income.

Income from bonds, including unwound premiums and discounts, as well as dividend income are recognised in net interest income. Realised gains and losses are recorded in profit or loss on financial

investments. Valuation results from assets recognised at fair value in other comprehensive income are reported in Other comprehensive income after deferred taxes have been taken into account.

In accordance with IFRS 9, risk provisions are set up for all securities allocated to financial investments (see note [3] “Effects of applying IFRS 9”). Risk provisions for securities measured at amortised cost are reported as a deduction under financial investments. By contrast, risk provisions for securities measured at fair value in other comprehensive income are recognised in “Other comprehensive income”.

Shares in associated companies and joint ventures accounted for using the equity method are also reported under financial investments. These are recognised in the consolidated balance sheet at historical cost at the date of establishment or when significant influence was acquired. In subsequent years, the equity value shown in the balance sheet is adjusted by the proportionate changes in equity of the associated company. The Group’s share of the annual profit of the associate is reported in profit or loss on financial investments. Gains and losses on transactions with companies valued under the equity method are eliminated pro rata, based on the percentage shareholding, as part of the elimination of intercompany profits or losses. In the event of downstream delivery, i.e. if an asset ceases to be fully consolidated, the adjustment is carried out against the carrying value of the equity investment under the equity method.

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

22 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.

23 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.

24 Other assets

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

25 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 balance sheet and the tax balance sheet. They are calculated based on the tax rate projected for the date they will be reversed. Deferred tax liabilities are posted for temporary differences where a tax charge will arise on reversal. If tax savings are projected when temporary differences are reversed and it is probable 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.

26 Liabilities

The accounting treatment of financial liabilities in accordance with IFRS 9 is described in greater detail in note [3] "Effects of applying IFRS 9". The valuation guidelines described in note [11] "Hedge accounting" apply to liabilities which have been designated as hedges in the context of hedge accounting.

27 Provisions for pensions and similar commitments

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

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

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

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

Plan assets were created for the company retirement pensions of the Deka Group in the form of a contractual trust arrangement (CTA). These are held by a legally independent trustee – Deka Trust e.V. The plan assets for the unit-linked defined contribution plans consist primarily of fund assets allocated to each individual employee and other assets to cover the biometric risks arising from benefits becoming due early and the subsequent financing risk. In addition, commitments under final salary plans and general

contribution schemes were funded through the creation of ring-fenced plan assets using a CTA. This section of the plan assets is invested in a special fund with an investment strategy based on integrated asset-liability assessment.

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

28 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 business are charged to provisions for loan losses and reversed in the same line item.

29 Other liabilities

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

30 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 be taken into consideration.

31 Atypical silent capital contributions

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

Atypical silent capital contributions are stated on the balance sheet at nominal value. The dividend distribution on subscribed capital is used as the basis for calculating the distribution to atypical silent partners. There is also an entitlement to reclaim amounts in respect of taxation. The distribution is disclosed as a separate line item – interest expenses for atypical silent capital contributions – below the total of profit or loss before tax. The amount that may be drawn in respect of tax is disclosed as a component of the tax expense (see note [25] "Income taxes").

32 Equity

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

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

Reserves from retained earnings are broken down into statutory reserves, reserves required under the Bank's statutes and other reserves from retained earnings. Other reserves from retained earnings include retained profits from previous years. In addition, the effects of applying IFRS for the first time are also shown in other reserves from retained earnings, with the exception of valuation effects for financial assets measured at fair value through other comprehensive income.

Revaluations of net liabilities (net assets) arising from defined benefit obligations, 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, recognised in other comprehensive income, on financial instruments assigned to the "financial assets measured at fair value through other comprehensive income" category are also recognised in the revaluation reserve, 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 revaluation reserve also includes creditworthiness-related fair value changes to the financial obligations designated at fair value that result from the Group's own credit risk.

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

33 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	2018	2017	Change
Interest income from			
Financial assets measured at amortised cost	**577.1**	**N/A**	N/A
thereof: lending and money market transactions	501.8	N/A	N/A
thereof: fixed-interest securities	75.3	N/A	N/A
Financial assets measured at fair value through other comprehensive income	**25.2**	**N/A**	N/A
thereof: money market transactions	–	N/A	N/A
thereof: fixed-interest securities	25.2	N/A	N/A
thereof: current income from non-fixed-interest securities	–	N/A	N/A
Financial assets measured at fair value through profit or loss	**289.6**	**N/A**	N/A
Trading portfolio			
thereof: lending and money market transactions	18.2	N/A	N/A
thereof: interest rate derivatives (economic hedges)	156.3	N/A	N/A
thereof: hedge derivatives (hedge accounting)	44.1	N/A	N/A
Financial assets mandatorily measured at fair value through profit or loss			
thereof: lending and money market transactions	17.7	N/A	N/A
thereof: fixed-interest securities	36.6	N/A	N/A
thereof: current income from shares and other non-fixed-interest securities	14.3	N/A	N/A
thereof: current income from equity investments	2.4	N/A	N/A
Financial assets designated at fair value			
thereof: lending and money market transactions	–	N/A	N/A
thereof: fixed-interest securities	–	N/A	N/A
Negative interest from liabilities	114.1	N/A	N/A
Total interest income	**1,006.0**	**N/A**	N/A
Interest expenses for			
Financial liabilities measured at amortised cost	**319.4**	**N/A**	N/A
thereof: lending and money market transactions	185.0	N/A	N/A
thereof: securitised liabilities	98.3	N/A	N/A
thereof: subordinated liabilities	36.1	N/A	N/A
Financial liabilities measured at fair value through profit or loss	**468.3**	**N/A**	N/A
Trading portfolio			
thereof: lending and money market transactions	3.6	N/A	N/A
thereof: interest rate derivatives (economic hedges)	342.5	N/A	N/A
thereof: hedge derivatives (hedge accounting)	55.8	N/A	N/A
Financial liabilities designated at fair value			
thereof: lending and money market transactions	53.8	N/A	N/A
thereof: securitised liabilities	12.6	N/A	N/A
thereof: subordinated liabilities	–	N/A	N/A
Negative interest on money-market transactions and fixed-interest securities	95.9	N/A	N/A
Total interest expenses	**883.6**	**N/A**	N/A
Net interest income	**122.4**	**N/A**	N/A

€m	2018	2017	Change
Interest income from			
Lending and money market transactions	N/A	435.9	N/A
Interest rate derivatives (economic hedges)	N/A	149.0	N/A
Fixed-interest securities and debt register claims	N/A	142.4	N/A
Hedging derivatives (hedge accounting)	N/A	58.8	N/A
Negative interest from liabilities	N/A	76.3	N/A
Current income from			
Shares and other non fixed-interest securities	N/A	20.9	N/A
Equity investments and shares in affiliated companies	N/A	2.0	N/A
Total interest income	**N/A**	**885.3**	N/A
Interest expenses for			
Interest rate derivatives (economic hedges)	N/A	276.2	N/A
Liabilities	N/A	255.5	N/A
Securitised liabilities	N/A	77.0	N/A
Hedging derivatives (hedge accounting)	N/A	28.7	N/A
Subordinated liabilities and profit participation capital	N/A	35.7	N/A
Typical silent capital contributions	N/A	2.9	N/A
Negative interest on money-market transactions and fixed-interest securities	N/A	85.9	N/A
Total interest expenses	**N/A**	**761.9**	N/A
Net interest income	**N/A**	**123.4**	N/A

34 Risk provisions in the lending and securities business

Risk provisions in the lending and securities business are recognised in the statement of profit or loss and other comprehensive income as follows:

€m	2018	2017	Change
Allocations to risk provisions	–10.8	–68.0	57.2
Reversals of risk provisions	20.7	38.0	–17.3
Direct write-downs on receivables	–	–0.1	0.1
Income on written-down receivables	4.6	1.6	3.0
Net income from modifications in the lending business (stage 3)	–	N/A	N/A
Risk provisions in the lending business	**14.5**	**–28.5**	43.0
Allocations to risk provisions	–2.9	N/A	N/A
Reversals of risk provisions	10.8	N/A	N/A
Direct write-downs on securities	–	N/A	N/A
Profit or loss from modifications of securities (stage 3)	–	N/A	N/A
Risk provisions in the securities business	**7.9**	**N/A**	N/A
Risk provisions in the lending and securities business	**22.4**	**–28.5**	50.9

Following the application of IFRS 9, movements in provisions for securities that are measured under IFRS 9 either at amortised cost or at fair value through other comprehensive income are now disclosed in this line item, instead of under Profit or loss on financial investments.

35 Net commission income

Net commission income by type of service is as follows:

€m	2018	2017	Change
Commission income from			
Investment fund business	2,191.6	2,093.5	98.1
Securities business	155.1	145.1	10.0
Lending business	31.2	50.8	– 19.6
Other	22.7	21.4	1.3
Total commission income	**2,400.6**	**2,310.8**	89.8
Commission expenses for			
Investment fund business	1,112.2	1,049.3	62.9
Securities business	63.7	38.7	25.0
Lending business	2.7	16.8	– 14.1
Other	4.1	4.2	– 0.1
Total commission expenses	**1,182.7**	**1,109.0**	73.7
Net commission income	**1,217.9**	**1,201.8**	16.1

As part of its activities as an asset manager, the Deka Group receives commission from contracts with customers which varies according to product category (e.g. mutual or special funds) and asset category (e.g. shares, bonds or real estate). The income is calculated and collected as described in the corresponding sales prospectuses and investment conditions of the investment funds concerned. The main types of income are explained in more detail below.

Commission income from investment fund business arises in the Asset Management Securities and Asset Management Real Estate business divisions.

In the Asset Management Securities business division, the Deka Group generates income from management and administrative activities and from the asset management of fund-based products. For this service, the Deka Group receives (asset) management fees, sales commission, performance-related remuneration and income from lump-sum cost allowances. Additional commission income arises in the investment fund business as a result of brokerage services provided during the reporting period. The performance obligation is fulfilled on an ongoing basis and the consideration is settled on a monthly basis in the vast majority of cases. In addition to portfolio-related commission, the Deka Group also earns sales-related commission (front-end loads) when issuing certain units in investment funds, where appropriate. The amount of the front-end load is based on the unit value at the time of issue.

In the Asset Management Real Estate business division, management fees are collected for ongoing management activities in relation to the average investment fund holdings. In the case of retail products, the amount of the management fee varies, within specified ranges, depending on the performance of the investment fund's unit value over the fund financial year. These fees are settled on a monthly basis. Fees resulting from the management of the properties held in the real estate funds are collected to cover the ongoing management of these real estate funds. These fees are settled on a monthly basis. In addition, the Asset Management Real Estate business division collects front-end loads in cases involving the issue of certain units in investment funds. The Deka Group also collects purchase and sales fees from investment funds that invest in real estate. The service is deemed to have been rendered when the property in question is added to, or removed from, the investment fund. This is a one-time payment which is usually calculated based on the underlying transaction volume.

Part of the commission income from the investment fund business is passed on to the sales partners in accordance with the regulatory requirements. The corresponding expense is reported under commission expenses for the investment fund business.

In the Asset Management Services business division, the Deka Group provides various services for which income is reported under commission income from the securities business. These include, for example, the assumption of the role of custodian and the safekeeping of securities in securities accounts. As a custodian, the Deka Group receives a custodian fee for its ongoing activities and a securities account fee for the safekeeping of securities. The custodian fee is paid and collected monthly as a general rule and is based on the average values of the fund assets. The securities account fee also relates to a specific period. The annual fee to be paid is a fixed fee per securities account.

In the context of asset management for savings banks and institutional customers, the Deka Group receives commission fees for support services relating to the procurement and settlement of securities and financial derivatives. The fee is calculated for securities as a percentage of the transaction price, while for financial derivatives it is calculated depending on the number of contracts. Services are rendered and settled based on a point in time. These fees are allocated to the Capital Markets business division and are also reported under commission income from the securities business.

Commission income from the lending business relates almost exclusively to services in connection with the administration of loans and is not directly related to the origination of the loans. The fees are levied irrespective of the term and generally fall due at the beginning of the credit relationship (one-off amount). Commission income from the lending business is allocated to the Financing business division.

Of the net commission income of €1,217.9m, €649.4m relates to the Asset Management Securities business division, €303.1m to the Asset Management Real Estate business division, €181.8m to the Asset Management Services business division, €56.3m to the Capital Markets business division and €29.6m to the Financing business division.

Due to the adoption of IFRS 15, consideration received and paid for services provided on an agency basis was disclosed net for the first time in the 2018 reporting year. This resulted in a reduction of €6.6m in commission income from lending business resulting from the forwarding of trust and administered loans performed as an agent, and of €7.7m in commission income from investment fund business resulting from forwarded trailer fees. The latter initial adoption effect is more than compensated by the higher overall level of commission income from investment fund business.

In addition, the sales fee for issued certificates was reported for the first time in full under net commission income in the 2018 reporting year, reflecting the fact that it is a transitory item in economic terms. In the previous year, the fee, which was included in the issue price, was still shown under trading profit or loss, while the corresponding transfer of this payment to the sales partner was shown under commission expenses.

36 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments measured at fair value through profit or loss. It also includes, for the very first time, the result from economic hedging derivatives in the amount of €–55.2m (previous year: €–50.9m) and the result from currency translation from banking book portfolios in the amount of €–13.1m (previous year: €–6.6m). In the previous year, these results were not reported under trading profit or loss but under the profit or loss on financial instruments designated at fair value. Prior-year figures have been adjusted accordingly for better comparability.

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. However, net interest income from economic hedging derivatives is reported under net interest income.

€m	2018	2017	Change
Sale and valuation results	345.1	230.3	114.8
Net interest income and current income from trading transactions	– 114.0	– 78.2	– 35.8
Commission	– 20.3	– 19.3	– 1.0
Trading profit or loss	**210.8**	**132.8**	78.0

The increase in trading profit or loss compared with the previous year is due to higher customer demand for structured securities and an adjustment to an accounting estimate of around €41m where the model price and exit price match.

37 Profit or loss on financial assets mandatorily measured at fair value

This item mainly comprises gains or losses on the disposal and measurement of financial instruments in the "financial assets mandatorily measured at fair value" sub-category. However, net interest income and dividend income from financial instruments in this sub-category are disclosed under net interest income.

€m	2018	2017	Change
Sale and valuation results	– 94.8	N/A	N/A
Commission	0.2	N/A	N/A
Profit or loss on financial assets mandatorily measured at fair value	**– 94.6**	**N/A**	N/A

38 Profit or loss on financial instruments designated at fair value

This item comprises gains or losses on the disposal and measurement of financial instruments designated at fair value. By contrast, interest expenses and income on financial instruments in this sub-category are disclosed under net interest income.

€m	2018	2017	Change
Sale and valuation results	52.7	84.8	– 32.1
Commission	–	– 0.1	0.1
Profit or loss on financial instruments designated at fair value	**52.7**	**84.7**	– 32.0

39 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 interest fair value hedges in accordance with IAS 39. The net valuation result of these hedges is comprised as follows in accordance with the IFRS 7 provisions regarding disclosures in the notes that applied as of 1 January 2018:

€m	2018	2017	Change
Net valuation result from hedging financial assets	–1.9	N/A	N/A
Net valuation result from hedging financial liabilities	1.6	N/A	N/A
Profit or loss from fair value hedges according to IAS 39	**–0.3**	**N/A**	N/A

The valuation result of these hedges is comprised as follows in accordance with the IFRS 7 provisions regarding disclosures in the notes that applied until 31 December 2017:

€m	2018	2017	Change
Valuation result from hedge items	N/A	14.3	N/A
Valuation result from hedging instruments	N/A	–14.9	N/A
Profit or loss from fair value hedges according to IAS 39	**N/A**	**–0.6**	N/A

40 Profit or loss on financial investments

€m	2018	2017	Change
Sale results	53.6	4.7	48.9
Reversal of/allocation to risk provisions for securities	N/A	10.7	N/A
Net income from equity-accounted companies	0.5	11.2	–10.7
Profit or loss on financial investments	**54.1**	**26.6**	27.5

Following the application of IFRS 9, movements in provisions for securities that are measured under IFRS 9 either at amortised cost or at fair value through other comprehensive income are now disclosed under provisions for loan losses and securities business (see note [34]).

