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Accounting principles

The consolidated financial statements of DekaBank Deutsche Girozentrale have been prepared in accordance with International Financial Reporting Standards (IFRS). The applicable IFRS 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 315a 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 balance sheet, statement of profit or loss and other comprehensive income, statement of changes in equity, cash flow statement and the notes. All amounts are rounded in accordance with standard commercial practice. This may result in small discrepancies in the calculation of totals within tables.

Accounting standards applied for the first time

During the reporting period, the Bank implemented, for the first time, amendments to existing standards (IAS 1, IAS 16, IAS 27, IAS 38, IAS 41, IFRS 11 and changes under the Annual Improvements Project 2012 to 2014), which became mandatory in the EU as of 1 January 2016. Apart from the new standards and interpretations detailed below, which could have a material impact on the consolidated financial statements, a number of further standards and interpretations were adopted that are not, however, expected to have a material impact on the consolidated financial statements.

Accounting standards to be applied in the future

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

Standards and interpretations not yet adopted into European law

Annual Improvements

In December 2016, the IASB published amendments to three standards as part of its Annual Improvements Project for 2014–2016. The amendments to IFRS 12 apply from 1 January 2017, while the amendments to IFRS 1 and IAS 28 shall apply from 1 January 2018. The amendments only involve clarifications. Voluntary early adoption is permitted. The amendments are currently being evaluated.

IAS 7

In January 2016, as part of a disclosure initiative to improve financial statements, the IASB published amendments to IAS 7 "Statement of Cash Flows". In particular, the new rules contain additional disclosure obligations concerning cash flows related to financing activities. The amended standard applies to financial years beginning on or after 1 January 2017. Earlier voluntary adoption is permitted. The amendments are currently being evaluated.

IAS 12

Also in January 2016, the IASB published amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses". The amendments exclusively involve clarifications to the requirements for recognition of deferred tax assets for unrealised losses, accounting for deferred tax assets related to assets measured at fair value and other aspects of accounting for deferred taxes. The amended standard applies to financial years beginning on or after 1 January 2017. Earlier voluntary adoption is permitted. The amendments have no impact on the Deka Group's consolidated financial statements.

IFRS 16

The new IFRS 16 standard was published in January 2016 and governs how leases should be accounted for. IFRS 16 will replace IAS 17 "Leases", as well as the associated interpretations IFRIC 4, SIC-15 and SIC-27. Application of the new standard is mandatory for financial years beginning on or after 1 January 2019. Earlier voluntary adoption is permitted, but only in conjunction with IFRS 15. Early adoption is not planned.

The new standard requires lessees to follow an entirely new approach when presenting leasing contracts in the financial statements. Under IAS 17, the key factor in determining how a lessee should present a lease in its financial statements is whether or not substantially all of the risks and rewards of ownership of the item being leased have been transferred to the lessee. In future, every lease should be presented on the lessee's balance sheet as a financing transaction, in the form of a lease liability and a right-of-use asset. The amount recognised is the present value of the future lease payments, with additional factors being taken into account in relation to the right-of-use asset, for example directly attributable costs. Over the lease term, the

lease liability is accreted, while the right-of-use asset is depreciated through the statement of profit or loss and other comprehensive income. The standard provides for exemptions in certain cases, for example short-term leases or leases of low-value assets. The accounting requirements for lessors remain largely unchanged, in particular in terms of the ongoing requirement to classify leases.

Furthermore, IFRS 16 includes a number of additional provisions regarding disclosures in the notes to the financial statements and presentation. The impact on the consolidated financial statements is currently being reviewed. In particular, an effect is expected when accounting for leased commercial properties, although the impact on the Deka Group's net assets, financial position and results of operations is likely to be negligible. A minor increase in total assets is expected, while some reclassifications between items in the statement of profit or loss and other comprehensive income will also result.

Standards adopted into European law but not yet applied

IFRS 9

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

A significant impact will result from a change in the model used for determining loan loss provisions. From 2018, the incurred loss model applicable under IAS 39 will be replaced by an expected loss model. In order to determine the size of the loan loss provision to be established, assets within the scope of IFRS 9 must be allocated to one of three 'stages', depending on the credit quality of those assets. The stage to which an asset is allocated has an effect on the size of the loan loss provision to be established for the respective asset. Upon initial recognition, a loan loss provision will be recognised through profit or loss in the amount of the expected loss for the next 12 months, and the asset will be allocated to stage one. If the credit risk should increase significantly after initial recognition of the financial instrument, or if there are indications that the financial instrument's creditworthiness has been impaired, the expected loss over the remaining term of the financial instrument ('lifetime ECL') should be recognised through profit or loss, and the asset transferred to stage two. The input parameters 'probability of default' and 'loss given default' for the 12-month and lifetime horizons from the reporting date ('point in time' estimate), as well as the 'exposure at default' calculated on a lifetime basis, play a significant role in this regard. If there are objective indications that a loss event has already occurred, the financial instrument should be allocated to stage three. However, this excludes purchased or originated credit-impaired (POCI) assets, which are an exception to the general model. For these financial instruments, no loan loss provision is booked at the time of initial recognition but changes in the amount of the lifetime ECL will be recognised in subsequent periods.

