The 'total customer assets' performance indicator includes the income-related volume of mutual and special fund products (including ETFs) in the Securities and Real Estate business divisions, direct investments in the funds of partner organisations, the portion of fund-based asset management activities attributable to partner organisation funds, third party funds and liquidity, and advisory/management mandates. It also includes the volume attributable to certificates and externally-managed master funds. Total customer assets have a significant impact on the level of net commission income. They are reflected at Deka Group level, differentiated according to customer segment (retail and institutional customers) and product category.

A distinction is made here between:

- mutual funds and fund-based asset management,
- special funds and mandates,
- certificates and
- ETFs.

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

## Economic report

### Economic environment

In 2016, the money and capital markets were once again shaped by the expansionary monetary policies of central banks in Europe, Japan and the USA. The European Central Bank's (ECB's) negative interest rate on deposits meant that returns on bond and money market products remained at an extremely low – and at times negative – level, which severely limited the income achievable from banks' and funds' liquid investments. The market environment also had an adverse impact overall on capital market and financing business. Demand in short-term capital markets business remained subdued in view of the virtually limitless availability of liquidity. Towards year-end, the US Federal Reserve's increase to key interest rates in December along with relatively good economic expectations suggested that the downturn had bottomed out, however there were no signs of an appreciable upward trend on the bond markets.

Conditions in asset management also worsened compared to the previous year. Despite the unattractive interest rates on deposits, which favoured securities investments, mutual investment funds recorded substantially lower cash inflows than in the previous year. Trends in the equity markets during the first half of the year contributed to the cautious attitude of investors. After a noticeably negative performance at the start of the year, continued political uncertainty curbed any sustained recovery in share prices, such that they largely moved sideways. Temporary turbulence arose during the Brexit vote in particular. By the end of the year, positive trends in corporate earnings and leading economic indicators provided fresh momentum. The equity markets also responded positively to the outcome of the presidential election in the USA. Volatility declined somewhat in comparison with the previous year, which had a negative impact on trading activities. The market for retail certificates and warrants also continued to cool. In property-related asset management, growth will continue to be constrained by the limited supply of properties in the core segment with acceptable yield profiles.

#### Overall economic conditions

Global growth momentum once again slowed slightly during 2016. According to estimates from Deka economists, global gross domestic product grew by just 2.9% during 2016, following growth of 3.0% in 2015. Declining growth rates were recorded in both the USA and Europe and in China. Only towards the end of the year did global leading indicators point towards economic recovery.

The eurozone recorded growth in gross domestic product of 1.7%, following growth of 1.5% in the previous year. The first half of the year in particular was dominated by political uncertainty, although this became less marked in the autumn. No negative effects arose from the Brexit vote or the drawn-out formation of a government in Spain.

At 1.9%, German gross domestic product grew somewhat more strongly in 2016 than in the previous year and also exceeded that of the eurozone as a whole. In this regard, private and government consumer spending proved to be an essential pillar for the economy, whereas new industrial orders and exports weakened.

## Sector-related conditions

### *Trends in money and capital markets*

Due to the significant downward revision of its inflation forecasts, on 10 March 2016 the ECB lowered the main refinancing rate from 0.05% to 0.00% and reduced the deposit rate by another 10 basis points to –0.40%. In addition, it increased the volume of bond purchases from €60bn to €80bn per month and commenced the purchase of non-financial sector corporate bonds. In December, the ECB announced that it would continue its securities purchases beyond March 2017, although only at a monthly level of €60bn. At the same time, however, it decided on changes to the programme's rules in order to counteract the shortage of long-term government bonds. The yields on ten-year government bonds already returned to positive territory in the run-up to the decision.

Spreads for corporate bonds tightened considerably as a result of the ECB's programme of bond purchases and the improved economic outlook, resulting at times in negative yields. The impact of the US election resulted in only a short-term increase in risk aversion. On a global basis, rising corporate earnings also sustained the tight spreads.

Yields on covered bonds and *Pfandbriefe* are following the upward trend of government bonds, at times reaching positive yield territory. As a result of the ongoing purchases by national central banks and a low number of new issues, the market has thinned out considerably.

Conditions for German equities remained fundamentally positive. Sentiment among companies, as measured by the ifo Economic Climate Index and the Purchasing Managers Index, was buoyant throughout the year, in light of the favourable financing conditions and improved economic prospects. In many cases, corporate sales and earnings exceeded analysts' forecasts. Towards the end of the year, slight uncertainty was reflected in business expectations (according to the ifo Economic Climate Index) following the surprising outcome of the US election, but the Purchasing Managers Index continued to rise. The German stock index (DAX) rose by 6.9% compared with the end of 2015 (10,743), to 11,481. The EURO STOXX 50 closed 0.7% above the 2015 year-end value while the Dow Jones recorded a significant gain of 13.4%.

### *Trends in property markets*

In European property markets there continued to be buoyant demand, driven by the favourable funding situation. However, the transaction volume did not quite reach the level of the previous year. Rentals rose further for both office space and logistics properties, with the latter benefiting in particular from booming online trade and restructuring in the retail sector. The decline in vacancy rates continued.

Initial returns in Europe (excluding the UK) continued to drop in 2016. The sharpest declines were experienced at locations in Germany, Eastern Europe and Spain. In the UK, where returns had already been stagnating since mid-2015, there were signs of an upward trend following the Brexit vote.

In the USA, demand for class A office space was somewhat weaker than in the prior year. Vacancy rates reduced marginally across the country, however the volume of new construction saw a moderate increase compared with previous years. Rental growth slowed in a number of locations, such as San Francisco and Seattle. Initial returns in the leading markets remained at historically low levels.

Asian office markets recorded high demand from international and regional institutional investors. Some markets, such as Singapore and Australian cities with a strong concentration of commodity companies, experienced falling rents. Vacancy rates rose slightly for the whole region. Returns at Australian locations fell even further.

#### *Investor attitudes*

In 2016, mutual funds, as recorded by the BVI, once again achieved a positive net inflow of funds (€6.5bn), although this was €65.4bn below the very strong level of the previous year. Mixed funds, much sought after in the previous year, suffered losses, while equity funds slid into negative territory. Mutual property funds and alternative investment funds recorded gains.

Sales of special funds also declined. The net inflow of funds was more than €24.3bn below the comparative figure for 2015, but at €96.3bn nonetheless remained clearly positive.

### Regulatory environment

Changes to regulations, both those already initiated and those in the pipeline, once again influenced the business model and profitability of the Deka Group during the 2016 financial year. Regulatory projects entail particularly significant costs and resource requirements.