The realised gains or losses and valuation results from shareholdings previously reported under this item were reported under trading profit or loss for the first time in the first half of 2018 (see note [50] "Financial investments").

41 Administrative expenses

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

€m	2018	2017	Change
Personnel expenses			
Wages and salaries	435.1	422.7	12.4
Social security contributions	53.5	51.8	1.7
Allocations to/reversals of provisions for pensions and similar commitments	37.1	45.2	–8.1
Expenses for defined contribution plans	4.1	3.5	0.6
Other expenses for retirement pensions and benefits	1.2	1.1	0.1
Total personnel expenses	**531.0**	**524.3**	6.7
Other administrative expenses			
Consultancy expenses	107.2	108.8	–1.6
Computer equipment and machinery	80.0	70.9	9.1
Rentals and expenses for buildings	51.4	56.9	–5.5
Marketing and sales expenses	41.4	45.5	–4.1
IT information services	42.0	41.1	0.9
Subscriptions and fees	40.6	36.8	3.8
Bank levy	29.6	35.3	–5.7
Lump sum fees for fund administration services	28.8	28.1	0.7
Postage/telephone/office supplies	13.4	20.7	–7.3
Other administrative expenses	55.1	52.1	3.0
Total other administrative expenses	**489.5**	**496.2**	–6.7
Amortisation of intangible assets	14.0	14.8	–0.8
Depreciation of property, plant and equipment	4.0	4.5	–0.5
Total depreciation and amortisation	**18.0**	**19.3**	–1.3
Administrative expenses	**1,038.5**	**1,039.8**	–1.3

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

Administrative expenses include payments of €44.9m (previous year: €49.8m) 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	2018	2017	Change
Up to 1 year	43.6	47.2	–3.6
Between 1 and 5 years	138.6	149.1	–10.5
More than 5 years	27.4	56.1	–28.7

42 Other operating profit

The breakdown of other operating profit is as follows:

€m	2018	2017	Change
Income from repurchased debt instruments	**–3.2**	**–7.7**	4.5
Other operating income			
Reversal of other provisions	2.7	0.5	2.2
Reversal of provisions for restructuring	2.7	0.9	1.8
Rental income	1.4	1.3	0.1
Other income	53.0	42.3	10.7
Total other operating income	**59.8**	**45.0**	14.8
Other operating expenses			
Addition to provisions for restructuring	21.4	6.3	15.1
VAT on provision of intra-Group services	15.8	16.0	–0.2
Other taxes	0.3	0.3	0.0
Other expenses	53.9	34.6	19.3
Total other operating expenses	**91.4**	**57.2**	34.2
Other operating profit	**–34.8**	**–19.9**	–14.9

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.

43 Income taxes

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

€m	2018	2017	Change
Current tax expense in financial year	224.6	140.6	84.0
Current tax expense/income (–) in previous years	30.2	0.1	30.1
Current tax expense	**254.8**	**140.7**	114.1
Effect of origination and reversal of temporary differences	–45.3	21.8	–67.1
Effect of origination and reversal of temporary differences	–	–2.9	2.9
Effects of changes in tax legislation and/or tax rate	–	–0.8	0.8
Prior-year deferred tax income	–31.4	–3.1	–28.3
Deferred tax expense	**–76.7**	**15.0**	–91.7
Total income tax expense	**178.1**	**155.7**	22.4

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 [25] "Income

taxes"). This tax rate is assumed as the expected tax rate in the reconciliation statement below. The other domestic companies determine their deferred taxes using tax rates of between 31.7% and 32.0%.

The foreign companies determine deferred taxes using the tax rate for the country in question. The tax rate for the DekaBank Deutsche Girozentrale Luxembourg S.A. tax group amounts to 26.01% (previous year: 26.01%). 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 already used as the basis for determining deferred taxes in the previous year. In the previous year, the change in tax rate led to an imputed tax reduction of €0.8m.

The origination or reversal of temporary differences led to deferred tax income of €45.3m (previous year: expenses of €21.8m). The current tax expense for previous years relates almost exclusively to DekaBank. Most of this relates to allocations to provisions for taxes for temporary items in connection with the tax audit, which led to offsetting deferred tax income (€29.3m).

The following statement reconciles the result before tax with the tax expense:

€m	2018	2017	Change
Total of profit or loss before tax	516.9	480.5	36.4
x income tax rate	31.90%	31.90%	0.0
= Anticipated income tax expense in financial year	**164.9**	**153.3**	11.6
Increase from taxes due to non-deductible expenses	14.4	16.8	–2.4
Decrease from taxes on tax-exempt income	–	3.3	–3.3
Withholding tax	–0.2	0.1	–0.3
Tax effect of special funds	0.1	–0.5	0.6
Effects of tax rate changes	–	–0.8	0.8
Tax effect of holdings accounted for under the equity method	–0.1	–3.5	3.4
Effects of differing effective tax rates	–2.1	–3.5	1.4
Tax effects from past periods	–1.3	–3.1	1.8
Other	2.4	0.2	2.2
Tax expenses according to IFRS	**178.1**	**155.7**	22.4

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 1.76% lower. Starting in the coming reporting period, this effect will be recognised in profit or loss due to the clarification of the recognition of the tax effect of dividend payments.

Due to the investment tax reform, which came into force on 1 January 2018, fund units are deemed, by fiction of law, to have been sold as at 31 December 2017 and newly acquired as at 1 January 2018. Irrespective of the fiction of law, the actual tax effects only arise at the time of the actual sale, although equity gains at fund level, among other things, have to be determined separately. The relevant tax returns have to be submitted by 31 December 2021. Within this context, deferred taxes relating to equity gains

were reviewed. The review revealed that deferred taxes had not been fully taken into account in the previous year, meaning that some of the values calculated were incorrect.

In the year under review, the carry-forward values of deferred tax assets in connection with plan assets to cover pension obligations, as well as retained earnings, were adjusted in other comprehensive income in accordance with IAS 8.41. The related deferred tax assets amounted to €34.8m as at 31 December 2017. Of this amount, €6.2m was attributable to changes in 2017. In particular, the different accounting treatment of plan assets in IFRS accounting (IAS 19R) in the past makes it impracticable to allocate the plan assets exactly to retained earnings and the revaluation reserve. Accordingly, the effect as at 1 January 2017 was recognised in full in retained earnings.

The following effects arise for the 2017 reporting year:

€m	2017	Adjustments	2017 after adjustments
Deferred income tax assets	148.4	34.8	183.2
Retained earnings	4,462.6	31.5	4,494.1
Revaluation reserve	–80.9	3.3	–77.6
Income taxes	158.6	–2.9	155.7
Total of profit or loss	261.3	2.9	264.2
Deferred taxes on items not reclassified to profit or loss	–4.9	3.3	–1.6
Other comprehensive income	51.9	3.3	55.2

Notes to the statement of financial position

44 Cash reserves

The breakdown in cash reserves is as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Cash on hand	0.0	0.8	–0.8
Balances with central banks	15,302.5	10,038.8	5,263.7
Total	**15,302.5**	**10,039.6**	5,262.9

The required minimum reserve was maintained at all times during the reporting year and amounted to €298.3m at the reporting date (previous year: €228.2m).

45 Due from banks

€m	31 Dec 2018	31 Dec 2017	Change
Domestic banks	12,428.4	13,682.6	–1,254.2
Foreign banks	11,544.4	12,714.1	–1,169.7
Due from banks before risk provisions	**23,972.8**	**26,396.7**	–2,423.9
Risk provisions in the lending business	–0.2	–0.3	–0.1
Total	**23,972.6**	**26,396.4**	–2,423.8

DekaBank paid €15.7bn (previous year: €17.3bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and pledgor.

46 Due from customers

€m	31 Dec 2018	31 Dec 2017	Change
Domestic borrowers	5,811.2	4,434.9	1,376.3
Foreign borrowers	18,692.7	16,359.1	2,333.6
Due from customers before risk provisions	**24,503.9**	**20,794.0**	3,709.9
Risk provisions in the lending business	–84.0	–143.5	–59.5
Total	**24,419.9**	**20,650.5**	3,769.4

DekaBank paid €4.6bn (previous year: €3.6bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and pledgor.

47 Risk provisions in the lending and securities business

Default risks in lending and securities business are recognised through provisions, including provisions for off-balance sheet commitments. Following the implementation of the tiered concept under IFRS 9, risk provisions for 2018 were as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Risk provisions in the lending business	**86.0**	**N/A**	N/A
Risk provisions for loan losses – due from banks	0.2	N/A	N/A
Risk provisions for loan losses – due from customers	84.0	N/A	N/A
Provisions for credit risks from off-balance sheet commitments	1.8	N/A	N/A
Risk provisions in the securities business	**6.9**	**N/A**	N/A
Risk provisions for securities[1]	6.9	N/A	N/A
Total	**92.9**	**N/A**	N/A

[1] Including risk provisons for financial assets measured at fair value through other comprehensive income

€m	31 Dec 2018	31 Dec 2017	Change
Risk provisions for loan losses – due from banks			
Specific provisions	N/A	–	N/A
Collective provisions for creditworthiness risks	N/A	0.3	N/A
Risk provisions for loan losses – due from customers			
Specific provisions	N/A	130.6	N/A
Collective provisions for creditworthiness risks	N/A	12.9	N/A
Collective provisions for country risks	N/A	–	N/A
Total	**N/A**	**143.8**	N/A

Movements in risk provisions in 2018 in accordance with IFRS 9:

€m	Stage 1	Stage 2	Stage 3
Risk provisions for financial assets measured at amortised cost			
Due from banks			
Position as at 1 January 2018	**0.2**	**0.0**	**–**
Transfer to other stages	–0.0	–	–
Transfer from other stages	–	0.0	–
Change in position including new business	0.1	–	–
Allocation	0.0	0.0	–
Reversal	–0.1	–0.0	–
Utilisation	–	–	–
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	0.0	0.0	–
Position as at 31 December 2018	**0.2**	**0.0**	**–**
Due from customers			
Position as at 1 January 2018	**8.0**	**19.0**	**95.4**
Transfer to other stages	–0.4	–0.3	–0.0
Transfer from other stages	0.3	0.4	–
Change in position including new business	2.4	–0.2	–4.2
Allocation	1.3	2.3	3.9
Reversal	–3.0	–9.8	–2.2
Utilisation	–	–	–24.6
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Changes in the scope of consolidation	–	–	–7.9
Exchange rate-related and other changes	0.1	0.6	2.9
Position as at 31 December 2018	**8.7**	**12.0**	**63.3**
Financial investments			
Position as at 1 January 2018	**1.2**	**4.4**	**36.6**
Transfer to other stages	–0.0	–0.0	–
Transfer from other stages	0.0	0.0	–
Change in position including new business	1.0	–	–9.1
Allocation	0.6	0.3	0.9
Reversal	–0.3	–1.3	–
Utilisation	–	–	–28.4
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	0.0	–	–0.0
Position as at 31 December 2018	**2.5**	**3.4**	**–**

€m	Stage 1	Stage 2	Stage 3
Risk provisions for financial assets measured at fair value through other comprehensive income			
Financial investments			
Position as at 1 January 2018	**1.0**	**–**	**–**
Transfer to other stages	–	–	–
Transfer from other stages	–	–	–
Change in position including new business	0.1	–	–
Allocation	0.2	–	–
Reversal	–0.3	–	–
Utilisation	–	–	–
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	–	–	–
Position as at 31 December 2018	**1.0**	**–**	**–**

€m	Stage 1	Stage 2	Stage 3
Provisions for credit risks from off-balance sheet commitments			
Position as at 1 January 2018	**1.7**	**0.1**	**0.3**
Transfer to other stages	–0.0	–	–
Transfer from other stages	–	0.0	–
Change in position including new business	0.1	–0.1	–0.3
Allocation	0.3	0.9	0.2
Reversal	–1.3	–0.0	–0.2
Utilisation	–	–	–
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	0.1	–0.0	0.0
Position as at 31 December 2018	**0.9**	**0.9**	**0.0**

The following table shows the movement in risk provisions for loan losses in 2017 under IAS 39:

€m	Opening balance 1 Jan 2017	Additions	Allocation	Utilisation	Reversal	Dis-posals	Reclassi-fications	Currency 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**

Movements in the gross carrying values relevant to risk provisions and committed/guaranteed amounts in accordance with IFRS 9 were as follows in 2018:

€m	Stage 1	Stage 2	Stage 3
Gross carrying amount of financial assets measured at amortised cost			
Due from banks			
Position as at 1 January 2018	**7,075.7**	**12.0**	**–**
Transfer to other stages	–23.0	–	–
Transfer from other stages	–	23.0	–
Change in position including new business	–399.5	–13.4	–
Derecognition	–	–	–
Changes due to non-substantial modifications	–	–	–
Currency effects	14.1	–	–
Position as at 31 December 2018	**6,667.3**	**21.6**	**–**
Due from customers			
Position as at 1 January 2018	**15,514.5**	**534.9**	**236.5**
Transfer to other stages	–475.0	–253.0	–2.9
Transfer from other stages	255.9	475.0	–
Change in position including new business	2,563.6	–92.6	–48.8
Derecognition	–	–	–24.6
Changes due to non-substantial modifications	–	–	–
Change in the scope of consolidation	–	–	–11.3
Currency effects	227.4	9.5	8.6
Position as at 31 December 2018	**18,086.4**	**673.8**	**157.5**
Financial investments			
Position as at 1 January 2018	**2,870.7**	**470.4**	**46.6**
Transfer to other stages	–6.9	–9.7	–
Transfer from other stages	9.7	6.9	–
Change in position including new business	2,100.2	–428.9	–18.2
Derecognition	–	–	–28.4
Changes due to non-substantial modifications	–	–	–
Currency effects	11.5	–	–
Position as at 31 December 2018	**4,985.2**	**38.7**	**–**

€m	Stage 1	Stage 2	Stage 3
Gross carrying amount of financial assets measured at fair value through other comprehensive income			
Financial investments			
Positions as at 1 January 2018	**8,183.4**	**–**	**–**
Transfer to other stages	–	–	–
Transfer from other stages	–	–	–
Change in position including new business	–2,477.9	–	–
Derecognition	–	–	–
Changes due to non-substantial modifications	–	–	–
Currency effects	–	–	–
Position as at 31 December 2018	**5,705.5**	**–**	**–**

€m	Stage 1	Stage 2	Stage 3
Off-balance sheet commitments			
Position as at 1 January 2018	**1,389.7**	**3.9**	**3.0**
Transfer to other stages	–172.0	–0.0	–0.3
Transfer from other stages	0.3	172.0	0.0
Change in position including new business	738.1	–44.8	–2.8
Derecognition	–	–	–
Changes due to non-substantial modifications	–	–	–
Currency effects	25.9	0.2	0.1
Position as at 31 December 2018	**1,982.0**	**131.3**	**0.0**

In the 2018 reporting year, no contract values of financial assets that are currently subject to enforcement measures were derecognised.

The expected cash flows for stage 3 assets as at the reporting date result primarily from collateral held and are based on expectations from going concern or gone concern scenarios relating to individual cases.

The following table contains information on the credit quality of financial assets, loan commitments and financial guarantees measured at amortised cost or at fair value through other comprehensive income. The amounts stated for financial assets correspond to the gross carrying values. In the case of loan commitments and financial guarantees, the amounts shown in the table represent the committed or guaranteed amounts.