Furthermore, effects arise from the need to reclassify financial assets and from recording fair value changes attributable to own credit risk for liabilities.

In contrast to IAS 39, the new classification rules under IFRS 9 provide for a classification model for assets, which is based on the underlying business model and contractual cash flows. The business model reflects how the Bank manages its financial assets in order to generate cash flows. For the purposes of IFRS 9, there are thus the following business models: 'holding', 'holding and selling' and 'residual'. For financial assets allocated to the 'holding' or 'holding and selling' business models, it is necessary to examine the cash flow criteria. All cash flows of the asset may consist only of the following components: repayment and interest payments on the nominal amount, with interest essentially representing remuneration for the time value of money and the credit risk.

For the present, it is not mandatory to implement hedge accounting, and DekaBank does not therefore plan to do so.

The new accounting provisions under IFRS 9 will require not only changes to technical accounting workflows and systems, and enhancements to existing data management for the purposes of classifying financial instruments and determining loan loss provisions, but will also lead to the implementation of new processes throughout the Deka Group. In addition, it will be necessary to make changes within DekaBank's systems and to introduce new technical system solutions.

DekaBank carried out a preliminary study of IFRS 9 from September 2015 until the end of April 2016. Subsequent to this, the first implementation phase started, looking at detailed technical specifications, and was completed at the end of 2016. Based on this, the second implementation phase is being conducted in 2017, and predominantly involves the design of IT-related and data processing specifications as well as technical implementation. In parallel to this, new processes are being implemented throughout the Group.

IFRS 15

In May 2014, a new standard was published, IFRS 15 "Revenue from Contracts with Customers". This 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 must be applied to all contracts with customers that cover the sale of goods or the provision of services, with some exceptions, such as financial instruments for which revenue recognition falls within the scope of IFRS 9/IAS 39.

In addition, in April 2016 clarifications to IFRS 15 were published. The clarifications do not contain any changes to the underlying principles of the new standard. They are solely concerned with clarifications and additional transitional relief.

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

The impact on the consolidated financial statements is currently being reviewed. No material impact on the statement of profit or loss and comprehensive income is expected. Changes in balance sheet disclosure may result from the separate presentation of receivables, contract assets and contract liabilities. IFRS 15 contains supplementary disclosures on the nature, amount, timing and uncertainty of proceeds and payment streams resulting from contracts with customers. This gives rise to changes in processes as well as increased documentation requirements.

Segment reporting

1 Note on segment reporting

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

However, as the suitability of net income before tax for the purposes of internally managing the business divisions is limited, 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 net income before tax, the economic result includes changes to the revaluation reserve before tax as well as the interest rate and currency-related valuation result from original lending and issuance business. This refers to financial instruments in the loans and receivables, held to maturity and other liabilities categories, which are measured at amortised cost in the consolidated financial statements and whose valuation result is also included in internal reporting. Consequently, the existing economic hedges which do not meet the criteria for hedge accounting under IAS 39 are presented in full for internal management purposes. Furthermore, the economic result takes into account the interest expense on Additional Tier 1 bonds, which is reported directly within equity, as well as effects relevant for management. These effects relate to a provision for potential charges where the probability of such charges arising in the future is assessed as possible but they may not yet be recorded in IFRS reporting, due to the fact that accurate details are not available. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in the reconciliation to Group income before tax in the 'reconciliation' column.

In addition to the economic result, total customer assets represent another key ratio for the operating segments. Total customer assets primarily comprise the income-relevant fund assets of the mutual and special funds under management (including ETFs) in the Securities and Real Estate business divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner and third party funds, the cooperation partner fund, 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 DekaBank's own portfolios of €1.3bn (previous year: €1.8bn). These mainly relate to start-up financing for newly launched investment funds.