#### *Regulatory topics*

The framework used to determine the minimum capital requirement for counterparty credit risks, which has been governed by the Capital Requirements Regulation (CRR) since January 2014, is currently being revised by the Basel Committee as part of the forthcoming Basel IV reforms. According to the supervisory authority's plans, there will be greater emphasis on the new Credit Risk Standardised Approach (CRSA). Deka currently applies the Internal Ratings-Based (IRB) approach to the majority of its loans. In future, the CRSA will need to be calculated for these loans in parallel. The risk-weighted assets for counterparty risks will then be set a minimum level equivalent to an as yet unspecified percentage – a so-called floor – of the RWAs under the CRSA. The risks weightings under the CRSA are significantly higher than under the IRB approach. Potentially, therefore, the capital requirement could rise enormously, depending on the still to be established level of the floor. In addition, the Basel Committee plans to greatly restrict application of the IRB approach. This would mean that the majority of Deka's portfolios would need to be assessed exclusively using the CRSA. According to the current status of negotiations on Basel IV, the restriction on using the IRB approach may yet be toned down. The timing of the first-time application of Basel IV in the area of counterparty risks is not yet known.

Another issue linked to Basel IV concerns the 'fundamental review of the trading book' (FRTB). The final standard for determining capital requirements for market risk was published in January 2016. At present, it is anticipated that first-time application for EU credit institutions will be legally binding in 2021. It contains amended provisions on defining boundaries between the banking book and trading book, an amended standardised approach and a revised internal model. The new regulation is expected to lead to an increase in RWAs.

As part of the revision to European capital and liquidity regulations (CRR II/CRD V), there are also plans to tighten the large exposures regime. The large exposure limit will no longer be defined according to the level of total own funds, but instead according to the level of Equity Tier 1 capital. In addition, when collateral is accepted, the collateral provider or issuer of the financial collateral shall be required to take the loan into account in their large exposure limit. As a result of the more stringent provisions, dealing with large exposure risks will be managed in a more restrictive manner.

In the course of implementing the Bank Recovery and Resolution Directive (BRRD) as well as the accompanying regulation on the Single Resolution Mechanism (SRM), in the second half of 2016 the resolution authority began to draft the recovery plan for DekaBank, which will continue to be refined during 2017. Preparation of the plan will include an assessment of DekaBank's resolvability. If the competent resolution authority should identify obstacles to recovery, it may demand that DekaBank take steps to eliminate them.

Under the BRRD, banks are also obliged to adhere to minimum requirements on holding own funds and eligible liabilities for the purposes of loss absorption and recapitalisation in the event the bank is wound up (Minimum Requirement for Eligible Liabilities – MREL). The amount of this minimum requirement will be determined by the resolution authority on the basis of the recovery plan, at the level of individual institutions. A mandatory MREL to be maintained has not yet been specified for DekaBank.

Directive 2014/49/EU of the European Parliament and of the Council of April 2014 on deposit guarantee schemes (European Deposit Guarantee Schemes Directive) harmonised the requirements for national deposit guarantee schemes at a European level, and was transposed into German law in mid-2015. A comprehensive protection obligation together with improved funding requirements were introduced for all credit institutions. In addition, the time limits for paying compensation to depositors were reduced. However, the reforms are not yet complete. In the June 2015 report "Completing Europe's Economic and Monetary Union", the Presidents of the European Commission, the Euro Summit, the Eurogroup, the European Central Bank and the European Parliament proposed introducing a single European deposit insurance scheme (EDIS). The intention is for this to form the third pillar of a banking union alongside the Single Supervisory Mechanism and the Single Resolution Mechanism. Such a system could be developed at European level initially as reinsurance for national deposit guarantee schemes.

***Product and performance-related regulatory proposals***

As they deal with investor protection and market infrastructure, the revised Markets in Financial Instruments Directive (MiFID II) and the accompanying Markets in Financial Instruments Regulation (MiFIR), which govern the performance of investment services in regulated markets and OTC trading, affect virtually the entire product and services portfolio of the Deka Group. The directives include new regulations in relation to commission, product governance and record-keeping obligations aimed at improving investor protection, as well as extended obligations for institutions with proprietary trading ("systematic internaliser"), new provisions for automated trading and derivatives trading, and new reporting obligations in securities trading. DekaBank is implementing the requirements in close cooperation with the DSGV. First-time application is scheduled for January 2018. For DekaBank this will lead in particular to higher costs for securities and derivatives trading and also liability risks.

***Tax policy developments***

At a national level, attention should be paid to changes resulting from the German Investment Tax Reform Act (*Investmentsteuerreformgesetz* – InvStRefG), which will generally take effect from 1 January 2018. This means that in future both mutual funds and special funds will be liable to corporation tax on income from domestic equities, rental income and gains on property disposals. For this there will be a flat rate, pro-rated tax exemption depending on specific investment ratios. The reform is not aimed at increasing the tax burden for investors.

Tax risks arise as a result of recent judgements by fiscal courts regarding attribution of the beneficial ownership of shares that have been acquired through securities lending transactions. The tax policy approach and the fiscal authorities' final interpretation of developments in case law are still pending. In the individual and consolidated financial statements, all matters have been considered on the basis of currently applicable legislation.

## Business development and profit performance in the Deka Group

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

With an economic result of €415.1m, the Deka Group finished the reporting year below the strong result of the previous year, €610.6m, in line with expectations. The decline was primarily due to significantly higher allocations to loan loss provisions in relation to ship financing, as a result of market conditions. At €1,107.4m, commission income, an important and sustainable component of earnings, was able to match the good prior year figure.

In asset management growth momentum remained intact. Despite an extremely challenging capital market environment, net sales performance remained at a high level, and at €16.9bn was only 13.3% below the high result of the previous year (€19.5bn). A reduction in relation to mutual funds, which was, however, less pronounced than the level experienced by competitors, thanks to significant growth in equity and property funds as well as the successful introduction of new multi-asset products, was offset by robust growth in certificates. Due to the high level of net fund inflows overall, Deka was able to consolidate its market position. The high levels achieved in the previous year were not quite reached for special funds and mandates.

**Net sales Deka Group** *(Fig. 1)*

| €m | 2016 | 2015 |
|---|---|---|
| **Net sales Deka Group** | **16,914** | **19,505** |
| **by customer segment** | | |
| Retail customers | 7,710 | 10,196 |
| Institutional customers | 9,204 | 9,308 |
| **by product category** | | |
| Mutual funds and fund-based asset management | 4,265 | 8,462 |
| Special funds and mandates | 4,933 | 5,861 |
| Certificates | 7,528 | 4,569 |
| ETFs | 188 | 613 |

The increase of €16.8bn in total customer assets to €256.8bn reflects both a high level of new business and the healthy performance of individual products, offset by outflows due to distributions.