31 Dec 2018	**Rating grades[1]**						
€m	**1**	**2 to 5**	**6 to 8**	**9 to 10**	**11 to 15**	**16 to 18 (Default)**	**Retail portfolio**
Due from banks							
Stage 1	6,586.4	80.8	–	0.1	–	–	–
Stage 2	–	9.6	–	12.0	–	–	–
Stage 3	–	–	–	–	–	–	–
Due from customers							
Stage 1	6,606.2	8,099.4	2,406.3	872.5	90.7	–	11.3
Stage 2	–	144.6	125.0	170.7	233.5	–	–
Stage 3	–	–	–	–	–	157.5	–
Financial investments							
Stage 1	7,948.1	2,736.5	3.1	3.0	–	–	–
Stage 2	–	7.0	3.1	–	28.6	–	–
Stage 3	–	–	–	–	–	–	–
Off-balance sheet commitments							
Stage 1	881.1	475.6	459.1	70.0	70.0	–	26.2
Stage 2	–	–	–	2.0	129.3	–	–
Stage 3	–	–	–	–	–	–	–

[1] These are the rating grades according to DSGV master scale.

As at the balance sheet date, there were no financial assets in the portfolio that were already purchased or originated credit impaired.

During the period, assets whose valuation allowance was measured in the amount of the expected loss over their remaining life were subject to insignificant modifications, with an amortised cost before modification in the amount of €80.2m. The insignificant modification did not lead to a modification result.

As at 31 December 2018, the portfolio included one financial instrument with a gross carrying value of €13.4m for which no valuation allowance was recognised due to collateral. As the stage allocation is irrespective of both any collateral furnished and the expected loss, the defaulted financial instrument was allocated to stage 3. The expected cash flows are reviewed and adjusted on an ongoing basis.

Key ratios for provisions for loan losses:

%	2018	2017
Reversal/allocation ratio as at reporting date[1)]		
(Ratio of net allocation/-reversal to gross carrying values relevant for risk provisions)	0.05	−0.11
Default rate as at reporting date		
(Ratio of defaults to gross carrying values relevant for risk provisions)	0.13	0.76
Average default rate		
(Ratio of defaults on a 5-year average to gross carrying values relevant for risk provisions)	0.31	0.58
Net provisioning ratio as at reporting date		
(Ratio of risk provisions to gross carrying values relevant for risk provisions)	0.24	0.56

[1)] Reversal ratio shown without negative leading sign

The calculation of the above ratios now includes securities measured at amortised cost or at fair value through other comprehensive income under IFRS 9. Prior-year figures have not been adjusted. The above ratios are calculated on the basis of a lending volume of €38.4bn (previous year: lending volume of €26.2bn).

Provisions for loan losses by risk segment:

€m	Valuation allowances and provisions in the lending and securities business		Defaults[1]		Net allocations to[2]/reversals of valuation allowances and provisions for credit risk	
	31 Dec 2018	31 Dec 2017	2018	2017	2018	2017
Customers						
Transport and export finance	67.9	127.9	19.8	167.1	1.4	–32.4
Energy and utility infrastructure	11.9	14.0	–	–	4.0	–2.0
Property risks	4.8	1.9	–0.0	–0.2	4.8	–0.2
Financial institutions	0.7	–	–	–	–0.6	–
Public infrastructure	0.3	0.3	–	32.1	0.1	4.5
Other	0.2	1.1	0.2	–	0.2	0.2
Total customers	**85.8**	**145.2**	**20.0**	**199.0**	**9.9**	**–29.9**
Banks						
Financial institutions	0.2	0.3	–	–	0.0	–
Other	0.0	–	–	–	–0.0	–0.1
Total banks	**0.2**	**0.3**	**–**	**–**	**–0.0**	**–0.1**
Securities						
Energy and utility infrastructure	3.3	N/A	–	N/A	–0.2	N/A
Corporates	2.2	N/A	28.4	N/A	7.5	N/A
Financial institutions	1.2	N/A	–	N/A	0.7	N/A
Other	0.2	N/A	–	N/A	–0.1	N/A
Total securities	**6.9**	**N/A**	**28.4**	**N/A**	**7.9**	**N/A**
Total	**92.9**	**145.5**	**48.4**	**199.0**	**17.8**	**–30.0**

[1] Includes utilisation, direct write-downs and income on written-down receiva169%bles and securities
[2] Negative in the column

48 Financial assets at fair value

This item includes debt securities, equities and units in investment funds, as well as derivatives held for trading purposes. Derivatives forming part of economic hedging relationships that do not meet the requirements for hedge accounting under IAS 39 are also disclosed here. This item also includes holdings in unconsolidated subsidiaries, joint ventures and associated companies, as well as other equity investments.

€m	31 Dec 2018	31 Dec 2017	Change
Trading portfolio			
Debt securities and other fixed-interest securities	7,477.9	4,310.2	3,167.7
Bonds and debt securities	7,477.9	4,216.6	3,261.3
Money market securities	–	93.6	–93.6
Shares and other non fixed-interest securities	1,511.0	2,375.6	–864.6
Shares	486.7	975.1	–488.4
Units in investment funds	1,024.3	1,400.5	–376.2
Positive market values of derivative financial instruments	4,982.7	5,004.0	–21.3
Positive market values of derivative financial instruments (trading)	4,607.3	5,004.0	–396.7
Positive market values of derivative financial instruments (economic hedging derivatives)	375.4	N/A	N/A
Loan receivables	698.2	782.9	–84.7
Total – trading portfolio	**14,669.8**	**12,472.7**	2,197.1
Financial assets mandatorily measured at fair value through profit or loss			
Debt securities and other fixed-interest securities	7,890.2	N/A	N/A
Bonds and debt securities	7,890.2	N/A	N/A
Money market securities	–	N/A	N/A
Shares and other non fixed-interest securities	1,421.2	N/A	N/A
Shares	6.7	N/A	N/A
Units in investment funds	1,414.5	N/A	N/A
Loan receivables	1,016.8	N/A	N/A
Shareholdings	47.4	N/A	N/A
Equity investments	44.7	N/A	N/A
Shares in affiliated companies	0.9	N/A	N/A
Holdings in joint ventures	0.0	N/A	N/A
Shares in associated companies	1.8	N/A	N/A
Total – financial assets mandatorily measured at fair value through profit or loss	**10,375.6**	**N/A**	N/A
Financial assets designated at fair value			
Debt securities and other fixed-interest securities	–	17,665.7	–17,665.7
Bonds and debt securities	–	17,665.7	–17,665.7
Shares and other non fixed-interest securities	–	1,277.0	–1,277.0
Positive market values of derivative financial instruments (economic hedging derivatives)	N/A	488.4	N/A
Loan receivables	–	81.6	–81.6
Total – financial assets designated at fair value	**–**	**19,512.7**	–19,512.7
Total	**25,045.4**	**31,985.4**	–6,940.0

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 2018	31 Dec 2017	Change
Debt securities and other fixed-interest securities	13,203.4	20,794.5	–7,591.1
Shares and other non fixed-interest securities	994.7	1,358.7	–364.0

49 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 2018			31 Dec 2017		
	Nominal of the hedging instruments	Carrying amount of the hedging instruments[1]	Valuation result of the hedging instruments for the reporting period[2]	Nominal of the hedging instruments	Carrying amount of the hedging instruments[1]	Valuation result of the hedging instruments for the reporting period[2]
Interest rate fair value hedges						
Assets measured at amortised cost						
Due from banks	318.0	0.0	–1.3	N/A	–	N/A
Due from customers	1,810.5	13.1	5.7	N/A	12.5	N/A
Debt securities and other fixed-interest securities	1,537.0	0.0	–5.0	N/A	–	N/A
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	672.6	0.4	–9.0	N/A	N/A	N/A
Liabilities measured at amortised cost						
Due to banks	15.0	0.0	–	N/A	0.1	N/A
Due to customers	19.2	0.0	–1.1	N/A	7.6	N/A
Securitised liabilities	75.0	0.0	0.1	N/A	–	N/A
Subordinated capital	125.0	0.0	1.2	N/A	0.1	N/A
Currency cash flow hedges						
Asset items	–	–	–	N/A	0.1	N/A
Total	**4,572.3**	**13.5**	**–9.4**	**N/A**	**20.4**	**N/A**

[1] The majority of interest rate swaps designated as hedging instruments are cleared via CCP. The carrying amount of these hedging instruments have been offset against the variation margin received.
[2] Includes the change in fair value of the hedging instruments used for recognising the ineffectiveness for the reporting period.

Only interest rate swaps were designated as hedging instruments for fair value hedges.

50 Financial investments

€m	31 Dec 2018	31 Dec 2017	Change
Financial assets measured at amortised cost			
Debt securities and other fixed-interest securities	5,032.8	N/A	N/A
Financial assets measured at fair value through other comprehensive income			
Debt securities and other fixed-interest securities	5,751.7	N/A	N/A
Shareholdings			
Shares in equity-accounted companies	16.4	N/A	N/A
Financial investments before risk provisions	**10,800.9**	**N/A**	N/A
Risk provisions	–5.9	N/A	N/A
Total	**10,795.0**	**N/A**	N/A

Holdings in unconsolidated subsidiaries, joint ventures and associated companies and other equity investments, which were previously disclosed under this item, were disclosed under financial assets at fair value for the first time in the first half of 2018.

€m	31 Dec 2018	31 Dec 2017	Change
Loans and receivables			
Debt securities and other fixed-interest securities	N/A	878.1	N/A
Held to maturity			
Debt securities and other fixed-interest securities	N/A	2,891.6	N/A
Available for sale			
Debt securities and other fixed-interest securities	N/A	0.0	N/A
Shareholdings			
Equity investments	N/A	45.7	N/A
Shares in equity-accounted companies	N/A	16.0	N/A
Shares in affiliated, non-consolidated companies	N/A	1.1	N/A
Shares in associated companies not accounted for under the equity method	N/A	1.4	N/A
Financial investments before risk provision	**N/A**	**3,833.9**	N/A
Risk provisions	N/A	–43.2	N/A
Total	**N/A**	**3,790.7**	N/A

Out of the bonds and other fixed-interest securities recognised under financial assets measured at amortised cost or at fair value through other comprehensive income, the following are listed on the stock exchange:

€m	31 Dec 2018	31 Dec 2017	Change
Debt securities and other fixed-interest securities	9,300.4	3,029.1	6,271.3

51 Intangible assets

€m	31 Dec 2018	31 Dec 2017	Change
Purchased goodwill	**148.1**	**148.1**	–
Software			
Purchased	23.3	28.8	–5.5
Developed in-house	4.7	3.6	1.1
Total software	**28.0**	**32.4**	–4.4
Other intangible assets	**11.5**	**14.2**	–2.7
Total	**187.6**	**194.7**	–7.1

Purchased goodwill includes goodwill arising on the acquisition of Deka Vermögensmanagement GmbH (formerly: Landesbank Berlin Investment GmbH) (€95.0m). For the purposes of the impairment test performed as at 31 December 2018, this goodwill was still allocated to the Asset Management Securities business division as the cash-generating unit. Purchased goodwill also includes goodwill arising on the acquisition of WestInvest Gesellschaft für Investmentfonds mbH (WestInvest) (€53.1m). The impairment test was carried out at the level of the Asset Management Real Estate division in the course of normal testing procedures as at 31 December 2018.

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 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 2023. The long-term growth rate remains unchanged at 1.0%. The discount rate was 8.27% (previous year: 8.47%). 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 division cash-generating unit. Account was taken of past empirical values, particularly with regard to the material value driver, which is the future development of total customer assets. On the basis of planned net sales, the fund business is expected to see a further increase in total customer assets and to consolidate its successful market position over the next three years. This is contingent on the successful completion of planned transactions in the target segments, in which competition remains intense. For the following years 2022 and 2023, lower net inflows of funds and lower performance are expected due to the cyclical nature of sales as a result, among other things, of regulatory or political uncertainties or other unforeseeable developments (such as rising interest rates, economic downturn). A perpetual return based on the forecast for 2023 was also taken into account and an unchanged long-term growth rate of 1.0% was assumed. The discount rate was 6.91% (previous year: 7.17%). 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.

Other intangible assets primarily comprise sales partnerships and customer relationships from the acquisition of Deka Vermögensmanagement GmbH (formerly: Landesbank Berlin Investment GmbH).

The following table shows the movement in intangible assets:

€m	Purchased goodwill	Software purchased	Software developed in-house	Other intangible assets	Total
Historical cost					
As at 1 January 2017	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**
Additions	–	3.9	3.2	–	7.1
Disposals	–	–	–	–	–
Change in scope of consolidation	–	–	–	–	–
As at 31 December 2018	**238.7**	**191.1**	**81.9**	**50.6**	**562.3**
Cumulative amortisation/impairment					
As at 1 January 2017	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**
Amortisation/impairment	–	9.4	2.1	2.7	14.2
Disposals	–	–	–	–	–
Change in scope of consolidation	–	–	–	–	–
As at 31 December 2018	**90.6**	**167.8**	**77.2**	**39.1**	**374.7**
Carrying value as at 31 December 2017	**148.1**	**28.8**	**3.6**	**14.2**	**194.7**
Carrying value as at 31 December 2018	**148.1**	**23.3**	**4.7**	**11.5**	**187.6**

52 Property, plant and equipment

€m	31 Dec 2018	31 Dec 2017	Change
Plant and equipment	20.0	21.5	–1.5
Technical equipment and machines	5.6	5.9	–0.3
Total	**25.6**	**27.4**	–1.8

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

€m	Land and buildings	Plant and equipment	Technical equipment and machines	Total
Historical cost				
As at 1 January 2017	–	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**
Additions	–	0.6	1.7	2.3
Disposals	–	0.1	0.2	0.3
Reclassifications and other changes	–	–	–	–
Change in currency translation	–	0.0	0.0	0.0
Change in scope of consolidation	–	–	–	–
As at 31 December 2018	**–**	**49.6**	**63.5**	**113.1**
Cumulative depreciation/impairment				
As at 1 January 2017	–	31.5	57.7	89.2
Depreciation/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**
Depreciation/impairment	–	2.0	2.0	4.0
Write-backs	–	–	–	
Disposals	–	0.0	0.2	0.2
Reclassifications and other changes	–	–	–	–
Change in currency translation	–	–0.0	–0.0	–0.0
Change in scope of consolidation	–	0.0	–	0.0
As at 31 December 2018	**–**	**29.6**	**57.9**	**87.5**
Carrying value as at 31 December 2017	**–**	**21.5**	**5.9**	**27.4**
Carrying value as at 31 December 2018	**–**	**20.0**	**5.6**	**25.6**

53 Income tax assets

€m	31 Dec 2018	31 Dec 2017	Change
Current income tax assets	195.2	186.2	9.0
Deferred income tax assets	202.5	183.2	19.3
Total	**397.7**	**369.4**	28.3

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

In the year under review, deferred tax assets included €4.8m in relation to tax loss carry-forwards at one Group company (previous year: €2.9m).

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

€m	31 Dec 2018	31 Dec 2017	Change
Asset items			
Due from customers	1.0	6.6	–5.6
Financial assets at fair value	1.5	0.9	0.6
Intangible assets	13.4	16.5	–3.1
Other assets	3.2	0.3	2.9
Liability items			
Due to banks	9.2	11.8	–2.6
Due to customers	47.4	59.9	–12.5
Securitised liabilities	0.6	–	0.6
Financial liabilities at fair value	212.0	222.3	–10.3
Negative market values of derivative hedging instruments	12.5	10.3	2.2
Provisions	148.0	132.3	15.7
Other liabilities	2.7	5.6	–2.9
Subordinated capital	1.1	1.3	–0.2
Loss carryforwards	**4.8**	**2.9**	1.9
Sub-total	**457.4**	**470.7**	–13.3
Netting	–254.9	–287.5	32.6
Total	**202.5**	**183.2**	19.3

Reported deferred tax assets include €167.7m (previous year: €148.4m) that are medium or long-term in nature.

As at the reporting date, two Group companies had unrecognised loss carry-forwards of €0.6m (previous year: €0.2m). There were still no other temporary differences for which deferred tax assets have not been recognised.