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

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

Securities

The Securities segment consists of all the Deka Group's activities relating to capital-market based asset management for private investors and institutional customers. 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 the 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 as well as institutional customer sales. In addition, the segment includes business involving listed Exchange-Traded Funds (ETFs). The range of services offered by the segment also includes the Master KVG activities, which institutional customers can use to pool their assets under management with one investment company. Securities-related services provided in connection with fund administration in the Securities segment are also reported here.

Real Estate

All property-related activities of the Deka Group are pooled in the Real Estate segment. The main focus is on the provision of property investment products for private and institutional investors. The product range includes open-ended property mutual funds, property special funds and individual property funds, as well as property finance and infrastructure finance funds. Alongside the fund management and development of property (financing) related products, the segment also includes the purchase and sale of property and the management of these assets including all other property-related services (property management), as well as the management of property used by the Deka Group. The Property Financing unit serves as a credit provider for the Asset Management business, by offering financial solutions for third parties to professional property investors with a focus on markets, business partners and usage categories relevant to fund business.

Capital Markets

The Capital Markets segment is the central product, solution and infrastructure provider for the Deka Group. It also acts as a service provider and drives forward innovation in the Deka Group's customer-focused capital market business. With its tailored range of services, it provides the central securities and collateral platform for the savings bank association. 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. At the start of the 2016 financial year, any securities investments not used as a liquidity reserve were transferred from the Treasury corporate centre to the Capital Markets business division. As part of this new arrangement, Treasury took over responsibility for group-wide liquidity management across all maturity bands. The previous year's results presented within segment reporting have been adjusted as a result of the structural change.

Financing

In addition to providing refinancing for the savings banks, the Financing segment focuses on lending business that is suitable for asset management business, and where loans can be passed on to other banks or to institutional investors. The lending business suitable for asset management concentrates on selected segments. These include infrastructure financing, ship and aircraft financing and ECA-covered export finance.

Other

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

Non-core business

Business activities that are being discontinued have been pooled in non-core business since 2009. The portfolio essentially comprises securitised products (legacy transactions) and the former public-finance positions. Until the start of 2016, non-core business included certain corporate financing arrangements, leveraged loans, trade financing and non-ECA-covered export finance. Due to the small gross loan volume and for organisational reasons, these have been transferred to the core business. The transferred commitments and business segments will not form part of the Bank's business strategy in future. All portfolios will continue to be reduced while safeguarding assets.

2 Segmentation by operating business divisions

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

Effects relevant for management 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 be reported under IFRS at the present time because they are not sufficiently substantiated.

To cover potential risks that could materialise in the coming months, a general provision was recognised for the first time in the 2012 financial year. As at 31 December 2016, the provision for these effects relevant to management amounted to €–110.0m (previous year: €–100.0m). The net impact on the economic result was thus €–10.0m in the reporting year and is reported under Other. In the previous year, the net impact on income amounted to €12.6m, of which €17.6m was attributable to the Capital Markets segment and €–5m to the segment Other.

In addition, the economic result includes the full interest expense (including accrued interest) in respect of the AT1 bonds in the portfolio, amounting to €–28.4m (previous year: €–28.4m). Distributions made were recorded directly in equity, in accordance with IAS 32.

Reconciliation of segment results to the IFRS result

During the financial year, the reporting and measurement differences between internal reporting and IFRS net income before tax amounted to €–74.4m (previous year: €9.6m).

The valuation result not recognised in profit or loss amounted to €–70.3m in the financial year (previous year: €–29.7m). Of this total, €2.7m (previous year: €23.8m) relates to interest rate and currency-related valuation results from original lending and issuing business, €–34.6m (previous year: €–37.7m) is attributable to securities in the held to maturity category, which are offset in IFRS net income before tax by valuation results from the corresponding interest rate swaps, and €–10.0m (previous year: €12.6m) arises from accounting for effects relevant for management. The valuation result not recognised in profit or loss also takes into account the interest expense arising from the AT1 bonds in the amount of €–28.4m (previous year: €–28.4m).

The Bank also hedges future credit margins on fixed-interest and variable-interest foreign currency loans (original position) against currency fluctuations. The accounting and valuation rules for cash flow hedges were applied to economic hedges. Accordingly, the valuation result from hedging instruments amounting to €10.4m (previous year: €–13.1m) is reported in the revaluation reserve with no impact on profit or loss and hence forms part of the economic result. Also recorded in the economic result are the change in the revaluation reserve from actuarial gains and losses in the amount of €–15.1m (previous year: €55.4m) and an amount of €–1.2m (previous year: €–3.3m) posted within equity in respect of shares in companies accounted for using the equity method. It also included the change in the revaluation reserve from available for sale portfolios, which amounted to €5.1m (previous year: €0.0m).