**Total customer assets Deka Group** *(Fig. 2)*

| €m | 31 Dec 2016 | 31 Dec 2015 | Change | |
|---|---|---|---|---|
| **Total customer assets Deka Group** | **256,805** | **240,045** | 16,760 | 7.0% |
| **by customer segment** | | | | |
| Retail customers | 128,650 | 123,058 | 5,592 | 4.5% |
| Institutional customers | 128,155 | 116,987 | 11,168 | 9.5% |
| **by product category** | | | | |
| Mutual funds and fund-based asset management | 130,471 | 126,351 | 4,120 | 3.3% |
| Special funds and mandates | 102,934 | 94,846 | 8,088 | 8.5% |
| Certificates | 15,079 | 11,797 | 3,282 | 27.8% |
| ETFs | 8,321 | 7,050 | 1,271 | 18.0% |

Utilisation of risk capacity fell further compared to the already modest level at the end of 2015 (41.6%) and was 35.2% at the 2016 reporting date. Decisive factors for this included the sharper fall in total risk due to the selective reduction of positions combined with a slight simultaneous decline in risk capacity.

The Deka Group's liquidity position remained very comfortable throughout the year and across all relevant maturities. The minimum requirements for the liquidity coverage ratio (LCR) were clearly exceeded.

The Common Equity Tier 1 capital ratio, which is calculated by reference to the CRR/CRD IV requirements without the transitional provisions (fully loaded), increased considerably compared to the 2015 year-end (12.4%), to 16.7%. Crucial to this was the noticeable decrease in risk assets due to the reduction in market risk positions, but most of all the first-time application of an internal model for general market price risk. Common Equity Tier 1 capital was strengthened through reinvestment of net profits from 2015. The total capital ratio (fully loaded) amounted to 22.2%.

DekaBank achieved a satisfactory result in the EU-wide bank stress tests conducted by the European Banking Authority (EBA). In the baseline scenario it attained a Common Equity Tier 1 capital ratio of 14.2% as at the end of 2018. In the adverse scenario the resulting Common Equity Tier 1 capital ratio was 9.5% as at the same date. This means that DekaBank is solidly positioned even in the event of extreme macroeconomic developments. The EBA did not stipulate a target minimum ratio.

As a result of the Supervisory Review and Evaluation Process (SREP) conducted in 2016, new minimum capital requirements were set for the Deka Group for the 2017 financial year.

According to these, the required Common Equity Tier 1 capital ratio (including the transitional provisions) is 7.18%. This ratio is composed of the Pillar 1 minimum capital requirement (4.5%), the Pillar 2 requirement (P2R, 1.25%), the capital conservation buffer (1.25%), the countercyclical capital buffer (currently 0.02%) and the capital buffer for other systemically important institutions (0.16%). The capital requirement for the total capital ratio (phase-in) is 10.68% for 2017.

At the end of the year, the Deka Group significantly exceeded the SREP requirement.

### Comparison of forecast and actual growth

Expectations regarding Deka Group's results in 2016, as set out in the forecast report of the 2015 Group management report and updated in the 2016 interim report, were largely confirmed or exceeded.

**Deka Group key performance indicators** *(Fig. 3)*

| | | 31 Dec 2015 | Forecast report 2015 | Half-year report 2016 | 31 Dec 2016 | Change | |
|---|---|---|---|---|---|---|---|
| Economic result | €m | 610.6 | At around the average of last five years | Moderately below the long-term average | 415.1 | −195.5 | −32.0% |
| Total customer assets | €bn | 240.0 | Slight increase | Slight increase | 256.8 | 16.8 | 7.0% |
| Net sales | €bn | 19.5 | Slight decrease | Slight decrease | 16.9 | −2.6 | −13.3% |
| Common Equity Tier 1 capital ratio | % | 12.4 | At around the previous year | At around the half year figure | 16.7 | 4.3%-points | |
| Utilisation of total risk-bearing capacity | % | 41.6 | Moderate increase | Moderate increase | 35.2 | −6.4%-points | |

### Ratings

DekaBank's ratings remain some of the best among its peer group of German commercial banks. During the course of the financial year and at the start of 2017, the rating agency Moody's confirmed the "long-term senior unsecured and issuer rating" as Aa3, while its deposit rating has been Aa2 since being raised by one notch in January 2016. The outlook for both ratings is stable. The short-term rating remains unchanged at P-1. In September 2016, Standard & Poor's (S&P) confirmed the long-term issuer rating of A with a positive outlook as well as the short-term rating of A-1. In February 2017, S&P reassessed DekaBank's issuer rating and raised it considerably to A+ with a stable outlook, primarily due to the sustainable integration of DekaBank in the *Sparkassen-Finanzgruppe*. The short-term rating was once again confirmed as A-1.

In light of new insolvency legislation in force in Germany since January 2017, in 2016 Moody's and S&P decided to reflect in their ratings the difference between the insolvency rankings of those senior (unsubordinated) unsecured liabilities that in the event of insolvency rank before debt securities within the meaning of Section 46f (6) p.1 of the German Banking Act (*Kreditwesengesetz* – KWG) (complex structured bonds), and other senior unsecured liabilities. This means that senior unsecured bonds are now split between two classes. In accordance with this subdivision, at the end of November Moody's upgraded the rating of structured bonds to the deposit rating (Aa2) and introduced a separate debt classification (senior-senior unsecured debt) for these instruments. In mid-December, S&P commenced a rating watch action for senior unsecured bonds, which it concluded in February 2017. As announced, S&P has now introduced an additional debt classification. This subdivides the former 'senior unsecured debt' class into two layers, 'senior unsecured debt' and 'senior subordinated debt'. S&P designates complex structured bonds as senior unsecured debt. Senior unsecured liabilities are classified as senior subordinated debt. Bonds classified as senior unsecured debt are now rated A+, while those in the senior subordinated debt category are rated A.

The ratings for *Pfandbriefe* issued by DekaBank have not changed, with S&P providing a rating of AAA and Moody's rating them at Aaa.

The rating assessments of both agencies reflect the high strategic importance of the Deka Group to the savings bank sector as well as the adequate capital and liquidity base for its business model. The stable short-term ratings in particular are crucial to the Group's ability to fully implement a diversified funding strategy.