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

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

Deferred income tax assets amounting to €59.0m in connection with provisions for pensions (previous year: €49.2m) were offset against equity. In addition, deferred tax assets of €2.8m for creditworthiness-related fair value changes to financial liabilities designated at fair value were offset against equity.

54 Other assets

€m	31 Dec 2018	31 Dec 2017	Change
Amounts due from investment funds	131.4	160.4	–29.0
Amounts due from non-banking business	14.7	20.8	–6.1
Amounts due or refunds from other taxes	0.4	0.3	0.1
Other miscellaneous assets	108.3	89.6	18.7
Prepaid expenses	29.0	29.5	–0.5
Total	**283.8**	**300.6**	–16.8

Other assets include €45.6 thousand (previous year: €9.8 thousand) that are of a medium or long-term nature.

55 Due to banks

€m	31 Dec 2018	31 Dec 2017	Change
Domestic banks	13,285.7	14,541.3	–1,255.6
Foreign banks	9,664.1	4,696.5	4,967.6
Total	**22,949.8**	**19,237.8**	3,712.0
Thereof:			
Collateralised registered bonds and promissory note loans	67.3	78.7	–11.4
Unsecured registered bonds and promissory note loans	2,464.8	2,749.3	–284.5

Amounts due to banks include payments received of €7.4bn on genuine securities repurchase agreements and collateralised securities lending transactions (previous year: €3.6bn).

56 Due to customers

€m	31 Dec 2018	31 Dec 2017	Change
Domestic customers	19,373.2	18,683.6	689.6
Foreign customers	6,350.0	7,977.3	–1,627.3
Total	**25,723.2**	**26,660.9**	–937.7
Thereof:			
Collateralised registered bonds and promissory note loans	1,074.3	1,467.5	–393.2
Unsecured registered bonds and promissory note loans	1,258.3	1,219.1	39.2

Amounts due to customers include payments received of €1.1bn from genuine securities repurchase agreements and collateralised securities lending transactions (previous year: €3.6bn).

57 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Own bonds held by the Deka Group with a nominal amount of €208.7m (previous year: €152.5m) were deducted from the issued bonds.

€m	31 Dec 2018	31 Dec 2017	Change
Uncovered debt securities issued	4,840.9	7,629.0	–2,788.1
Covered debt securities issued	724.8	241.8	483.0
Money market securities issued	9,225.0	6,364.0	2,861.0
Total	**14,790.7**	**14,234.8**	555.9

58 Financial liabilities at fair value

In addition to trading issues and liabilities in the designated at fair value category, financial liabilities at fair value include negative market values from derivative financial instruments in the trading book as well as economic hedges which do not meet the criteria for hedge accounting in accordance with IAS 39. Short positions are also reported in this line item.

€m	31 Dec 2018	31 Dec 2017	Change
Trading portfolio			
Trading issues	20,348.7	17,463.1	2,885.6
Securities short portfolios	1,696.1	960.9	735.2
Negative market values of derivative financial instruments (trading)	5,407.4	5,326.7	80.7
Negative market values of derivative financial instruments (economic hedging derivatives)	375.6	N/A	N/A
Total – trading portfolio	**27,827.8**	**23,750.7**	4,077.1
Financial liabilities designated at fair value			
Issues	1,479.1	1,755.8	–276.7
Negative market values of derivative financial instruments (economic hedging derivatives)	N/A	476.3	N/A
Total – financial liabilities designated at fair value	**1,479.1**	**2,232.1**	–753.0
Total	**29,306.9**	**25,982.7**	3,324.2

Issues are broken down by product type as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Trading portfolio			
Uncovered trading issues			
Bearer bonds issued	16,780.2	14,016.8	2,763.4
Registered bonds issued	1,324.2	1,163.2	161.0
Promissory notes raised	2,244.3	2,283.1	–38.8
Total	**20,348.7**	**17,463.1**	2,885.6
Financial liabilities designated at fair value			
Uncovered issues			
Bearer bonds issued	230.1	329.8	–99.7
Registered bonds issued	262.3	288.2	–25.9
Promissory notes raised	162.6	216.8	–54.2
Covered issues	824.1	921.0	–96.9
Total	**1,479.1**	**1,755.8**	–276.7

The fair value of issues in the designated at fair value category (fair value option) includes cumulative creditworthiness-related changes in value amounting to €8.8m (previous year: €12.6m) that are recognised in other comprehensive income.

The carrying amount of liabilities whose creditworthiness-related changes in value are recognised in other comprehensive income is €144.8m (previous year: €203.4m) higher than the repayment amount.

59 Negative market values of derivative hedging instruments

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

€m	31 Dec 2018			31 Dec 2017		
	Nominal of the hedging instruments	Carrying amount of the hedging instruments[1]	Valuation result of the hedging instruments for the reporting period[2]	Nominal of the hedging instruments	Carrying amount of the hedging instruments[1]	Valuation result of the hedging instruments for the reporting period[2]
Interest rate fair value hedges						
Assets measured at amortised cost						
Due from banks	1,078.1	0.9	–11.5	N/A	0.1	N/A
Due from customers	3,217.0	38.2	–21.6	N/A	11.6	N/A
Debt securities and other fixed-interest securities	144.2	0.1	–0.4	N/A	–	N/A
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	1,458.6	0.1	–13.4	N/A	N/A	N/A
Liabilities measured at amortised cost						
Due to banks	145.0	0.0	0.0	N/A	0.1	N/A
Due to customers	171.5	0.0	–6.1	N/A	–	N/A
Securitised liabilities	298.8	0.0	1.4	N/A	0.2	N/A
Subordinated capital	–	–	–	N/A	–	N/A
Currency cash flow hedges						
Asset items	–	–	–	N/A	–	N/A
Total	**6,513.2**	**39.3**	**–51.6**	**N/A**	**12.0**	**N/A**

[1] The majority of interest rate swaps designated as hedging instruments are cleared via CCP. The carrying amount of these hedging instruments have been offset against the variation margin paid.
[2] Includes the change in fair value of the hedging instruments used for recognising the ineffectiveness for the reporting period.

Only interest rate swaps were designated as hedging instruments for fair value hedges.

60 Provisions for pensions and similar obligations

The following table shows the movement in provisions:

€m	Provisions for pensions	Provisions for similar commitments[1]	Total
As at 1 January 2017	**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**
Allocation	32.6	4.6	37.2
Utilisation	13.1	5.9	19.0
Reclassifications	–	3.4	3.4
Change in plan assets	–11.3	–1.6	–12.9
Revaluations recognised in other comprehensive income	30.7	–	30.7
As at 31 December 2018	**198.3**	**23.9**	**222.2**

[1] Including provision for working hours accounts

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

€m	31 Dec 2018	31 Dec 2017	Change
Present value of fully or partially funded defined benefit obligations	765.6	746.0	19.6
Fair value of plan assets at reporting date	599.0	612.3	–13.3
Funding status	**166.6**	**133.7**	32.9
Present value of unfunded defined benefit obligations	55.6	49.1	6.5
Provisions for pensions	**222.2**	**182.8**	39.4

The movement in the net liability was as follows:

	Defined benefit obligations		Fair value of plan assets		Net obligation/ (net asset)	
€m	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
As at 1 January	**795.1**	**755.8**	**612.3**	**519.9**	**182.8**	**235.9**
Current service cost	29.4	32.3	–	–	29.4	32.3
Interest expense or income	14.8	14.5	11.6	10.2	3.2	4.3
Other pension expenses	4.6	8.6	–	–	4.6	8.6
Pension expenses (recognised in profit or loss)	**48.8**	**55.4**	**11.6**	**10.2**	**37.2**	**45.2**
Actuarial gains/losses from:						
Financial assumptions	–	6.4	–	–	–	6.4
Demographic assumptions	4.8	–	–	–	4.8	–
Experience adjustment	–11.9	–10.2	–	–	–11.9	–10.2
Income from plan assets excluding interest income	–	–	–37.8	11.6	37.8	–11.6
Revaluation gains/losses (recognised in other comprehensive income)	**–7.1**	**–3.8**	**–37.8**	**11.6**	**30.7**	**–15.4**
Transfers	3.4	0.1	–	–	3.4	0.1
Business combinations and change in scope of consolidation	–	7.7	–	4.0	–	3.7
Employer contributions	–	–	5.8	58.9	–5.8	–58.9
Employee contributions	–	–	7.8	8.7	–7.8	–8.7
Benefits paid	–19.0	–20.1	–0.7	–1.0	–18.3	–19.1
As at 31 December	**821.2**	**795.1**	**599.0**	**612.3**	**222.2**	**182.8**
Comprising:						
Final salary plans and general contribution schemes	499.2	492.5	366.6	374.9	132.6	117.6
Unit-linked defined contribution plans	289.9	272.5	224.0	230.7	65.9	41.8

The present value of the defined benefit obligation was calculated using the Heubeck 2018 G mortality tables based on the following actuarial parameters:

%	31 Dec 2018	31 Dec 2017	Change
Actuarial interest rate	1.90	1.90	–
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: –0.28%). 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 2018	**31 Dec 2017**
Actuarial interest rate	Increase of 1.0 percentage points	–115.1	–112.0
	Reduction of 1.0 percentage points	147.3	146.2
Salary trend	Increase of 0.25 percentage points	5.8	6.3
	Reduction of 0.25 percentage points	–5.5	–5.9
Pension trend	Increase of 0.25 percentage points	16.2	16.1
	Reduction of 0.25 percentage points	–15.4	–15.4
Life expectancy	Extended by 1 year	23.6	22.7

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

€m	**31 Dec 2018**	**31 Dec 2017**	Change
Mutual funds	231.7	236.5	–4.8
Equity funds	211.9	219.1	–7.2
Bond funds	2.0	1.6	0.4
Mixed funds	9.5	9.1	0.4
Near-money-market funds	8.3	6.7	1.6
Special funds	366.6	375.0	–8.4
Insurance contracts	0.7	0.8	–0.1
Total	**599.0**	**612.3**	–13.3

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 2018, the plan assets included €598.3m of the Deka Group's own investment funds (previous year: €611.5m). 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 16.1 years as at the balance sheet date (previous year: 16.3 years).

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

€m	31 Dec 2018	31 Dec 2017	Change
Current scheme members	439.0	424.4	14.6
Former scheme members	178.8	170.5	8.3
Pensioners and surviving dependents	203.4	200.2	3.2
Present value of defined benefit obligation	**821.2**	**795.1**	26.1

For the 2019 financial year it is expected that contributions amounting to €13.6m (previous year: €14.8m) will have to be allocated to the defined benefit schemes.

61 Other provisions

€m	31 Dec 2018	31 Dec 2017	Change
Provisions in investment funds business	66.6	70.2	–3.6
Provisions for legal risks	26.6	27.0	–0.4
Provisions for restructuring measures	18.4	27.7	–9.3
Provisions in human resources	2.7	1.0	1.7
Provisions for credit risks	1.8	1.7	0.1
Provisions for operational risks	0.6	0.9	–0.3
Sundry other provisions	9.5	11.6	–2.1
Total	**126.2**	**140.1**	–13.9

Restructuring provisions result from various restructuring activities of the Deka Group, mainly resulting from the strategic restructuring of DekaBank Deutsche Girozentrale Luxembourg S.A. and the strategic restructuring of the subsidiary Deka Vermögensmanagement GmbH (DVM) in the 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 set up for expected losses from loan commitments, guarantees and sureties (see note [47] "Risk provisions in the lending and securities business").

Provisions are also 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 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 €2.9m (previous year: €2.1m) had been made based on the performance of the relevant funds. As at the reporting date, the guarantees covered a maximum total volume of €3.1bn (previous year: €3.4bn) as at the respective guarantee dates. The market value of the relevant funds totalled €3.2bn

(previous year: €3.7bn). This includes funds with a forecast return performance, as described below, which had a volume of €1.4bn (previous year: €1.6bn).

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 €21.0m (previous year: €44.4m) had been set up. The underlying total value of the funds was €2.8bn (previous year: €6.8bn), of which €1.4bn (previous year: €1.6bn) related to funds with a capital guarantee and €1.4bn (previous year: €5.2bn) 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 2018	Addition	Utilisations	Reversal	Reclassi-fications	Changes in the scope of consoli-dation	Accrued interest	Currency effects	Closing balance 31 Dec 2018
Provisions in investment funds business	70.2	37.4	38.8	2.1	–	–	–0.1	–	66.6
Provisions for legal risks	27.0	1.7	0.0	2.1	–	–	–	–	26.6
Provisions for restructuring measures	27.7	21.4	22.9	2.7	–5.1	–	–	–	18.4
Provisions for credit risks[1]	2.1	1.6	–	2.0	–	–	–0.0	0.1	1.8
Provisions for operational risks	0.9	–	0.1	0.2	–	–	–	–	0.6
Provisions in human resources	1.0	0.5	0.4	0.1	1.7	–	–	–	2.7
Sundry other provisions	11.6	2.1	9.1	0.1	–	5.0	–	0.0	9.5
Other provisions	**140.5**	**64.7**	**71.3**	**9.3**	**–3.4**	**5.0**	**–0.1**	**0.1**	**126.2**

[1] The openeing balance was adjusted in the context of IFRS 9 First-time adoption (see note [3] "Effects of applying IFRS 9").

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 €62.9m (previous year: €35.9m) that are of a medium or long-term nature.

62 Income tax liabilities

€m	31 Dec 2018	31 Dec 2017	Change
Provisions for income taxes	37.8	15.8	22.0
Current income tax liabilities	24.4	5.9	18.5
Deferred income tax liabilities	33.6	147.3	–113.7
Total	**95.8**	**169.0**	–73.2

Provisions for income taxes relate to corporation tax, the solidarity surcharge and trade tax. Provisions for income taxes include €5.3m (previous year: €15.8m) 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 balance sheet and the tax balance sheet.

Deferred tax liabilities were recognised in relation to the following line items on the balance sheet:

€m	31 Dec 2018	31 Dec 2017	Change
Asset items			
Due from banks	0.5	0.7	–0.2
Due from customers	11.2	0.1	11.1
Financial assets at fair value	244.5	290.9	–46.4
Positive market values of derivative hedging instruments	19.5	87.6	–68.1
Financial investments	9.2	47.9	–38.7
Shares in equity-accounted companies	0.1	0.1	–
Intangible assets	3.4	4.5	–1.1
Other assets	–	2.3	–2.3
Liability items			
Securitised liabilities	–	0.5	–0.5
Other liabilities	0.1	0.2	–0.1
Sub-total	**288.5**	**434.8**	–146.3
Netting	–254.9	–287.5	32.6
Total	**33.6**	**147.3**	–113.7

Reported deferred tax liabilities include €32.6m (previous year: €142.5m) that are of a short-term nature.

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

As at the reporting date, temporary differences existed in connection with outside basis differences at consolidated subsidiaries amounting to €418.7m (previous year: €462.5m), resulting in imputed deferred tax liabilities of €6.7m (previous year: €7.4m). In accordance with IAS 12.39, these have not been recognised on the balance sheet.

In the year under review, deferred income tax liabilities of €8.7m had to be recognised in connection with the fair value measurement of financial assets in other comprehensive income. A further €0.3m had to be recognised for risk provisions in connection with the fair value measurement of financial assets in other comprehensive income.

In the previous year, €0.7m was deducted from equity in relation to the first-time remeasurement of various equity interests held in the available-for-sale portfolio.

63 Other liabilities

The breakdown of other liabilities is as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Liabilities			
Commissions not yet paid to sales offices	105.1	111.4	–6.3
Shares of profit attributable to atypical silent partners	96.5	77.6	18.9
Liabilities from current other taxes	22.0	69.9	–47.9
Debt capital from minority interests	0.7	0.7	–0.0
Unsettled securities spot deals	0.1	0.1	0.0
Other	98.4	82.9	15.5
Accruals			
Sales performance compensation	287.9	308.9	–21.0
Personnel costs	134.1	116.4	17.7
Year-end audit and other audit costs	7.5	6.9	0.6
Other accruals	64.7	52.7	12.0
Prepaid expenses	3.1	3.6	–0.5
Total	**820.1**	**831.1**	–11.0

DekaBank offsets the share of profit attributable to atypical silent partners against the taxes already deducted for the benefit of the owners. As at the reporting date, the profit shares were €96.5m (previous year: €77.6m) higher than the taxes paid.