The other amounts shown in the reconciliation column refer to reporting differences between management reporting and the consolidated financial statements. Of these, €31.3m (previous year: €20.4m) relates to internal transactions, which 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 in other operating income arising from differences in the allocation of income effects from the repurchase of own issues as well as from the release through profit or loss of a reserve in relation to the deconsolidation of the subsidiary ExFin AG i.L., Zurich, due to the completion of its liquidation.

	Securities		Real Estate		Capital Markets		Financing	
	Economic result							
€m	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	15.0	27.8	56.1	61.4	40.7	43.3	67.2	71.6
Provisions for loan losses	–	–	4.8	–3.7	0.1	0.1	–199.3	–63.1
Net commission income	801.4	781.6	228.7	220.9	66.9	100.5	11.9	9.6
Net financial income[1]	4.3	–31.6	–4.0	–4.6	262.3	273.7	–13.0	–11.0
Other income[2]	51.5	–16.9	2.0	36.6	12.1	24.0	0.4	0.3
Total income without contributions to earnings from Treasury function	**872.2**	**760.9**	**287.6**	**310.6**	**382.1**	**441.6**	**–132.8**	**7.4**
Administrative expenses (including depreciation)	507.6	458.9	156.2	146.7	163.9	166.5	30.4	26.5
Restructuring expenses[2]	18.5	–4.0	–	–0.1	–	–0.2	–	–
Total expenses before allocation of Treasury function	**526.1**	**454.9**	**156.2**	**146.6**	**163.9**	**166.3**	**30.4**	**26.5**
(Economic) result before tax without Treasury function	**346.1**	**306.0**	**131.4**	**164.0**	**218.2**	**275.3**	**–163.2**	**–19.1**
Treasury function	–7.6		–2.9		–15.9		–9.3	
(Economic) result before tax	**338.5**	**306.0**	**128.5**	**164.0**	**202.3**	**275.3**	**–172.5**	**–19.1**
Cost/income ratio[3]	0.58	0.60	0.55	0.47	0.43	0.38	0.46	0.38
Group risk (value-at-risk)[4]	595	620	183	213	654	807	329	371
Total customer assets	209,242	198,743	32,484	29,504	15,079	11,797	–	–
Gross loan volume	7,079	7,183	7,309	7,022	76,027	94,435	14,676	16,539

[1] This includes the results components from the trading book portfolio, the results from valuation and disposals in the banking book portfolio and the risk provision for securities in the loans and receivables and held to maturity categories in the amount of €–15.2 (previous year: €–14.3m).
[2] Restructuring expenses are shown separately in the segment reporting.
[3] Calculation of the cost/income ratio does not take into account the restructuring expenses or the loan loss provision for lending business.
[4] Value-at-Risk uses the liquidation approach with a confidence level of 99.9% and a holding period of one year as at 31 December in each case. Due to the diversification within market price risk between the segments (including Other and Non-core business) the risk for core business and the risk for the Deka Group are not cumulative.

3 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 respective location of the branch or Group company.

	Germany		Luxembourg		Other		Total Group	
€m	2016	2015	2016	2015	2016	2015	2016	2015
Income	1,170.4	1,218.5	306.8	296.0	0.9	–	1,478.1	1,514.5
Net income before tax	359.5	474.4	130.6	124.6	–0.6	2.0	489.5	601.0
Long-term segment assets[1]	211.8	204.9	3.2	2.4	0.2	0.2	215.2	207.5