**Profit performance of the Deka Group**

With an economic result of €415.1m (previous year: €610.6m), as expected the Deka Group was unable to reach the level of the strong prior year result. The decline in the result is essentially attributable to market-related factors such as the low interest rate environment, but most of all is due to revised forecasts for ship charter rates and sharply falling ship values, which led to very high allocations to loan loss provisions for existing loans in relation to ship financing granted before 2010. Commission income was almost able to match the result of the previous year, while financial income actually exceeded the comparative figure for 2015. Overall, income (after provisions for loan losses) of €1,524.1m in the previous year decreased to 1,403.7m. Expenses rose in comparison to the previous year to €988.6m, in line with expectations. This was due in particular to higher personnel and operating expenses as part of the ongoing development of the multi-channel strategy as well as for projects to fulfil regulatory requirements.

The cost/income ratio increased marginally from 57.7% at the previous year-end reporting date to 60.7%. Return on equity (before tax) was 9.4% (previous year: 14.8%). The year-on-year decline in the ratio reflects the increased equity but also the lower economic result.

As expected, net interest income fell compared with the previous year's figure (€182.7m) to €139.2m. The tough market conditions led to a lower contribution to earnings from short-term liquidity investment. In both the Financing business division and the real estate financing within the Real Estate business division, net interest income was moderately below the previous year's result.

The requirement for loan loss provisions rose substantially compared with the previous year's figure, increasing from €79.5m to €209.8m. Lending accounted for €194.6m (previous year: €65.2m). This was largely due to additions to specific provisions in the Financing business division – especially for loans in relation to ship financing granted prior to 2010. Risk provisions for securities in the categories 'loans and receivables' (LaR) and 'held to maturity' (HtM) amounted to €15.2m and were thus close to the level of the previous year (€14.3m).

At €1,107.4m, commission income was able to almost equal the previous year's good result of €1,111.0m. Viewed from a net perspective, portfolio commissions in investment fund business were around the level of the previous year, despite the lower average annual share price levels. The increase in total customer assets due to strong net sales performance and solid fund performance was a contributing factor. In addition, buying and construction fees in property fund business exceeded the comparative figure for 2015. By contrast, commission income from banking transactions fell, primarily due to lower contributions from commission business.

Total net financial income increased overall by 57.4% to €316.5m (previous year: €201.1m). This comprises all income elements of the trading book portfolios, the valuation result and net income from selling relating to the banking book portfolios and the above-mentioned risk provisions for securities in the LaR and HtM categories.

Net financial income from trading book portfolios reduced by 13.7% versus the high level of the previous year (€292.9m) to €252.8m. The contribution to earnings from the Collateral Trading unit declined, as expected. The Trading & Structuring unit was able to match the strong performance of the previous year as a result of exceptionally high demand for structured securities. In the previous year, net financial income included income from the release of a general provision for potential risks of €17.6m.

Net financial income from banking book portfolios of €78.9m significantly exceeded the comparative figure for 2015 (€–77.5m). This was primarily due to positive valuation effects brought about by the development of spreads in own issues. Conversely, in the previous year the result was adversely affected by negative valuation effects. During the reporting year, an amount of €10m was booked to the general provision to cover potential risks.

Within the previous year's net financial income, a reduction to the provision resulted in a positive contribution to earnings totalling around €13m. Additions to or releases from the general provision are reflected in the economic result outside the IFRS profit or loss and without specific allocation to business divisions. The risk provision for securities (LaR/HtM) mentioned above varied only marginally from the previous year's figure.

Other operating income in the amount of €35.2m was substantially lower than the previous year's figure of €94.5m. This was primarily attributable to actuarial losses relating to pension provisions amounting to €15.2m, due to a decline in the actuarial interest rate from 2.30% to 1.95%. In the previous year, actuarial gains of €55.4m were recorded. Actuarial effects are not included in the IFRS income statement as they are posted directly in equity (revaluation reserve). However, they are reported in the economic result as profit or loss for the period. In the current year the result includes positive effects due to the acquisitions of S Broker and LBB-INVEST, which was acquired on 1 January 2014.

Personnel expenses increased compared with the previous year (€469.9m) to €488.4m – a rise of 3.9%. Reasons for this include an increase in full-time equivalent employees, among other things in connection with the expansion of the Digital Multi-Channel Management unit and the acquisition of S Broker, as well as collectively agreed salary increases.

Operating expenses (excluding depreciation and amortisation as well as the bank levy) recorded an increase of 9.4% to €429.2m (previous year: €392.5m). In particular, consultancy expenses for projects to meet regulatory requirements as well as expenditure on computer equipment and machinery were noticeably higher than in the previous year.

At €34.4m, the bank levy was close to the level of the previous year (€34.8m).

Depreciation and amortisation fell compared with the previous year's figure (€20.2m) to €18.1m. The main reason for this was a reduced level of amortisation on intangible assets.

During the reporting year, provisions of around €18.5m were created for restructuring in relation to the strategic reorganisation of LBB-INVEST. Results in the previous year still included a positive effect of €3.9m from the release of restructuring provisions no longer needed.

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

| €m | 2016 | 2015 | Change | |
|---|---|---|---|---|
| Net interest income | 139.2 | 182.7 | −43.5 | −23.8% |
| Provisions for loan losses | −194.6 | −65.2 | −129.4 | −198.5% |
| Net commission income | 1,107.4 | 1,111.0 | −3.6 | −0.3% |
| Net financial income[1] | 316.5 | 201.1 | 115.4 | 57.4% |
| Other operating income | 35.2 | 94.5 | −59.3 | −62.8% |
| **Total income** | **1,403.7** | **1,524.1** | −120.4 | −7.9% |
| | | | | |
| Administrative expenses (including depreciation) | 970.1 | 917.4 | 52.7 | 5.7% |
| Restructuring expenses | 18.5 | −3.9 | 22.4 | (> 300%) |
| **Total expenses** | **988.6** | **913.5** | 75.1 | 8.2% |
| | | | | |
| **Economic result** | **415.1** | **610.6** | −195.5 | −32.0% |

[1] Net financial income includes risk provisions for securities in the LaR and HtM categories of €–15.2m (previous year €–14.3m).

## Business development and profit performance in the business divisions

### Business development and profit performance in the Securities business division

Against the backdrop of a predominantly difficult market climate the Securities business division achieved satisfactory net sales, which – as expected – fell short of the previous year's exceptional result. The economic result, also boosted by the increase in total customer assets, slightly exceeded the figure of the previous year.

#### *Net sales performance and total customer assets*

In spite of uncertainty on the markets, net sales in the Securities business division were again clearly in positive territory. At €6.9bn, net sales were below the previous year's level (€13.2bn).

Mutual securities funds, including fund-based asset management, accounted for €2.5bn (previous year: €7.0bn). A cautious attitude on the part of investors impacted direct sales of mutual funds in particular, which achieved net sales of €0.9bn (previous year: €3.8bn). Net sales of bond funds and mixed funds were perceptibly lower than in the previous year. By contrast, investors placed more in equity funds, which were significantly up against the previous year. *Deka-DividendenStrategie* (Deka Dividend Strategy) in particular recorded positive inflows.