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

Other liabilities include €8.6m (previous year: €4.9m) that are of a medium or long-term nature.

64 Subordinated capital

€m	31 Dec 2018	31 Dec 2017	Change
Subordinated bearer bonds	186.6	186.8	–0.2
Subordinated promissory note loans	170.3	171.4	–1.1
Other subordinated liabilities	521.6	520.9	0.7
Prorated interest on subordinated liabilities	20.9	20.6	0.3
Capital contributions of typical silent partners	–	26.4	–26.4
Prorated interest on capital contributions of typical silent partners	–	1.0	–1.0
Total	**899.4**	**927.1**	–27.7

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

65 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 €53.0m (previous year: €60.6m).

66 Equity

€m	31 Dec 2018	31 Dec 2017	Change
Subscribed capital	286.3	286.3	–
Own shares (deduction)	94.6	94.6	–
Additional capital components (AT1 bonds)	473.6	473.6	–
Capital reserve	190.3	190.3	–
Retained earnings	4,614.1	4,494.1	120.0
Statutory reserve	6.4	6.3	0.1
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	4,556.4	4,436.5	119.9
Revaluation reserve	–115.4	–77.6	–37.8
For provisions for pensions	–184.8	–154.1	–30.7
For cash flow hedges	–	–3.4	3.4
For financial assets available for sale	N/A	33.6	N/A
For equity-accounted companies	–6.6	–6.6	–
For financial assets measured at fair value through other comprehensive income	28.7	N/A	N/A
For own credit risk of financial liabilities designated at fair value	–8.8	N/A	N/A
Deferred taxes	56.1	52.9	3.2
Currency translation reserve	0.0	–0.1	0.1
Accumulated profit/loss (consolidated profit)	63.3	72.3	–9.0
Total	**5,417.6**	**5,344.3**	73.3

Notes on financial instruments

67 Net profit or loss by measurement category

The individual measurement categories resulted in the following contributions to net results:

€m	2018	2017	Change
Financial assets and liabilities measured at fair value through profit or loss	–19.4	N/A	N/A
Trading portfolio	27.6	N/A	N/A
Financial assets mandatorily measured at fair value through profit or loss	–37.1	N/A	N/A
Financial assets designated at fair value	–	N/A	N/A
Financial liabilities designated at fair value	–9.9	N/A	N/A
Thereof amounts recognised in profit or loss	–13.7	N/A	N/A
Thereof amounts recognised in other comprehensive income (OCI)	3.8	N/A	N/A
			N/A
Financial assets measured at fair value through other comprehensive income	–39.2	N/A	N/A
Thereof amounts transfered to profit or loss due to	48.7	N/A	N/A
			N/A
Financial assets measured at amortised cost	533.3	N/A	N/A
Financial liabilities measured at amortised cost	–205.3	N/A	N/A
Profit or loss from fair value hedges according to IAS 39	–0.3	N/A	N/A

€m	2018	2017	Change
Loans and receivables	N/A	474.7	N/A
Held to maturity	N/A	71.6	N/A
Other liabilities	N/A	–354.5	N/A
Other comprehensive income	N/A	28.5	N/A
Result recognised in profit and loss	N/A	8.0	N/A
Available for sale	N/A	36.5	N/A
Held for trading[1]	N/A	182.1	N/A
Designated at fair value[1]	N/A	–34.7	N/A
Valuation result from hedge accounting for fair value hedges	N/A	–0.6	N/A
Result from hedge accounting for cash flow hedges, recognised in other comprehensive income	N/A	25.7	N/A

[1] Prior-year figures have been adjusted for better comparability (see note [36] "Trading profit or loss").

Income and expense contributions are presented in line with their allocation to measurement categories in accordance with IFRS 9. All income and expense components, i.e. sale and valuation results, as well as interest and current income and commission for financial instruments measured at fair value are included. The net income from equity-accounted companies is excluded.

The contribution from financial assets measured at amortised cost to net results includes income of €4.8m from the derecognition of amounts due from customers and banks. The reason for the derecognition of these assets is due to early repayments by debtors.

As in the previous year, no reclassifications were made in the year under review, with the exception of the reclassification of securities from the liquidity reserve in connection with the first-time application of IFRS 9 (see note [3] "Effects of applying IFRS 9").

68 Fair value disclosures

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

	31 Dec 2018		31 Dec 2017	
€m	Fair value	Carrying value	Fair value	Carrying value
Assets				
Financial assets measured at amortised cost (IFRS 9)				
Cash reserves	15,302.5	15,302.5	N/A	N/A
Due from banks	24,068.9	23,972.6	N/A	N/A
Due from customers	24,266.6	24,419.9	N/A	N/A
Financial investments	4,988.6	5,026.9	N/A	N/A
Other assets	146.3	146.3	N/A	N/A
Loans and receivables (IAS 39)				
Cash reserves	N/A	N/A	10,039.6	10,039.6
Due from banks	N/A	N/A	26,515.5	26,396.4
Due from customers	N/A	N/A	20,910.3	20,650.5
Financial investments	N/A	N/A	850.7	875.3
Other assets	N/A	N/A	214.6	214.6
Held-to-maturity-investments (IAS 39)				
Financial investments	N/A	N/A	2,906.8	2,851.2
Financial assets available for sale (IAS 39)				
Financial investments	N/A	N/A	64.2	64.2
Financial assets measured at fair value through other comprehensive income (IFRS 9)				
Financial investments	5,751.7	5,751.7	N/A	N/A
Other assets	–	–	N/A	N/A
Financial assets measured at fair value through profit or loss				
Held-for-Trading (IFRS 9/IAS 39)				
Financial assets at fair value	14,669.8	14,669.8	12,472.7	12,472.7
Financial assets mandatorily measured at fair value through profit or loss (IFRS 9)				
Financial assets at fair value	10,375.6	10,375.6	N/A	N/A
Other assets	26.9	26.9	N/A	N/A
Financial assets designated as at fair value through profit or loss (IFRS 9/IAS 39)				
Financial assets at fair value	–	–	19,512.7	19,512.7
Positive market values of derivative hedging instruments	13.5	13.5	20.4	20.4
Total asset items	**99,610.4**	**99,705.7**	**93,507.5**	**93,097.6**
Liabilities				
Financial liabilities measured at amortised cost (IFRS 9/IAS 39)				
Due to banks	23,056.0	22,949.8	19,357.6	19,237.8
Due to customers	25,903.7	25,723.2	26,882.2	26,660.9
Securitised liabilities	14,848.0	14,790.7	14,303.0	14,234.8
Subordinated capital	981.6	899.4	1,014.0	927.1
Other liabilities	174.0	174.0	240.6	240.6
Financial liabilities measured at fair value through profit or loss (IFRS 9/ IAS 39)				
Trading portfolio				
Financial liabilities at fair value	27,827.8	27,827.8	23,750.7	23,750.7
Other liabilities	1.7	1.7	N/A	N/A
Financial liabilities designated at fair value				
Financial liabilities at fair value	1,479.1	1,479.1	2,232.0	2,232.0
Negative market values of derivative hedging instruments	39.3	39.3	12.0	12.0
Total liability items	**94,311.2**	**93,885.0**	**87,792.1**	**87,295.9**

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 €16,465.9m (previous year: €11,148.4m) and financial liabilities amounting to €14,211.4m (previous year: €14,897.0m) are not allocated to any level of the fair value hierarchy.

Fair value hierarchy

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

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

Level 2 (Valuation method based on observable market data): Financial instruments whose fair value can be determined either from similar financial instruments traded on active and liquid markets, from similar or identical financial instruments traded on less liquid markets, or based on valuation methods with directly or indirectly observable input factors, are allocated to this level.

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

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

€m	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Financial assets measured at fair value through profit or loss						
Debt securities, other fixed-interest securities and loan receivables	6,007.8	14,965.4	6,767.7	5,897.1	4,307.6	1,977.9
Shares and other non fixed-interest securities	2,880.5	3,605.1	51.7	47.5		–
Derivative financial instruments	83.4	371.9	4,791.5	5,105.2	107.8	15.3
Interest-rate-related derivatives	0.1	–	4,230.1	4,389.4	61.5	1.2
Currency-related derivatives	–	–	119.7	184.3	–	–
Share and other price-related derivatives	83.3	371.9	441.7	531.5	46.3	14.1
Positive market values of derivative hedging instruments	–	–	13.5	20.4	–	–
Shareholdings	–	–	–	–	47.4	64.2
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	2,368.2	N/A	3,383.5	N/A	–	N/A
Assets measured at cost						
Due from banks	–	–	20,169.2	21,653.3	3,548.1	4,377.1
Thereof: Assets from genuine repurchase agreements and collateralised securities lending transactions	–	–	15,711.4	17,344.9	–	–
Due from customers	–	–	5,768.2	4,403.4	17,859.8	16,097.8
Thereof: Assets from genuine repurchase agreements and collateralised securities lending transactions	–	–	4,634.7	3,640.7	–	–
Debt securities and other fixed-interest securities	2,606.3	1,961.1	1,478.0	1,254.6	904.3	541.8
Total	**13,946.2**	**20,903.5**	**42,423.3**	**38,381.5**	**26,775.0**	**23,074.1**

€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 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Financial liabilities measured at fair value through profit or loss						
Securities short portfolios	1,264.3	841.9	431.2	119.0	0.6	–
Derivative financial instruments	190.8	700.5	5,403.5	5,072.5	188.7	30.0
Interest-rate-related derivatives	–	–	3,899.8	4,231.5	159.0	22.3
Currency-related derivatives	–	–	113.9	207.7	–	–
Share and other price-related derivatives	190.8	700.5	1,389.8	633.3	29.7	7.7
Issues	–	–	19,493.4	18,271.8	2,334.4	947.0
Negative market values of derivative hedging instruments	–	–	39.3	12.0	–	–
Liabilities measured at cost						
Due to banks	–	–	22,421.9	18,670.7	104.9	126.4
Thereof: Liabilities from genuine repurchase agreements and collateralised securities lending transactions	–	–	7,404.8	3,551.6	–	–
Due to customers	–	–	11,714.3	12,212.0	682.9	574.3
Thereof: Liabilities from genuine repurchase agreements and collateralised securities lending transactions	–	–	1,092.7	3,625.2	–	–
Securitised liabilities	–	–	14,848.0	14,303.0	–	–
Subordinated capital	–	–	79.6	84.1	902.0	929.9
Total	**1,455.1**	**1,542.4**	**74,431.2**	**68,745.1**	**4,213.5**	**2,607.6**

Level reclassifications

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

€m	Reclassifications from level 1 to level 2		Reclassifications from level 2 to level 1	
	2018	2017	2018	2017
Financial assets measured at fair value through profit or loss				
Debt securities, other fixed-interest securities and loan receivables	2,815.5	266.5	188.2	2,624.4
Derivative financial instruments	114.6	–	–	–
Share and other price-related derivatives	114.6	–	–	–
Financial liabilities measured at fair value through profit or loss				
Securities short portfolios	113.9	46.6	32.3	39.6
Derivative financial instruments	584.2	–	–	–
Share and other price-related derivatives	584.2	–	–	–

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

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

Fair value hierarchy level 1

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

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

Fair value hierarchy level 2

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

Derivative financial instruments are measured using standard valuation models, such as the Black-Scholes model, the Black-76 model, the SABR model, the Bachelier model, the G1PP model, the G2PP model or the local volatility model. The models are always calibrated using observable market data.

Interest rate and interest rate/currency swaps and unlisted interest rate futures are measured on the basis of the discounted cash flow model using the market interest rates applying to the remainder of the term of the financial instruments. The tenor structures of the individual interest rates are taken into account by means of separate forward 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 financial liabilities, fair value is determined by discounting the contractually agreed cash flows using an interest rate at which comparable liabilities could have been issued. Any existing collateralisation structure is taken into account, such as that used for *Pfandbriefe*, for example.

Fair value hierarchy level 3

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

If loan receivables are recognised at fair value, a granular analysis is carried out when determining the first spread component. In particular, side agreements such as the borrower's rights of termination or caps/floors are taken into account. These side agreements are each taken into account using suitable, recognised valuation procedures. Loans are allocated to level 3 irrespective of their IFRS category.

The debt securities, other fixed-interest securities and loan receivables disclosed under financial assets measured at fair value through profit or loss are bonds, promissory note loans, originated loans and non-synthetic securitisations. Since early 2009, the Bank has been winding down the latter whilst safeguarding assets.

The fair value of the bonds is calculated either using the discounted cash flow model based on credit spreads that cannot be observed on the market or on the basis of indicative quotations that implicitly result in a valuation spread. The promissory note loans are also measured using the discounted cash flow model based on credit spreads that cannot be observed on the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the bonds and promissory note loans could have been €5.2m higher or lower.

Determining the fair value of loan receivables also involves the use of spreads that are not observable in the market. Assuming an average uncertainty of fifty basis points relating to the credit spreads, the fair value of the loan receivables could have been €1.3m higher or lower.

The fair value of the non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations. 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 0.54 percentage points averaged across the portfolio was obtained. On this basis, the market value of the securitisation positions concerned could have been €0.3m 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 was around €–5.2m as at 31 December 2018. For interest rate derivatives based on an index spread, the sensitivity in terms of the correlation between the relevant reference indices is mapped via shifts in the model parameters. The resulting change in the correlation is approximately +1.0%, giving rise to a measurement difference of €+0.6m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty as at 31 December 2018 is approximately €4.4m with an equity vega of 1.35. 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 2018, this results in a value of €1.7m.

There are no publicly quoted market prices for the company shares listed as shareholdings. The fair value of company shares is determined using the dividend discount model, provided that the company pays dividends on a sustained basis. Other company shares are measured on the basis of the net asset value approach. 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 liabilities in relation to issuing business are determined using the present value method. The future cash flows of the liabilities are discounted at a risk-adjusted market rate that is based on DekaBank's credit risk. For the valuation of collateralised issues, the collateral structure is also taken into account. The interest rate for a comparable unsecured issue is adjusted according to the collateralisation category and percentage.

As at 31 December 2018, 97.5% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.

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

€m	Debt securities, other fixed-interest securities and loan receivables	Interest-rate-related derivatives	Share and other price-related derivatives	Shareholdings[4]	Total
As at 1 January 2017	**2,495.5**	**17.1**	**3.4**	**–**	**2,516.0**
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/disposal					
Recognised in profit or loss[1]	–22.5	0.6	–2.4	–	–24.3
Recognised in other comprehensive income[2]	–	–	–	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[3]	**–34.2**	**0.6**	**–2.5**	**–**	**–36.1**
As at 1 January 2018	**1,977.9**	**1.2**	**14.1**	**48.2**	**2,041.4**
Additions through purchase	3,623.9	3.6	1.2	–	3,628.7
Disposals through sale	1,207.3	–	3.3	0.5	1,211.1
Maturity/repayments	292.2	–	1.4	–	293.6
Transfers					
To Level 3	461.2	47.0	–	–	508.2
From Level 3	289.9	–	0.5	–	290.4
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	34.0	9.7	36.2	–0.3	79.6
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2018	**4,307.6**	**61.5**	**46.3**	**47.4**	**4,462.8**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**32.8**	**9.7**	**36.2**	**–0.3**	**78.4**

[1] Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.
[2] Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.
[3] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.
[4] Excluding shares in equity-accounted companies for the firts time in the reporting period.