Net sales in fund-based asset management totalled €1.6bn (previous year: €3.2bn). As was the case in the previous year, *Deka-BasisAnlage* (Deka Basic Investment) and *Deka-Vermögenskonzept* (Deka Wealth Concept) were key drivers of this performance.

ETFs achieved net sales of €0.2bn, and were thus unable to reach the 2015 level (€0.6bn).

For special securities funds, master funds and mandates (advisory/management mandates), net sales performance stood at €4.3bn (previous year: €5.6bn).

**Net sales Securities business division** *(Fig. 5)*

| €m | 2016 | 2015 |
|---|---:|---:|
| **Net sales Securities business division** | **6,932** | **13,169** |
| **by customer segment** | | |
| Retail customers | 2,258 | 6,356 |
| Institutional customers | 4,674 | 6,813 |
| **by product category** | | |
| Mutual funds and fund-based asset management | 2,474 | 6,988 |
| ETFs | 188 | 613 |
| Special funds and mandates | 4,269 | 5,568 |

The business division's total customer assets rose by 5.3% to €209.2bn (end of 2015: €198.7bn). In addition to inflows, this was driven in particular by fund performance, above all that of special and master funds.

**Total customer assets Securities business division** *(Fig. 6)*

| €m | 31 Dec 2016 | 31 Dec 2015 | Change | |
|---|---:|---:|---:|---:|
| **Total customer assets Securities business division** | **209,242** | **198,743** | 10,499 | 5.3% |
| **by customer segment** | | | | |
| Retail customers | 96,169 | 94,379 | 1,790 | 1.9% |
| Institutional customers | 113,073 | 104,365 | 8,708 | 8.3% |
| **by product category** | | | | |
| Mutual funds and fund-based asset management | 103,857 | 101,695 | 2,162 | 2.1% |
| thereof equity funds | 26,061 | 24,247 | 1,814 | 7.5% |
| thereof bond funds | 35,663 | 36,262 | –598 | –1.6% |
| thereof mixed funds | 15,335 | 16,560 | –1,226 | –7.4% |
| ETFs | 8,321 | 7,050 | 1,271 | 18.0% |
| Special funds and mandates | 97,064 | 89,999 | 7,066 | 7.9% |

### Profit performance in the Securities business division

The economic result in the Securities business division increased versus the strong result of the previous year, from €306.0m to €338.5m. This was also due in part to higher commission income. The decline in net interest income was more than offset by an improvement in net financial income as well as positive effects from the acquisition of S Broker, such that total net income grew considerably.

The increase in expenses is mainly attributable to higher marketing and sales expenses.

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

| €m | 2016 | 2015 | Change | |
|---|---|---|---|---|
| Net commission income | 801.4 | 781.6 | 19.8 | 2.5% |
| Other income | 70.8 | −20.7 | 91.5 | (> 300%) |
| **Total income** | **872.2** | **760.9** | 111.3 | 14.6% |
| | | | | |
| Administrative expenses (including depreciation) | 507.6 | 458.9 | 48.7 | 10.6% |
| Restructuring expenses | 18.5 | −4.0 | 22.5 | (> 300%) |
| **Total expenses** | **526.1** | **454.9** | 71.2 | 15.7% |
| | | | | |
| **Economic result** without Treasury function | **346.1** | **306.0** | 40.1 | 13.1% |
| Treasury function | −7.6 | | | |
| **Economic result** | **338.5** | **306.0** | 32.5 | 10.6% |

### Business development and profit performance in the Real Estate business division

The Real Estate business division operated successfully in international transaction markets, despite high demand for prime properties. The launch of new products in both retail and institutional business laid the foundation for further growth. As expected, the economic result did not match the comparative figure for 2015, which was influenced by non-recurring one-off factors. Earnings were slightly above the adjusted figure for the previous year.

#### *Net sales performance and total customer assets*

At €2.5bn, net sales in the business division significantly exceeded the performance of the previous year (€1.8bn). For open-ended mutual property funds, which achieved net sales of €1.8bn (previous year: €1.5bn), the stipulated sales quotas were utilised in full. Despite very high demand, a conservative management strategy was maintained. Part of the net sales result was due to the reinvestment of distributions. In the second half of the year, the portfolio of open-ended mutual property funds was extended by the addition of *Deka-ImmobilienNordamerika* (Deka Properties – North America), which in the first year since its launch already achieved net sales of €46m. This US-dollar-denominated and non-currency-hedged fund combines growth opportunities in the North American property market with long-term commitments in US dollars and is targeted at the high net worth private client segment.

Special funds and individual property funds also substantially exceeded the sales figures of the previous year. The increase in net sales performance to €0.7bn (previous year: €0.3bn) was driven primarily by special property funds, while individual funds recorded net outflows as a result of planned discontinuations. Credit funds accounted for net sales of €0.1bn. In order to even better satisfy the strong demand from institutional investors – including outside the savings bank sector – for core properties, a new open-ended special fund was launched, *Deka-Immobilien Fokus Prag* (Deka Properties – Focus Prague). This fund is the first product in the new club deal range, which is to be further expanded over the next few years. A property fund of funds with external target funds is also in the pipeline. Furthermore, with the Deka Property Compass the business division provides institutional investors an extensive, modular range of services.

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

| €m | 2016 | 2015 |
|---|---|---|
| **Net sales Real Estate business division** | **2,455** | **1,767** |
| **by customer segment** | | |
| Retail customers | 1,697 | 1,431 |
| Institutional customers | 758 | 335 |
| **by product category** | | |
| Mutual property funds | 1,791 | 1,473 |
| Special funds and individual property funds | 664 | 293 |

The Real Estate business division's total customer assets rose by 10.1% to €32.5bn (end of 2015: €29.5bn). Mutual property funds accounted for €26.6bn (end of 2015: €24.7bn). It was thus possible to slightly increase market share to 30.3%, as measured by fund assets according to BVI (as at: December 2016). Total customer assets in special funds and individual property funds increased to €5.9bn (end of 2015: €4.8bn). At €1.1bn as at the reporting date, the volume of credit funds included in this figure was slightly up against the previous year. This volume was spread across the property, infrastructure and transport asset financing categories.