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	Securities short portfolios	Interest-rate-related derivatives	Share and other price-related derivatives	Issues	Total
As at 1 January 2017	**–**	**123.5**	**1.3**	**705.3**	**830.1**
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/disposal					
Recognised in profit or loss[1]	–	37.3	–3.9	–18.0	15.4
Recognised in other comprehensive income[2]	–	–	–	–	–
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[3]	**–**	**37.2**	**–3.9**	**–13.8**	**19.5**
As at 1 January 2018	**–**	**22.3**	**7.5**	**947.2**	**977.0**
Additions through purchase	17.0	49.8	38.2	59.6	164.6
Disposals through sale	16.3	1.0	3.0	–	20.3
Additions through issues	–	–	–	1,715.4	1,715.4
Maturity/repayments	–	0.4	0.1	330.1	330.6
Transfers					
To Level 3	–	45.9	–	286.7	332.6
From Level 3	–	0.2	–	109.0	109.2
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	0.1	–42.6	12.9	235.4	205.8
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2018	**0.6**	**159.0**	**29.7**	**2,334.4**	**2,523.7**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**–42.6**	**12.9**	**227.3**	**197.6**

[1] Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.
[2] Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.
[3] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.

During the reporting period, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €289.9m and negative market values of issues amounting to €109.0m were transferred from level 3. Furthermore, positive market values of debt securities, other fixed-interest securities and loan receivables of €461.2m and negative market values of issues of €286.7m were transferred 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.

69 Offsetting financial assets and liabilities

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

31 Dec 2018				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)	9,943.2	5,882.7	4,060.5	4,060.5	–	–
Receivables arising from securities repurchase agreements (not eligible for offsetting)	16,224.6	–	16,224.6	16,224.6	–	–
Derivatives (eligible for offsetting)	7,871.3	7,836.6	34.7	–	34.7	–
Derivatives (not eligible for offsetting)	4,961.5	–	4,961.5	205.8	1,422.1	3,333.6
Total	**39,000.6**	**13,719.3**	**25,281.3**	**20,490.9**	**1,456.8**	**3,333.6**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	7,877.9	5,882.7	1,995.2	1,995.2	–	–
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	5,194.8	–	5,194.8	5,194.8	–	–
Derivatives (eligible for offsetting)	7,600.3	7,567.3	33.0	33.0	–	–
Derivatives (not eligible for offsetting)	5,789.3	–	5,789.3	133.0	1,996.9	3,659.4
Total	**26,462.3**	**13,450.0**	**13,012.3**	**7,356.0**	**1,996.9**	**3,659.4**

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**

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).

70 Information on the quality of financial assets

Non-performing exposures

The Deka Group uses the definition of non-performing exposures introduced by the EBA for regulatory reporting (FINREP). This relates to exposures that are more than 90 days overdue or for which the Bank expects that the borrower will not satisfy its loan obligations in full. It is also mandatory to classify exposures as non-performing where the CRR regulations (Article 178) require them to be classified as in default or where they have been allocated to stage 3 of the general impairment model pursuant to IFRS 9. In addition, exposures subject to successful restructuring measures may only be classified as performing after a recovery period of at least one year has elapsed.

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

€m	Transport and export finance	Energy and utility infra-structure	Property risks	Other	Total 31 Dec 2018	Total 31 Dec 2017
Non-performing exposures[1]	148.3	54.6	13.0	0.5	216.4	433.6
Collateral[2]	85.9	–	–	–	85.9	171.9
Provisions for loan losses/credit rating-related changes in fair value	59.3	9.3	1.5	0.0	70.1	170.6

[1] The figures shown represent the cross carrying value of the credit risk-bearing financial asset classified as non-performing.
[2] Recognition of measurable collateral. Indication of market or fair value not exceeding the underlying exposure.

The collateral which the Deka Group considers to reduce credit risk is stated. The carrying amount of the physical collateral corresponds, in general, to the market or fair value. The amounts stated for guarantees or sureties are primarily based on the creditworthiness of the party providing the collateral. The table shows the maximum collateral or guarantee amount eligible for consideration, i.e. the maximum collateral stated is the carrying amount, taking into account any risk provisions that have already been set up. In the case of non-performing exposures measured at fair value, collateral is reported at a maximum of the fair value of the underlying exposure (reporting date: €39.7m).

Due to the consolidation of the structured entities Treasury One UG (haftungsbeschränkt) & Co. KG, Treasury Two Shipping Limited and Treasury Three Shipping Limited, the loan receivables of €75.0m (gross carrying value) classified as non-performing in the previous year with risk provisions of €45.7m are no longer included in non-performing and forborne exposures.

Exposures with forbearance measures

The Deka Group concludes extension or restructuring agreements with borrowers experiencing financial difficulties if there is a prospect of recovery. Responsibility for the monitoring and management of such deferred or restructured exposures rests with the Monitoring Committee/Risk Provisioning Committee, in accordance with the general rules on default monitoring (see the risk report). Furthermore, creditworthiness-related restructuring measures or deferral agreements represent objective evidence of an impairment. Relevant exposures are tested individually for impairment, and where necessary specific provisions are recognised (see note [18] "Risk provisions in the lending and securities business"). Restructuring involving substantial contractual modifications is reported in the balance sheet as the disposal of the original asset and the addition 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.

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 infra-structure	Property risks	Corporates	Total 31 Dec 2018	Total 31 Dec 2017
Forborne exposures[1]	212.1	51.7	–	12.0	275.8	363.7
thereof: Performing	65.1	–	–	12.0	77.1	23.2
thereof: Non-Performing	147.0	51.7	–	–	198.7	340.5
Collateral[2]	133.6	–	–	11.7	145.3	149.9
Provisions for loan losses/credit rating-related changes in fair value	64.5	6.5	–	0.0	71.0	123.0

[1] The figures shown represent the cross carrying value of the credit risk-bearing financial asset classified as non-performing.
[2] Recognition of measurable collateral. Indication of market or fair value not exceeding the underlying exposure.

Key ratios for non-performing and forborne exposures

%	31 Dec 2018	31 Dec 2017
NPE ratio at the reporting date		
(Ratio of non-performing exposures to maximum credit risk)	0.21	0.48
NPE coverage ratio, including collateral, at the reporting date		
(Ratio of risk provisions, including collateral, to non-performing exposures)	72.13	78.99
NPE coverage ratio, excluding collateral, at the reporting date		
(Ratio of risk provisions, excluding collateral, to non-performing exposures)	32.42	39.35
Forborne exposures ratio at the reporting date		
(Ratio of forborne exposures to maximum credit risk)	0.27	0.40

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.35K(a)/IFRS 7.36(a) using credit risk-bearing financial assets and the corresponding off-balance sheet commitments. 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 €101.3bn (previous year: €90.5bn).

71 Derivative transactions

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

	Nominal value		Positive fair values[1]		Negative fair values[1]	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Interest rate risks						
OTC products						
Interest rate swaps	606,862.2	495,360.7	11,223.8	9,646.0	10,528.7	8,936.5
Forward rate agreements	32,981.0	19,425.0	2.1	0.3	2.5	0.3
Interest rate options						
Purchases	19,850.3	14,782.8	149.1	146.0	123.4	88.5
Sales	22,993.1	14,370.0	220.1	192.3	388.5	349.1
Caps, floors	18,808.1	12,057.9	55.1	39.3	41.4	38.4
Other interest rate contracts	2,392.3	1,744.6	4.9	2.1	66.6	44.1
Exchange traded products						
Interest rate futures/options	13,683.9	18,627.6	6.2	6.6	4.4	2.8
Sub-total	**717,570.9**	**576,368.6**	**11,661.3**	**10,032.6**	**11,155.5**	**9,459.7**
Currency risks						
OTC products						
Foreign exchange future contracts	17,822.1	16,935.8	119.7	184.5	114.0	207.7
(Interest rate) currency swaps	13,603.1	10,310.4	481.5	534.4	507.7	543.7
Currency options						
Purchases	0.2	–	0.0	–	–	–
Sales	0.2	–	–	–	0.0	–
Sub-total	**31,425.6**	**27,246.2**	**601.2**	**718.9**	**621.7**	**751.4**
Share and other price risks						
OTC products						
Share options						
Purchases	437.2	824.8	25.0	141.8	–	–
Sales	6,039.7	6,053.7	–	–	3.6	315.3
Credit derivatives	11,599.4	9,350.9	92.6	120.1	62.4	59.8
Other forward contracts	2,655.7	3,830.2	46.8	11.0	93.6	67.2
Exchange traded products						
Share options	21,518.6	15,945.5	412.0	644.6	1,457.2	899.0
Share futures	1,522.9	2,092.1	85.0	12.0	9.8	6.8
Sub-total	**43,773.5**	**38,097.2**	**661.4**	**929.5**	**1,626.6**	**1,348.1**
Total	**792,770.0**	**641,712.0**	**12,923.9**	**11,681.0**	**13,403.8**	**11,559.2**
Net amount disclosed in the statement of financial position			**4,996.2**	**5,512.8**	**5,822.3**	**5,814.9**

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

The lower amount carried on the balance sheet compared with fair values is due to allowance for the variation margin from transactions with central counterparties. Within assets, the variation margin received reduced the fair values by a total of around €7.9bn (previous year: €6.2bn). Conversely, the variation margin paid reduced fair values within liabilities by a total of around €7.6bn (previous year: €5.7bn).

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 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Banks in the OECD	351,691.7	257,296.2	5,037.2	4,728.4	6,229.5	5,323.3
Public sector entities in the OECD	12,387.5	10,067.3	996.1	949.6	162.6	147.4
Other counterparties	428,690.8	374,348.5	6,890.6	6,003.0	7,011.7	6,088.5
Total	**792,770.0**	**641,712.0**	**12,923.9**	**11,681.0**	**13,403.8**	**11,559.2**

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

72 Breakdown by remaining maturity

Remaining maturity is the time between the reporting date and the contractually agreed maturity of the receivable or liability or the time at which part-payments fall due. Financial assets and liabilities measured at fair value are generally taken into account based on their contractual maturity, whereas financial instruments in the “trading portfolio” sub-category are included with a maximum remaining life of one year (with the exception of economic hedging derivatives). Equity instruments were allocated to the “due on demand and indefinite term” maturity range. Financial investments (shareholdings) that serve business operations on an ongoing basis as part of ordinary business activity but do not have a contractually agreed maturity are not included in this breakdown.

€m	31 Dec 2018	31 Dec 2017	Change
Asset items			
Due from banks			
Due on demand and indefinite term	3,257.6	3,269.4	–11.8
Up to 3 months	8,185.2	5,944.3	2,240.9
Between 3 months and 1 year	5,115.5	7,125.7	–2,010.2
Between 1 year and 5 years	6,405.3	8,811.4	–2,406.1
More than 5 years	1,009.0	1,245.6	–236.6
Due from customers			
Due on demand and indefinite term	1,871.2	1,211.8	659.5
Up to 3 months	2,413.9	1,569.2	844.7
Between 3 months and 1 year	3,018.3	3,318.2	–299.9
Between 1 year and 5 years	10,561.7	9,370.7	1,191.0
More than 5 years	6,554.8	5,180.6	1,374.2
Financial assets at fair value			
Thereof: non-derivative assets			
Due on demand and indefinite term	2,939.4	3,562.4	–623.0
Up to 3 months	998.9	1,961.1	–962.2
Between 3 months and 1 year	9,382.7	6,790.7	2,592.0
Between 1 year and 5 years	5,918.2	13,042.2	–7,124.0
More than 5 years	823.5	1,136.6	–313.1
Thereof: Derivative assets			
Due on demand and indefinite term	–	–	–
Up to 3 months	472.7	449.7	23.0
Between 3 months and 1 year	4,198.4	3,690.6	507.8
Between 1 year and 5 years	275.0	588.1	–313.1
More than 5 years	36.6	764.0	–727.4
Positive market values of derivative hedging instruments			
Due on demand and indefinite term	–	–	–
Up to 3 months	0.6	0.7	–0.1
Between 3 months and 1 year	0.0	0.9	–0.8
Between 1 year and 5 years	1.9	2.8	–0.8
More than 5 years	11.0	16.0	–5.0
Financial investments			
Due on demand and indefinite term	–	0.0	–0.0
Up to 3 months	273.3	89.1	184.3
Between 3 months and 1 year	842.5	1,005.6	–163.1
Between 1 year and 5 years	6,111.7	876.3	5,235.3
More than 5 years	3,551.1	1,755.5	1,795.6

€m	31 Dec 2018	31 Dec 2017	Change
Liability items			
Due to banks			
Due on demand and indefinite term	5,593.9	1,988.7	3,605.2
Up to 3 months	7,000.4	7,397.3	–396.9
Between 3 months and 1 year	6,022.7	5,279.6	743.2
Between 1 year and 5 years	3,735.6	3,620.3	115.3
More than 5 years	597.2	951.9	–354.8
Due to customers			
Due on demand and indefinite term	16,886.1	15,311.2	1,574.9
Up to 3 months	1,873.9	6,064.4	–4,190.4
Between 3 months and 1 year	3,002.5	2,216.7	785.8
Between 1 year and 5 years	2,584.9	1,616.8	968.1
More than 5 years	1,375.8	1,451.8	–76.0
Securitised liabilities			
Due on demand and indefinite term	–	–	–
Up to 3 months	7,951.5	7,944.9	6.6
Between 3 months and 1 year	2,567.6	1,703.7	863.9
Between 1 year and 5 years	3,516.9	3,876.5	–359.6
More than 5 years	754.7	709.7	45.1
Financial liabilities at fair value			
Thereof: non-derivative liabilities			
Due on demand and indefinite term	213.7	120.0	93.7
Up to 3 months	1,089.2	1,775.3	–686.1
Between 3 months and 1 year	21,222.4	17,271.8	3,950.6
Between 1 year and 5 years	721.6	900.9	–179.3
More than 5 years	277.0	111.7	165.3
Thereof: Derivative financial liabilities			
Due on demand and indefinite term	–	–	–
Up to 3 months	2,547.7	771.2	1,776.5
Between 3 months and 1 year	2,981.8	4,272.0	–1,290.2
Between 1 year and 5 years	148.2	300.6	–152.4
More than 5 years	105.3	459.2	–353.9
Negative market values of derivative hedging instruments			
Due on demand and indefinite term	–	–	–
Up to 3 months	1.6	1.1	0.6
Between 3 months and 1 year	0.0	0.6	–0.6
Between 1 year and 5 years	7.8	7.6	0.2
More than 5 years	29.9	2.7	27.2
Subordinated capital			–
Due on demand and indefinite term	–	–	–
Up to 3 months	21.0	48.1	–27.1
Between 3 months and 1 year	75.6	–	75.6
Between 1 year and 5 years	25.0	76.8	–51.8
More than 5 years	777.8	802.4	–24.6

73 Further information on hedge accounting

The interest rate swaps from fair value hedges (hedge accounting in accordance with IAS 39) have the following structure.

31 Dec 2018	Remaining life: Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Interest rate fair value hedges of financial assets				
Interest rate swaps (EUR)				
Nominal (€m)	145.0	351.2	3,639.7	2,165.2
Average fixed rate (%)	0.5	0.3	0.4	0.9
Interest rate swaps (USD)				
Nominal ($m)	–	83.1	499.0	1,862.6
Nominal (€m)[1]	–	72.6	435.8	1,626.7
Average fixed rate (%)	–	1.7	2.1	2.4
Interest rate swaps (GBP)				
Nominal (£m)	–	–	774.8	288.0
Nominal (€m)[1]	–	–	866.1	322.0
Average fixed rate (%)	–	–	1.0	1.4
Interest rate swaps (CAD)				
Nominal (C$m)	–	–	287.0	424.6
Nominal (€m)[1]	–	–	183.9	272.1
Average fixed rate (%)	–	–	2.1	2.1
Interest rate swaps (JPY)				
Nominal (¥m)	–	–	4,337.0	–
Nominal (€m)[1]	–	–	34.5	–
Average fixed rate (%)	–	–	0.2	–
Interest rate swaps (Other currencies)				
Nominal (€m)[1]	–	–	44.4	76.8
Interest rate fair value hedges of financial liabilities				
Interest rate swaps (EUR)				
Nominal (€m)	50.0	125.0	549.5	125.0
Average fixed rate (%)	3.9	4.0	0.6	0.9

[1] The conversion is made at the rate on the balance sheet date.

The carrying value adjustments are broken down according to the hedged underlying transactions as follows:

€m	31 Dec 2018 Carrying amount of the hedged items	31 Dec 2018 Accumulated valuation result of the hedged items[1), 2)]	31 Dec 2018 Valuation result of the hedged items for the reporting period[3)]	31 Dec 2017 Carrying amount of the hedged items	31 Dec 2017 Accumulated valuation result of the hedged items[1), 2)]	31 Dec 2017 Valuation result of the hedged items for the reporting period[3)]
Interest rate fair value hedges						
Assets measured at cost						
Due from banks	1,405.9	6.6	12.5	N/A	N/A	N/A
Due from customers	5,049.0	–9.6	18.0	N/A	N/A	N/A
Debt securities and other fixed-interest securities	782.2	8.9	8.9	N/A	N/A	N/A
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	3,001.1	18.6	18.6	N/A	N/A	N/A
Liabilities measured at cost						
Due to banks	165.4	1.2	0.6	N/A	N/A	N/A
Due to customers	199.0	4.6	6.4	N/A	N/A	N/A
Securitised liabilities	375.2	0.6	–1.7	N/A	N/A	N/A
Subordinated capital	136.1	3.6	–1.1	N/A	N/A	N/A

1) The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item.
2) Amounts with a positive leading sign represent an increase of value and amounts with a negative leading sign a decrease of value.
3) Includes the change in value of the hedged items used for recognising the ineffectiveness for the reporting period.

Other disclosures

74 Equity 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 [75] "Regulatory capital (own funds)").

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

To assess risk-bearing capacity on a differentiated basis, the Deka Group distinguishes between the risk capacity, 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 result is what is known as the maximum risk appetite, which forms the primary strategic management indicator. Taking into account other deductible items (hidden charges and reserves, own creditworthiness effect, buffer for model uncertainties, allocation reserve), the primary operational management indicator is risk appetite.

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.

75 Regulatory capital (own funds)

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

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

The composition of capital and reserves is shown in the following table:

	31 Dec 2018		31 Dec 2017	
€m	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Subscribed capital	286	286	286	286
Less repurchased Common Equity Tier 1 items	95	95	95	76
Open reserves	4,646	4,646	4,445	4,445
Other comprehensive income	79	79	132	109
Prudential filters	63	63	107	105
Deductions from Common Equity Tier 1 items	236	236	253	202
Common Equity Tier 1 (CET 1) capital	**4,460**	**4,460**	**4,145**	**4,238**
Additional Tier 1 capital instruments	474	474	474	474
Silent capital contributions	–	21	–	26
Deductions from Additional Tier 1 items	–	–	–	63
Additional Tier 1 (AT 1) capital	**474**	**495**	**474**	**437**
Tier 1 capital	**4,933**	**4,954**	**4,619**	**4,676**
Subordinated liabilities	807	807	823	823
Deductions from Tier 2 items	–	–	–	6
Tier 2 (T2) capital	**807**	**807**	**823**	**817**
Own funds	**5,741**	**5,762**	**5,442**	**5,492**

The increase in Tier 1 capital is mainly due to the reinvestment of profits from the 2017 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 2018		31 Dec 2017	
€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	18,744	18,744	15,568	15,568
Market risk	6,348	6,348	5,127	5,127
Operational risk	3,365	3,365	3,242	3,242
CVA risk	565	565	950	950
Risk-weighted assets	**29,021**	**29,021**	**24,886**	**24,886**

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

	31 Dec 2018		31 Dec 2017	
%	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	15.4	15.4	16.7	17.0
Tier 1 capital ratio	17.0	17.1	18.6	18.8
Total capital ratio	19.8	19.9	21.9	22.1

In these consolidated financial statements, the composition of regulatory own funds and the above key ratios disregard the effects of adopting IFRS 9 (see Statement of Changes in Equity and note [3] "Effects of applying IFRS 9"). The effects arising will be taken into account in regulatory own funds and the key ratios for the first time upon the approval of the audited IFRS consolidated financial statements for 2018.

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

76 Contingent liabilities and other obligations

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

€m	31 Dec 2018	31 Dec 2017	Change
Irrevocable lending commitments	2,124.1	1,283.8	840.3
Other liabilities	86.5	62.9	23.6
Total	**2,210.6**	**1,346.7**	863.9

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

As in the previous year, other financial liabilities include payment obligations of €0.1m and subsequent funding obligations of €5.1m (previous year: €5.1m) to unconsolidated companies or companies outside the Group. There is an additional funding obligation for the deposit guarantee scheme of the Landesbanken and Girozentralen of €62.4m (previous year: €57.7m). By 2024, the assets held in the guarantee scheme must be built up to the statutory target level of 0.8% of the covered deposits held by members of the guarantee scheme. Each year the guarantee scheme collects contributions from its members for this purpose.

The bank guarantees provided by DekaBank are financial guarantees under IFRS and are stated net in accordance with IFRS 9. The nominal amount of the guarantees in place as at the reporting date was €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). 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 the scope of section 42 of the German Tax Code 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 €19m may arise in this regard.

77 Assets transferred as collateral

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

€m	31 Dec 2018	31 Dec 2017	Change
Carrying value of transferred collateral			
Under *Pfandbrief* Act	3,923.6	3,924.9	–1.3
For refinancing purposes with Deutsche Bundesbank	961.4	1,591.8	–630.4
From transactions on German and foreign futures exchanges	83.1	2.1	81.0
From repurchase agreements	633.8	726.0	–92.2
From securities lending agreements	6,012.8	4,047.2	1,965.6
From tri-party transactions	2,798.0	3,165.0	–367.0
From other transactions	282.8	262.8	20.0
Loan and securities collateral	**14,695.6**	**13,719.8**	975.8
Cash collateral relating to securities lending and repurchase agreements	61.0	649.5	–588.5
Cash collateral relating to derivative transactions	2,188.2	1,905.3	282.9
Cash collateral	**2,249.3**	**2,554.8**	–305.5
Total	**16,944.9**	**16,274.6**	670.3

78 Assets received as collateral

In the Deka Group, collateral is accepted to reduce default risks resulting from lending and trading transactions.

In the Deka Group's lending business, the collateral currently used includes, depending on the type of financing, the following in particular: guarantees and sureties from domestic local authorities or recognised export credit insurers, charges on commercial and residential property and registered liens on ships and aircraft, as well as assignments of receivables and cash collateral. Valuation of collateral and of any discounts applied is primarily based on the creditworthiness of the party providing the guarantee, or in the case of physical collateral, on the market value, fair value or lending value of the financed property. The collateral received in the lending business is tested for impairment on a regular basis, at least once a year. Each type of collateral is subject to a risk-oriented review cycle, in both formal and substantive terms. Internally, deductions are generally made to take account of fluctuations in value and realisation risks. Credit balances maintained in the Deka Group are counted in full.

Credit derivatives and netting agreements for derivatives and repo lending transactions are used in the Deka Group to reduce credit risks. In addition, financial collateral in the form of securities (shares and bonds) and/or cash collateral is received for derivatives and repo lending transactions. The securities collateral permitted in repo lending transactions is defined in a DekaBank-specific Collateral Policy. Compliance is monitored daily by the Risk Control unit. In order to reduce the risks resulting from fluctuations in the market price of the collateral accepted, collateral discounts or overcollateralisation and a daily additional contribution obligation to maintain the overcollateralisation are agreed with the counterparty.

Collateral received for repurchase agreements, securities lending transactions and other securities transactions that may be re-pledged or resold even if the party providing the collateral does not default amounted to €70.1bn (previous year: €62.3bn). Of this total, €48.7bn (previous year: €38.9bn) was resold or re-pledged.

79 Financial instruments transferred but not derecognised

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

€m	31 Dec 2018	31 Dec 2017	Change
Carrying value of non-derecognised securities in relation to			
Genuine repurchase agreements			
thereof financial assets measured at amortised cost	271.6	108.1	163.5
thereof financial assets measured at fair value through other comprehensive income	13.2	N/A	N/A
thereof financial assets measured at fair value through profit or loss	335.5	559.9	–224.4
Securities lending transactions			
thereof financial assets measured at amortised cost	88.4	65.5	22.9
thereof financial assets measured at fair value through other comprehensive income	19.3	N/A	N/A
thereof financial assets measured at fair value through profit or loss	589.5	418.8	170.7
Other transfers not constituting economical disposal			
thereof financial assets measured at amortised cost	867.9	770.9	97.0
thereof financial assets measured at fair value through other comprehensive income	8.3	N/A	N/A
thereof financial assets measured at fair value through profit or loss	27.4	23.7	3.7
Total	**2,221.1**	**1,946.9**	274.2

Liabilities of €1,520.0m (previous year: €1,460.6m) were recorded for financial instruments transferred but not derecognised.

80 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.

Luxembourg.

81 Information on holdings in subsidiaries

Composition of the Deka Group

In addition to DekaBank as the parent company, the consolidated financial statements include a total of 11 (previous year: 10) domestic companies and 6 (previous year: 6) foreign affiliated companies in which DekaBank directly or indirectly holds the majority of the voting rights. In addition, the scope of consolidation includes 10 (previous year: 7) structured entities that are controlled by the Deka Group.

A total of 11 (previous year: 15) affiliated companies controlled by the Deka Group were not consolidated, because they are of minor significance for the presentation of the financial position and financial performance of the Group. The interests held in these subsidiaries are reported under financial assets at fair value (see note [48]). Where they are of minor significance to the consolidated financial statements, structured entities are also not consolidated (see note [83] "List of shareholdings"). To determine their significance for the presentation of the financial position and financial performance of the Group, investment funds are assessed using both qualitative and quantitative criteria. Units in unconsolidated investment funds are recognised at fair value through profit or loss. These are shown on the balance sheet under financial assets at fair value (see note [48]).

Significant restrictions

Significant restrictions on the Group's ability to access or use assets and settle liabilities arise in particular as a result of the contractual, legal and regulatory requirements that apply to financial institutions (see note [75] "Regulatory capital (own funds)" and note [77] "Assets transferred as collateral" with regard to restrictions associated with the pledging of cash, loans or securities as collateral to cover Group liabilities under, for example, genuine repurchase agreements, securities lending transactions and over-the-counter derivatives transactions.

Banks are also obliged to maintain mandatory deposits in accounts held with their national central banks (minimum reserve requirement). The extent of the mandatory minimum reserve is determined by the central banks (see note [44] "Cash reserves").

Interests in joint arrangements and associates

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

Joint ventures and associates which have been accounted for using the equity method can be found in the list of shareholdings (see note [83]).

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

	Joint ventures[1]	
€m	**31 Dec 2018**	**31 Dec 2017**
Carrying value of equity participation	**16.4**	**16.0**
Profit or loss after tax from discontinued business operations	0.5	11.2
Other comprehensive income	–	–2.1
Total income[2]	**0.5**	**9.1**

[1] At the time of the preparation of DekaBank's consolidated financial statements, no consolidated financial statements were available for S-PensionsManagement GmbH for 2018. 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

82 Information on holdings in unconsolidated structured entities

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

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

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

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

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 €345.6bn (previous year: €354.4bn). This amount includes all fund assets and also the fund assets of third parties in which the Deka Group has an interest within the meaning of IFRS 12, irrespective of the percentage of the Deka Group's unit holding. Fund assets calculated exclusively for the purposes of the IFRS 12 disclosures do not correspond to the key indicator total customer assets used for management purposes.

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 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. Securitisation products are reported under financial assets at fair value on the balance sheet within the Deka Group; 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 €1.3bn (previous year: €1.9bn).

	Subordinated interest		Mezzanine interest		Senior interest		Most Senior interest	
€m	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
CLO								
Maximum exposure to credit risk	–	–	12.8	38.0	2.3	9.2	–	–
Potential losses of prior-ranking creditors[1]	–	–	60.0	76.9	–	–	–	–
CMBS								
Maximum exposure to credit risk	–	–	–	11.3	–	2.4	–	–
Potential losses of prior-ranking creditors[1]	–	–	–	157.8	–	–	–	–
RMBS								
Maximum exposure to credit risk	–	–	68.7	91.7	1.6	1.9	8.7	13.9
Potential losses of prior-ranking creditors[1]	18.6	19.8	112.8	116.8	–	–	–	–

[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, real estate and retail portfolio risk segments. The financing concerned is generally collateralised by charges on property, aircraft mortgages, ship mortgages, and sureties and guarantees. In addition, unsecured financing in the form of a promissory note loan was

concluded in the year under review, some of which was also assigned to third parties. To secure the claims, the financed asset (consumer loan portfolio) was transferred by a structured entity to a security trustee.

When determining the size of the financing classified as structured, the total assets shown in the current available financial statements or the market value of the financed asset were used. This figure amounts to €1.9bn (previous year: €1.6bn).

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

	Investment funds		Lending business[1]		Securitisation entities[1]	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Asset items						
Due from customers	2,377.0	1,638.5	643.5	411.9	–	–
Financial assets at fair value	2,361.2	2,545.6	648.9	–	94.1	167.3
Financial investments	–	–	4.0	4.4	–	1.1
Other assets	0.0	0.4	–	–	–	–
Total asset items	**4,738.2**	**4,184.5**	**1,296.4**	**416.3**	**94.1**	**168.4**
Liability items						
Due to customers	12,399.6	12,722.1	0.0	0.6	–	–
Financial liabilities at fair value	118.3	570.4	–	–	–	–
Other liabilities	1.2	2.0	–	–	–	–
Total liability items	**12,519.1**	**13,294.5**	**0.0**	**0.6**	**–**	**–**
Contingent liabilities and other obligations					**–**	**–**
Irrevocable lending commitments	–	–	0.7	0.6	–	–
Other liabilities	–	–	5.6	5.1	–	–
Total contingent liabilities and other obligations	**–**	**–**	**6.3**	**5.7**	**–**	**–**
Maximum exposure to loss	**4,738.2**	**4,184.5**	**1,302.7**	**422.0**	**94.1**	**168.4**

[1] Including risk provisions

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

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

In addition, provisions are established for investment funds with formal guarantees (see note [61] "Other provisions").

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

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 2018, there were no sponsored unconsolidated entities.