**Total customer assets Real Estate business division** *(Fig. 9)*

| €m | 31 Dec 2016 | 31 Dec 2015 | Change | |
|---|---|---|---|---|
| **Total customer assets Real Estate business division** | **32,484** | **29,504** | 2,980 | 10.1% |
| **by customer segment** | | | | |
| Retail customers | 24,781 | 22,998 | 1,783 | 7.8% |
| Institutional customers | 7,703 | 6,506 | 1,197 | 18.4% |
| **by product category** | | | | |
| Mutual property funds | 26,614 | 24,657 | 1,957 | 7.9% |
| Special funds and individual property funds | 5,870 | 4,847 | 1,023 | 21.1% |

The increase in total customer assets was driven by healthy fund performance as well as positive net sales performance. Over the year as a whole, mutual property funds generated an average volume-weighted yield of 2.4% (previous year: 2.4%). The competitive yield compared with the market is boosted by the balanced investment strategy in asset management. Business activities continue to centre on properties in the office, shopping, hotel and logistics asset classes. On the sales side, fund managers adopted a cautious approach despite the high level of prices, in order to keep the liquidity ratio low. As at the reporting date, this was below 20% across all property funds. In addition, yield opportunities outside the eurozone were increasingly exploited, with the expansion of the North American business as well as the entry into the Swiss market during the reporting year.

Transaction volume for property purchases and sales totalled €4.3bn, as in the previous year. Around 85% of the total transaction volume was attributable to purchases of a total of 55 contractually secured properties, and the rest to 21 disposals. The Deka Group thus remains one of the world's biggest property investors for its property funds. Credit funds acquired a total of 12 loans with a volume of around €187.0m. In lending business too, the supply side limited opportunities for growth.

#### *Property financing*

At a satisfactory volume of €3.8bn, new business arranged in property financing was only moderately below the exceptional figure reported in 2015 (€4.4bn). The volume of external placements stood at €1.7bn, slightly above the level of the previous year (€1.6bn). As in previous years, more than 50% of loans were placed with members of the *Sparkassen-Finanzgruppe*.

At the 2016 year-end, the loan portfolio stood at €7.1bn, exceeding the prior year figure (€6.9bn). The average rating for the loan portfolio according to the DSGV master scale remained unchanged at 4. This corresponds to a rating of BBB– on S&P's external rating scale. Including the portfolio secured by collateral, the rating according to the DSGV master scale improved by one notch to AA+ (equivalent to a rating of AA on the S&P scale).

Out of the total portfolio, €6.1bn (end of 2015: €5.7bn) was attributable to commercial property financing, €0.9bn (end of 2015: €1.0bn) to open-ended property fund financing and €0.1bn (end of 2015: €0.2bn) to public-sector construction projects, a segment which is being phased out.

### *Profit performance in the Real Estate business division*

The Real Estate business division achieved a strong economic result of €128.5m, compared with the previous year's figure of €133.5m, as adjusted to exclude the €30.5m one-off effect from the sale of property used by the Group itself. Income amounted to €287.6m, representing an increase of €7.5m compared to the previous year's figure as adjusted for one-off effects (€280.1m). This was driven by improved commission income as well as the release of risk provisions. This more than compensated for the sharp fall in net interest income caused by market conditions.

The increase in expenses to €156.2m (previous year: €146.6m) is mainly attributable to higher project expenses. These relate primarily to projects with a regulatory background covering all business divisions.

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

| **€m** | **2016** | **2015** | Change | |
|---|---|---|---|---|
| Net interest income | 56.1 | 61.4 | –5.3 | –8.6% |
| Provisions for loan losses | 4.8 | –3.7 | 8.5 | 229.7% |
| Net commission income | 228.7 | 220.9 | 7.8 | 3.5% |
| Net financial income | –4.0 | –4.6 | 0.6 | 13.0% |
| Other operating income | 2.0 | 36.6 | –34.6 | –94.5% |
| **Total income** | **287.6** | **310.6** | –23.0 | –7.4% |
| Administrative expenses (including depreciation) | 156.2 | 146.7 | 9.5 | 6.5% |
| **Total expenses** | **156.2** | **146.6** | 9.6 | 6.5% |
| **Economic result** without Treasury function | **131.4** | **164.0** | –32.6 | –19.9% |
| Treasury function | –2.9 | | | |
| **Economic result** | **128.5** | **164.0** | –35.5 | –21.6% |

### Business development and profit performance in the Capital Markets business division

Despite a difficult market climate, the Capital Markets business division generated a strong economic result in the 2016 financial year. However, as expected, this did not reach the high level of the previous year. Its function as the product, solution and infrastructure provider of the *Wertpapierhaus* was further reinforced by the ongoing development of the balanced business and services portfolio.

### *Business development in the Capital Markets business division*

The Trading & Structuring unit – including the contribution to earnings from strategic investments – significantly exceeded the comparative figure for 2015, boosted by high customer demand for structured products and own issues together with positive valuation results in strategic investments. Certificates business once again grew more rapidly than the overall market. At the end of the year, volumes reached €15.1bn (end of 2015: €11.8bn). At €7.5bn, the volume of new business was considerably above the figure for the previous year (€4.6bn). With the strong increase in issue volume, the Deka Group achieved a market share of 13.3% in the primary market for investment certificates (previous year: 9.7%) and was thus ranked 2nd (previous year: 6th) in Germany. At the same time, derivatives and bond trading also surpassed the previous year.

As a result of changes to the business structure, the Collateral Trading unit could no longer achieve the high level of repo/lending business seen in the previous year, but nonetheless achieved a solid result given the low interest rate environment.

The result of the Commission Business unit was below the comparative figure for 2015, but was in line with expectations.

### *Profit performance in the Capital Markets business division*

The Capital Markets business division achieved an economic result of €202.3m. The prior-year result was €275.3m. However, this included positive non-recurring factors amounting to €40.1m, being income from a receivable already written off and the release of a general provision booked in 2013 and no longer required. By contrast, corresponding one-off effects in the year under review amounted to only €11.8m, being income from a receivable already written off and an extraordinary expense in connection with the write-off of a bad debt from 2010. On an adjusted basis, the decline in the result was thus 12.3% compared with the previous year. On the earnings side, this was predominantly attributable to net commission income and net financial income from trading book portfolios, in particular from the Collateral Trading unit.

The moderate decline in income was offset by a slight decline in expenses. At €163.9m, these were €2.4m below the figure for the previous year (€166.3m).