83 List of shareholdings

DekaBank Deutsche Girozentrale, Frankfurt am Main/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 % 31 Dec 2018
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 International GmbH, Frankfurt/Main (formerly: Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main)	100.00
Deka Real Estate Services USA Inc., New York	100.00
Deka Vermögensmanagement GmbH, Frankfurt/Main (formerly: Landesbank Berlin Investment GmbH, Berlin)	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
International Fund Management S.A., Luxembourg	100.00
S Broker Management AG, Wiesbaden	100.00
S Broker AG & Co. KG, Wiesbaden	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74[1]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

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

Consolidated subsidiaries (structured entities):

Name, registered office	Share in fund assets % 31 Dec 2018
Investment funds	
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
Masterfonds S Broker, Frankfurt/Main	100.00
S Broker 1 Fonds, Frankfurt/Main	100.00
Lending business	
Treasury One UG (haftungsbeschränkt) & Co. KG, Hamburg	
Treasury Two Shipping Limited, Majuro (Marshall Islands)	
Treasury Three Shipping Limited, Majuro (Marshall Islands)	

Joint ventures and associated companies consolidated at equity:

Name, registered office	Share of equity % 31 Dec 2018	Equity €'000 31 Dec 2018[1]	Total of profit or loss €'000 31 Dec 2018[1]
Joint ventures			
S-PensionsManagement GmbH, Cologne	50.00	26,677.0	234.4
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00	32,011.4	13,426.9

[1] Amounts reported in financial statements for the year ended 31 December 2017

Joint ventures and associated companies not consolidated at equity:

Name, registered office	Share of equity % 31 Dec 2018
Joint ventures	
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Associated companies	
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.20

Unconsolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity % 31 Dec 2018
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka 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
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90

Unconsolidated structured entities:

Name, registered office	Fund assets €m 31 Dec 2018	Share of equity/ fund assets % 31 Dec 2018
Deka-BR 45, Frankfurt/Main	6.6	100.00
Deka-Institutionell Absolute Return Defensiv, Frankfurt/Main	49.8	100.00
Deka-Institutionell Absolute Return Dynamisch, Frankfurt/Main	49.2	100.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	67.3	100.00
Deka-Multi Strategie Global PB, Frankfurt/Main	49.7	100.00
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	2.0	94.51
Deka-MultiFactor Global Corporates, Luxembourg	35.2	92.45
Deka-MultiFactor Global Corporates HY, Luxembourg	30.5	75.69
Deka-MultiFactor Emerging Markets Corporates, Luxembourg	25.4	73.57
Deka-Relax 50, Frankfurt/Main	0.7	72.15
Deka-MultiFactor Global Government Bonds, Luxembourg	21.4	68.29
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	29.7	64.74
Deka-BasisStrategie Aktien, Frankfurt/Main	17.8	61.64
Deka-Relax 70, Frankfurt/Main	0.9	54.05
Deka-Relax 30, Frankfurt/Main	0.9	50.82
Deka Eurozone Rendite Plus 1-10 UCITS ETF, Frankfurt/Main	32.7	49.61
Deka MSCI Japan UCITS ETF, Frankfurt/Main	60.2	46.50
Deka-EuroFlex Plus, Luxembourg	131.6	41.40
Deka MSCI World UCITS ETF, Frankfurt/Main	35.1	39.81
Deka-ImmobilienNordamerika, Frankfurt/Main	250.9	29.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Mittelstandskreditfonds I, Frankfurt/Main	72.4	21.49
Deka Deutsche Boerse EUROGOV® Germany 1-3 UCITS ETF, Frankfurt/Main	444.7	20.41

84 Related party disclosures

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

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

	Board of Management		Administrative Board	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Short-term benefits	3.3	3.2	0.7	0.7
Post-employment benefits	2.0	2.0	–	–
Other long-term benefits	2.5	2.4	–	–
Total	**7.8**	**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 dealings with shareholders of DekaBank and unconsolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Asset items				
Due from customers	–	45.0	0.1	1.5
Financial assets at fair value	–	–	3.1	5.2
Other assets	–	–	0.3	0.3
Total asset items	**–**	**45.0**	**3.5**	**7.0**
Liability items				
Due to customers	41.1	46.0	63.6	32.6
Financial liabilities at fair value	–	–	0.3	1.2
Other liabilities	–	–	0.0	0.2
Total liability items	**41.1**	**46.0**	**63.9**	**34.0**

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

	Joint ventures/ associated companies		Other related parties	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Asset items				
Due from customers	0.0	–	0.0	–
Financial assets at fair value	1.5	–	–	2.6
Other assets	0.4	0.5	0.7	0.4
Total asset items	**1.9**	**0.5**	**0.7**	**3.0**
Liability items				
Due to customers	425.5	55.0	313.0	636.9
Financial liabilities at fair value	53.2	33.4	0.0	0.8
Total liability items	**478.7**	**88.4**	**313.0**	**637.7**

85 Average number of staff

	2018			2017		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Full-time employees	2,543	1,063	3,606	2,502	1,065	3,567
Part-time and temporary employees	198	721	919	168	684	852
Total	**2,741**	**1,784**	**4,525**	**2,670**	**1,749**	**4,419**

86 Remuneration of Board members

€	**31 Dec 2018**	**31 Dec 2017**
Total remuneration of active Board members		
Board of Management	5,516,325	5,318,673
Administrative Board	711,333	709,417
Total remuneration of former Board members and their surviving dependents		
Board of Management	4,369,136	4,848,031
Provisions for pensions for former Board members and their dependents	59,905,883	60,512,832

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 2018 financial year, variable remuneration elements that are dependent on future performance amounting to €2.2m (previous year: €2.4m) were committed to current 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 five years following the commit-

ment year. Sustainable components of remuneration granted are subject to a one-year holding period and are paid out after that period has elapsed as a general rule.

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. This means that the sustainable components of remuneration are subject to a malus rule and the entire variable remuneration components are subject to a clawback rule.

Total emoluments include deferred variable remuneration components from previous years payable to active members of the Board of Management amounting to €2.1m and to former members of the Board of Management amounting to €0.8m. The entitlement of active board members comprises €0.4m for the 2017 financial year, €0.7m for the 2016 financial year, €0.4m for the 2015 financial year, €0.3m for the 2014 financial year, €0.2m for the 2013 financial year and €0.1m for the 2012 financial year.

87 Auditor's fees

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

€m	2018	2017	Change
Fees for			
Year-end audit services	3.9	3.5	0.4
Non-audit services			
Other assurance services	0.9	0.7	0.2
Tax advisory services	0.0	0.2	–0.2
Other services	–	–	–
Total	**4.8**	**4.4**	0.4

88 Additional miscellaneous information

Post balance sheet events

No major developments of particular significance occurred after the 2018 balance sheet date.

Recommendation regarding appropriation of net profit

The proposed appropriation of the net profit for the 2018 financial year of €63,270,682.38 is as follows:

- Distribution of a dividend amounting to €59,436,095.57, i.e. 31.0% on existing shares in the Bank's subscribed capital (€191,729,340.56) that are entitled to dividends as at 31 December 2018.
- Distribution of a special dividend amounting to €3,834,586.81. i.e. 2.0% on existing shares in the Bank's subscribed capital (€191,729,340.56) that are entitled to dividends as at 31 December 2018.

The consolidated financial statements were approved for publication on 22 February 2019 by the Board of Management of DekaBank.

Assurance of the Board of Management

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

Frankfurt/Main, 22 February 2019

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, 2018 to December 31, 2018, the balance sheet as of December 31, 2018, and the statement of changes in equity and the statement of cash flows for the financial year from January 1, 2018 to December 31, 2018, 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, 2018 to December 31, 2018.

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, 2018, and of its financial performance for the financial year from January 1, 2018 to December 31, 2018, 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, 2018 to December 31, 2018. 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 and 10 in the notes to the consolidated financial statements.

THE CONSOLIDATED FINANCIAL STATEMENT RISK

As of December 31, 2018, the Deka Group recognized "financial assets valued at fair value" totaling EUR 25.0 billion. At 24.9% of total assets this represents a significant item on the assets side for DekaBank and contains securities and derivatives, for which there is a quoted price on an active market and those for which a valuation method was used based on observable and/or unobservable market data (this corresponds to the fair value categories 1 to 3 of IFRS 13).

DekaBank applied the new financial reporting standard IFRS 9 Financial Instruments in accordance with requirements for the first time at the beginning of financial year 2018. The significant changes arising from IFRS 9 in respect of financial assets measured at fair value include the introduction of a new classification model that particularly includes amended requirements for the classification of debt instruments held as assets as "at amortized cost" or "measured at fair value through other comprehensive income". The criteria for measurement at amortized cost or fair value through OCI include compliance with the solely payments of principal and interest (SPPI) criterion, i.e. the contractual terms of the financial asset may only give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If the SPPI criterion is not met, the debt instrument is to be measured at fair value through profit or loss.

Risks for the consolidated financial statements could arise through an incorrect assessment of the SPPI criterion resulting in inappropriate classification and thus inappropriate measurement decisions, or through no appropriate market prices, valuation methods and models or valuation parameters incorporated therein being used when measuring the fair values in accordance 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 compliance with the SPPI criterion,
- the procurement and validation or independent verification of quoted prices and observable market data,
- the validation of the valuation methods and models as well as
- the fair value measurement of securities and derivatives

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

With the involvement of internal KPMG valuation experts, we carried out, inter alia, substantive audit procedures for portfolios of securities and derivatives selected based on a risk-oriented approach which included the following classification and valuation measures of the Bank:

- Compliance with the SPPI criterion.
- Carrying out an independent price verification if a quoted price on an active market exists.
- Where there are no quoted prices on an active market, we performed a re-evaluation using independent valuation methods, parameters and models.
- Assessment of the determination and recognition of value adjustments to measure fair value.

OUR OBSERVATIONS

The classification of financial assets measured at fair value and the market prices, valuation methods and models used for their measurement at DekaBank are appropriate. The parameters incorporated were properly derived.

Measurement of financial liabilities from the issuance of certificates measured at fair value
For the accounting policies applied, please refer to notes 9 and 10 in the notes to the consolidated financial statements.

THE CONSOLIDATED FINANCIAL STATEMENT RISK

The item "financial liabilities measured at fair value" represents 29.2% (EUR 29.3 billion) of the Deka Group's total equity and liabilities and includes certificate issuance measured on the basis of observable and non-observable input parameters.

The financial statement risk could lie in particular in there being no proper valuation methods and models or valuation parameters incorporated therein used when measuring the fair values.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we developed an audit approach, which encompasses both 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 or independent verification of quoted prices and observable market data,
- the validation of the valuation methods and models,
- the fair value measurement of certificates

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

With the involvement of internal KPMG valuation experts, we carried out, inter alia, the following substantive audit procedures for certificates selected based on a risk-oriented approach as of December 31, 2018:

- Re-evaluation using independent valuation methods, parameters and models. In this process, we covered the material product-model combinations of the Bank.
- Assessment of model reserves that are set aside for model uncertainties.
- Assessment of the discount curves (preferred/non-preferred) used for the valuation of certificates for which judgment is exercised in respect of DekaBank's own credit spreads.
- Assessment of the correct assignment of certificates to the newly introduced preferred/non-preferred discount curves based on the new legislation pursuant to section 46f KWG [Kreditwesengesetz: German Banking Act].

OUR OBSERVATIONS

The measurement methods and models used by DekaBank for the fair value measurement of financial liabilities from the issuance of certificates measured at fair value are appropriate. The parameters incorporated were properly derived.

The determination and recognition of net commission income from the fund business

For the accounting policies used, please refer to notes 16 and 35 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 2018 financial year the Deka Group recognized commission income from the fund business of EUR 2,191.6 million and commission expenses from the fund business of EUR 1,112.2 million.

The Deka Group generates commission income from the administration and/or sale of investment fund units when the preconditions pursuant to IFRS 15 are met. Accordingly, commission expenses, which mainly arise from remuneration to sales partners, are 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.

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 21, 2018. We were engaged by the Administrative Board on April 28, 2018. 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 DekaBank or subsidiaries of DekaBank services that are not disclosed in the consolidated financial statements or in the group management report

We performed an audit review of the interim (half-year) financial report. Furthermore, we also performed other assurance services, including custody account audits/audits pursuant to the German Securities Trading Act [WpHG], an assurance engagement pursuant to ISAE 3402 (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, which were approved by the Audit Committee.

Measurement of financial assets valued at fair value
For the accounting policies applied, please refer to notes 9 and 10 in the notes to the consolidated financial statements.

THE CONSOLIDATED FINANCIAL STATEMENT RISK

As of December 31, 2018, the Deka Group recognized "financial assets valued at fair value" totaling EUR 25.0 billion. At 24.9% of total assets this represents a significant item on the assets side for DekaBank and contains securities and derivatives, for which there is a quoted price on an active market and those for which a valuation method was used based on observable and/or unobservable market data (this corresponds to the fair value categories 1 to 3 of IFRS 13).

DekaBank applied the new financial reporting standard IFRS 9 Financial Instruments in accordance with requirements for the first time at the beginning of financial year 2018. The significant changes arising from IFRS 9 in respect of financial assets measured at fair value include the introduction of a new classification model that particularly includes amended requirements for the classification of debt instruments held as assets as "at amortized cost" or "measured at fair value through other comprehensive income". The criteria for measurement at amortized cost or fair value through OCI include compliance with the solely payments of principal and interest (SPPI) criterion, i.e. the contractual terms of the financial asset may only give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If the SPPI criterion is not met, the debt instrument is to be measured at fair value through profit or loss.

Risks for the consolidated financial statements could arise through an incorrect assessment of the SPPI criterion resulting in inappropriate classification and thus inappropriate measurement decisions, or through no appropriate market prices, valuation methods and models or valuation parameters incorporated therein being used when measuring the fair values in accordance 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 compliance with the SPPI criterion,
- the procurement and validation or independent verification of quoted prices and observable market data,
- the validation of the valuation methods and models as well as
- the fair value measurement of securities and derivatives

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

With the involvement of internal KPMG valuation experts, we carried out, inter alia, substantive audit procedures for portfolios of securities and derivatives selected based on a risk-oriented approach which included the following classification and valuation measures of the Bank:

- Compliance with the SPPI criterion.
- Carrying out an independent price verification if a quoted price on an active market exists.
- Where there are no quoted prices on an active market, we performed a re-evaluation using independent valuation methods, parameters and models.
- Assessment of the determination and recognition of value adjustments to measure fair value.

OUR OBSERVATIONS

The classification of financial assets measured at fair value and the market prices, valuation methods and models used for their measurement at DekaBank are appropriate. The parameters incorporated were properly derived.

Measurement of financial liabilities from the issuance of certificates measured at fair value
For the accounting policies applied, please refer to notes 9 and 10 in the notes to the consolidated financial statements.

THE CONSOLIDATED FINANCIAL STATEMENT RISK

The item "financial liabilities measured at fair value" represents 29.2% (EUR 29.3 billion) of the Deka Group's total equity and liabilities and includes certificate issuance measured on the basis of observable and non-observable input parameters.

The financial statement risk could lie in particular in there being no proper valuation methods and models or valuation parameters incorporated therein used when measuring the fair values.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we developed an audit approach, which encompasses both 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 or independent verification of quoted prices and observable market data,
- the validation of the valuation methods and models,
- the fair value measurement of certificates

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

With the involvement of internal KPMG valuation experts, we carried out, inter alia, the following substantive audit procedures for certificates selected based on a risk-oriented approach as of December 31, 2018:

- Re-evaluation using independent valuation methods, parameters and models. In this process, we covered the material product-model combinations of the Bank.
- Assessment of model reserves that are set aside for model uncertainties.
- Assessment of the discount curves (preferred/non-preferred) used for the valuation of certificates for which judgment is exercised in respect of DekaBank's own credit spreads.
- Assessment of the correct assignment of certificates to the newly introduced preferred/non-preferred discount curves based on the new legislation pursuant to section 46f KWG [Kreditwesengesetz: German Banking Act].

OUR OBSERVATIONS

The measurement methods and models used by DekaBank for the fair value measurement of financial liabilities from the issuance of certificates measured at fair value are appropriate. The parameters incorporated were properly derived.

The determination and recognition of net commission income from the fund business
For the accounting policies used, please refer to notes 16 and 35 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 2018 financial year the Deka Group recognized commission income from the fund business of EUR 2,191.6 million and commission expenses from the fund business of EUR 1,112.2 million.

The Deka Group generates commission income from the administration and/or sale of investment fund units when the preconditions pursuant to IFRS 15 are met. Accordingly, commission expenses, which mainly arise from remuneration to sales partners, are 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.

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 21, 2018. We were engaged by the Administrative Board on April 28, 2018. 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 DekaBank or subsidiaries of DekaBank services that are not disclosed in the consolidated financial statements or in the group management report

We performed an audit review of the interim (half-year) financial report. Furthermore, we also performed other assurance services, including custody account audits/audits pursuant to the German Securities Trading Act [WpHG], an assurance engagement pursuant to ISAE 3402 (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, which were approved by the Audit Committee.

German Public Auditor Responsible for the Engagement

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

Frankfurt am Main, 25 February 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Pukropski	Fox
Wirtschaftsprüfer	Wirtschaftsprüfer

German Public Auditor Responsible for the Engagement

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

Frankfurt am Main, 25 February 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
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Pukropski	Fox
Wirtschaftsprüfer	Wirtschaftsprüfer