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

| €m | 2016 | 2015 | Change | |
|---|---|---|---|---|
| Net interest income | 40.7 | 43.3 | –2.6 | –6.0% |
| Provisions for loan losses | 0.1 | 0.1 | 0.0 | 0.0% |
| Net commission income | 66.9 | 100.5 | –33.6 | –33.4% |
| Net financial income | 262.3 | 273.7 | –11.4 | –4.2% |
| Other operating income | 12.1 | 24.0 | –11.9 | –49.6% |
| **Total income** | **382.1** | **441.6** | –59.5 | –13.5% |
| | | | | |
| Administrative expenses (including depreciation) | 163.9 | 166.5 | –2.6 | –1.6% |
| **Total expenses** | **163.9** | **166.3** | –2.4 | –1.4% |
| | | | | |
| **Economic result** without Treasury function | **218.2** | **275.3** | –57.1 | –20.7% |
| Treasury function | –15.9 | | | |
| **Economic result** | **202.3** | **275.3** | –73.0 | –26.5% |

### Business development and profit performance in the Financing business division

Despite a fiercely competitive market environment and a reduced volume of new business, the Financing business division was able to keep its portfolio excluding savings bank financing at around the level of the previous year. An otherwise stable profit performance was greatly overshadowed by high specific provisions for loans in relation to ship financing granted before 2010. The economic result was thus down considerably year-on-year.

### *Business development in the Financing business division*

The gross loan volume in the business division decreased by €1.9bn over the course of the year to €14.7bn. This was due in particular to falling demand in the savings bank financing segment, which nonetheless accounted for a volume of €7.3bn (previous year: €9.3bn), being 50% (previous year: 56%) of the total volume. The gross volume of lending to borrowers outside the *Sparkassen-Finanzgruppe* stood at €7.3bn (end of 2015: €7.3bn). Of this total, infrastructure loans accounted for €2.0bn (previous year: €2.0bn), while transport and export loans accounted for €5.3bn (previous year: €5.3bn), including ship financing of €1.6bn and aircraft financing of €3.0bn. The volume placed externally stood at €0.2bn, noticeably below the previous year's figure.

The high net allocations to provisions for loan losses in the ship financing segment are predominantly attributable to lower demand, reduced charter rates and surplus capacity. According to the DSGV master scale, at the year-end the average rating for the loan portfolio rose by one notch to 5, corresponding to BBB– on S&P's rating scale.

### *Profit performance in the Financing business division*

As a result of the extensive provisions for loan losses in the ship financing segment, the economic result of the Financing business division was significantly in negative territory, at €–172.5m (previous year: €–19.1m). Net interest income was down moderately year-on-year, while commission income was slightly up, driven by new business.

The increase in administrative expenses to €30.4m (previous year: €26.5m) was primarily attributable to higher project expenses, which resulted in part from cross-divisional projects.

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

| €m | 2016 | 2015 | Change | |
|---|---|---|---|---|
| Net interest income | 67.2 | 71.6 | – 4.4 | – 6.1% |
| Provisions for loan losses | – 199.3 | – 63.1 | – 136.2 | – 215.8% |
| Net commission income | 11.9 | 9.6 | 2.3 | 24.0% |
| Net financial income | – 13.0 | – 11.0 | – 2.0 | – 18.2% |
| Other operating income | 0.4 | 0.3 | 0.1 | 33.3% |
| **Total income** | **– 132.8** | **7.4** | – 140.2 | (< – 300%) |
| Administrative expenses (including depreciation) | 30.4 | 26.5 | 3.9 | 14.7% |
| **Total expenses** | **30.4** | **26.5** | 3.9 | 14.7% |
| **Economic result** without Treasury function | **– 163.2** | – 19.1 | – 144.1 | (< – 300%) |
| Treasury function | – 9.3 | | | |
| **Economic result** | **– 172.5** | **– 19.1** | – 153.4 | (< – 300%) |

### *Business development and profit performance in non-core business*

Financing included within non-core business was transferred to the Financing business division as at 1 January 2016. The portfolio thus essentially consists of legacy business with securitised and structured products. The gross loan volume decreased over the course of the year from €1.1bn to €0.8bn. The rating for the net loan volume improved from 5 to 3 on the DSGV master scale. The strategy of winding down the portfolio will be maintained for the remaining credit substitute business.

The division's economic result decreased significantly year-on-year from €31.3m to €18.2m. The main reasons for this were a moderately positive valuation result together with a substantial portfolio reduction. As expected, net interest income therefore fell. Expenses amounted to just €0.7m (previous year: €2.8m).

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

| €m | 2016 | 2015 | Change | |
|---|---|---|---|---|
| Net interest income | 5.5 | 12.3 | – 6.8 | – 55.3% |
| Provisions for loan losses | 0.0 | 1.3 | – 1.3 | n/a |
| Net commission income | 0.0 | – 0.2 | 0.2 | n/a |
| Net financial income | 13.4 | 20.7 | – 7.3 | – 35.3% |
| Other operating income | 0.0 | 0.0 | 0.0 | n/a |
| **Total income** | **18.9** | **34.1** | – 15.2 | – 44.6% |
| Administrative expenses (including depreciation) | 0.7 | 2.8 | – 2.1 | – 75.0% |
| **Total expenses** | **0.7** | **2.8** | – 2.1 | – 75.0% |
| **Economic result** without Treasury function | **18.2** | **31.3** | – 13.1 | – 41.9% |
| Treasury function | – | | | |
| **Economic result** | **18.2** | **31.3** | – 13.1 | – 41.9% |

## Financial position and assets and liabilities of the Deka Group

### Financial management principles and objectives

DekaBank is a key liquidity provider for the savings banks. In order to perform this function in an economically viable manner, it follows an integrated approach to the active and efficient management of liquidity reserves across the Group, through its Treasury corporate centre.

DekaBank holds a large volume of highly liquid assets of central bank quality. It can thus generate larger amounts through the repo market at any time. Its strong ratings also enable ready access, at competitive terms, to the money and capital markets.

Liquidity investments remain focused on investments in bonds issued by German federal states, German development banks, German run-off institutions, German *Pfandbriefe*, supranational institutions and investment-grade corporate bonds.

Refinancing is carried out in a diversified manner using conventional national and international money market and capital market instruments. This includes the issuance of public sector and mortgage *Pfandbriefe*, short-term bearer bonds based on the Commercial Paper (CP) Programme, and medium to long-term bearer bonds based on the Debt Issuance Programme, as well as the two issuance programmes for structured issues and certificates (EPIHS I and EPIHS II). DekaBank also uses the repo and lending markets, call money and time deposits to raise and invest liquidity. Refinancing activities are supplemented by active market-making for own issues.

Deka Group's equity management ensures adequate capital and reserves.

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

### Financial position, capital structure, assets and liabilities

The Deka Group's balance sheet total amounted to €86.0bn as at the 2016 year-end and thus fell by around 20% compared with the previous year (€108.0bn), primarily as a result of the expiry of some securities.

The amount due from banks and customers decreased during the reporting period by a total of €6.1bn to €43.5bn and equated to around half of total assets. This movement resulted predominantly from the decline in money market financing from reverse repo transactions as well as from the expiry of money market transactions. Financial assets recognised at fair value through profit or loss fell by around €16bn, mainly due to expiries and reductions in commercial paper, and thus amounted to €34.9bn. They corresponded to around 40% of total assets as at the reporting date.

On the liabilities side, amounts due to banks and customers decreased by a total of €12.8bn to €40.8bn and thus accounted for around 47% of total assets. This movement resulted mainly from the decline in money market refinancing. Securitised liabilities also reduced significantly during the reporting year as a result of the decline in money market refinancing through commercial paper, falling by €8.8bn to €11.1bn. Financial liabilities measured at fair value remained virtually unchanged at €26.5bn. At the 2016 year-end, balance sheet equity was up year-on-year, amounting to €5.1bn (previous year: €4.9bn).

**Balance sheet changes Deka Group** *(Fig. 14)*

| €m | 31 Dec 2016 | 31 Dec 2015 | Change | |
|---|---|---|---|---|
| **Balance sheet total** | **85,955** | **107,981** | −22,026 | −20.4% |
| **Selected items on the assets side** | | | | |
| Due from banks and customers | 43,495 | 49,602 | −6,107 | −12.3% |
| Financial assets at fair value | 34,903 | 50,908 | −16,005 | −31.4% |
| Financial investments | 2,969 | 2,944 | 25 | 0.8% |
| **Selected items on the liabilities side** | | | | |
| Due to banks and customers | 40,782 | 53,546 | −12,764 | −23.8% |
| Securitised liabilities | 11,076 | 19,922 | −8,846 | −44.4% |
| Financial liabilities at fair value | 26,519 | 27,115 | −596 | −2.2% |

### Changes in regulatory capital (own funds)

Capital adequacy is determined in accordance with the CRR/CRD IV. Alongside counterparty risk, market risk and operational risk, the credit valuation adjustment (CVA) risk is also taken into account. The own funds requirement under banking supervisory law was complied with at all times during the year.

The change in the Common Equity Tier 1 capital ratio (fully loaded) is discussed as part of the overall statement on the business trend and the Group’s position. The corresponding total capital ratio stood at 22.2% at year-end (end of 2015: 16.7%).

The leverage ratio determined in accordance with the delegated regulation of 17 January 2015, i.e. the ratio of Common Equity Tier 1 capital to the balance sheet total, adjusted in line with regulatory requirements, amounted to 5.1% (fully loaded) at 31 December 2016, compared with 4.0% at the end of 2015, and to 5.2% (end of 2015: 4.2%) including the transitional provisions (phase in).

**Regulatory capital Deka Group** *(Fig. 15)*

| | 31 Dec 2016 | | 31 Dec 2015 | |
|---|---|---|---|---|
| €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) |
| Common Equity Tier 1 capital | 3,978 | 4,216 | 3,866 | 4,213 |
| Additional Common Equity Tier 1 capital | 474 | 348 | 474 | 292 |
| **Tier 1 capital** | **4,451** | **4,564** | **4,339** | **4,505** |
| Tier 2 capital | 838 | 801 | 855 | 814 |
| **Own funds** | **5,289** | **5,366** | **5,194** | **5,319** |
| | | | | |
| Credit risk | 15,038 | 15,038 | 15,391 | 15,391 |
| CVA risk | 1,411 | 1,411 | 1,727 | 1,727 |
| Market risk | 4,478 | 4,478 | 11,884 | 11,884 |
| Operational risk | 2,887 | 2,887 | 2,185 | 2,185 |
| **Risk-weighted assets (total risk exposure amount)** | **23,813** | **23,813** | **31,188** | **31,188** |
| | | | | |
| % | | | | |
| **Common Equity Tier 1 capital ratio** | **16.7** | **17.7** | **12.4** | **13.5** |
| **Tier 1 capital ratio** | **18.7** | **19.2** | **13.9** | **14.4** |
| **Total capital ratio** | **22.2** | **22.5** | **16.7** | **17.1** |

#### Liquidity and refinancing

The liquidity management requirements set out under the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement* – MaRisk) were implemented in full during the reporting year. The regulatory requirements of the German Liquidity Regulation (*Liquiditätsverordnung*) were likewise exceeded at all times during the reporting period. The liquidity coverage ratio (LCR) was 124.4% as at the 2016 reporting date. Details about the Deka Group's liquidity position, including the liquidity coverage ratio, can be found in the risk report.

In terms of its refinancing, DekaBank has a broad investor base, including both retail and institutional investors in Germany.

Furthermore, in the first quarter of 2016 an international benchmark bond with a volume of €1bn and a term of two years was successfully placed on the capital market. Together with targeted private placements via the debt issuance programme (DIP), this enabled refinancing activities to be further diversified internationally.

### Human resources report

The total number of employees rose during the reporting year to 4,556 (end of 2015: 4,277). A significant part of this growth was attributable to S Broker, whose 150 employees were included in the Securities business division for the first time as at mid-2016. It was also driven by the expansion in capacity of Savings Banks Sales & Marketing, in part for the implementation of the multi-channel strategy, as well as moderate increases to the staff of the Securities and Real Estate business divisions. In contrast, the number of employees in the Capital Markets business division fell slightly. The number of employees is determined by counting the number of employment contracts (temporary and permanent) in existence at the reporting date, including inactive employees, trainees and interns.

The number of employees relevant to the income statement increased by 7.2% compared with the end of 2015 to 3,990.0 (end of 2015: 3,722.1). This includes 138.9 employees resulting from the takeover of S Broker. Without this acquisition, the increase would have been 3.5%. The number includes part-time employees actively involved in work processes in the Deka Group, calculated as full-time equivalents.

At the year-end, 81.3% of the staff employed were in full-time posts, exactly the same proportion as in the previous year. The average age of active employees (excluding apprentices and inactive staff members) was 43.3 years (previous year: 42.8 years).

Key areas of HR activity involved supporting the adaptation of structures, processes, roles and duties within the Deka Group in connection with the transformation programme and also the new digitalisation strategy. This also included the reassignment of responsibilities and modified forms of cross-divisional collaboration.

## Forecast and opportunities report

### Forecast report

#### Forward-looking statements

The Deka Group plans its future business development on the basis of assumptions that seem most probable from a current perspective. However, plans and statements about growth during 2017 are subject to uncertainties.

#### Expected macroeconomic trends

DekaBank anticipates a moderate acceleration of global macroeconomic growth to 3.4%. Only minor growth in industrialised countries will be contrasted by markedly increasing momentum in emerging markets, driven in particular by economic recovery in Central and Eastern Europe as well as Latin America, combined with stable high growth rates in Asia.