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

Accounting policies

4 General information

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

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

	Other[5]		Total core business		Non-core business		Deka Group		Reconciliation		Deka Group	
	Economic result										IFRS net income before tax	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	−45.3	−33.7	133.7	170.4	5.5	12.3	139.2	182.7	−3.0	8.8	136.2	191.5
	−0.2	0.2	−194.6	−66.5	–	1.3	−194.6	−65.2	–	0.1	−194.6	−65.1
	−1.5	−1.4	1,107.4	1,111.2	–	−0.2	1,107.4	1,111.0	−0.2	−0.9	1,107.2	1.110.1
	53.5[6]	−46.1[6]	303.1	180.4	13.4	20.7	316.5	201.1	70.1	46.2	386.6	247.3
	−30.8	50.5	35.2	94.5	–	–	35.2	94.5	7.5	−63.8	42.7	30.7
	−24.3	**−30.5**	**1,384.8**	**1,490.0**	**18.9**	**34.1**	**1,403.7**	**1,524.1**	**74.4**	**−9.6**	**1,478.1**	**1,514.5**
	111.3	116.0	969.4	914.6	0.7	2.8	970.1	917.4	–	–	970.1	917.4
	–	0.4	18.5	−3.9	–	–	18.5	−3.9	–	–	18.5	−3.9
	111.3	**116.4**	**987.9**	**910.7**	**0.7**	**2.8**	**988.6**	**913.5**	**–**	**–**	**988.6**	**913.5**
	−135.6	**−146.9**	**396.9**	**579.3**	**18.2**	**31.3**	**415.1**	**610.6**	**74.4**	**−9.6**	**489.5**	**601.0**
	35.7		–		–		–		–		–	
	−99.9	**−146.9**	**396.9**	**579.3**	**18.2**	**31.3**	**415.1**	**610.6**	**74.4**	**−9.6**	**489.5**	**601.0**
	–	–	0.61	0.59	0.04	0.09	0.61	0.58				
	314	393	2,013	2,383	55	97	2,039	2,440				
	–	–	256,805	240,045	–	–	256,805	240,045				
	18,468[7]	16,056[7]	123,559	141,235	777	1,109	124,336	142,344				

[5] No cost/income ratio or Group risk data are presented for the segment Other as these are deemed of limited economic informative value.
[6] This includes effects relevant for management purposes of €–10.0m (previous year: €–5.0m) related to a provision for potential losses. This is additional information provided on a voluntary basis and does not form part of the IFRS notes.
[7] In gross loan volume, participations are not allocated to the relevant segments but rather are presented separately under Other.

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

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

5 Consolidation principles

Subsidiaries are defined as 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 the Deka Group holds more than half of the relevant voting rights to an entity, either directly or indirectly, and these voting rights currently enable the Deka Group to direct relevant activities within 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 entity to exist even when the Group does not hold the majority of the relevant voting rights. Examples of this may include the presence of one or more contractual agreements or legal 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. In this case, the right to control the entity would be held by an additional contractual party (agent) which exercises it on behalf of a principal, meaning that the principal in fact controls the entity.

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

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 assets, financial position and results of operations.

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 the 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 IFRS, to retained earnings.

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

Where less than 20.0% of the voting rights are held, the assessment of whether or not significant influence exists includes other factors, such as whether the Deka Group has the option to be represented on the management or supervisory committees 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 that are available to them on an equal basis. 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 assets, financial position and results of operations 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 stated at fair value at 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 [47]). 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 or as minority 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.

The subsidiaries (affiliated companies and structured entities) included in the consolidated financial statements, as well as the subsidiaries (affiliated companies and structured entities) not included in the consolidated financial statements on the grounds that they are not material, and joint ventures and associates, are shown in the List of shareholdings (see note [79]).

6 Scope of consolidation

Changes during the 2016 reporting year arose from the acquisition of S Broker, as a result of which the subsidiaries S Broker AG & Co. KG, Wiesbaden, and S Broker Management AG, Wiesbaden, together with the two structured entities S Broker 1 Fonds and Masterfonds S Broker were included in the scope of consolidation for the first time as at 30 June 2016. The subsidiary bevestor GmbH, Frankfurt am Main, began operating in the 2016 reporting year and was therefore included for the first time in the consolidated financial statements. The subsidiaries ExFin AG i.L., Zurich (liquidation), Roturo S.A., Luxembourg (merger) and DKC Deka Kommunal Consult GmbH, Düsseldorf (sale), were deconsolidated. The assets of the subsidiary Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt am Main were transferred to the parent company with effect from 31 December 2016.

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

Company acquisitions

With effect from 30 June 2016, DekaBank increased its interest in S Broker AG & Co. KG (S Broker) to 100% by purchasing all shares held by third parties (69.4%).

S Broker is the central online broker within the *Sparkassen-Finanzgruppe* and is licensed as a bank under Section 1 (1) KWG. The aim of the transaction is to improve the focus and integration of online securities activities of the *Sparkassen-Finanzgruppe* under the umbrella of DekaBank. The acquisition strengthens DekaBank's position as the *Wertpapierhaus* for the savings banks.

At the time of the business combination, DekaBank paid the former limited partners a purchase price of €16.0m for 69.4% of the shares. When determining the purchase price allocation, a net asset value of €58.6m was calculated. Taking into account the carrying amount of the parent's investment of €7.0m for the shares already held (30.6%), this resulted in negative goodwill from the acquisition in the amount of €35.6m as at 30 June 2016, which was recognised in the statement of profit or loss and other comprehensive income. This is based essentially on the identified net assets, in particular the market values of own investments, and on the use and development of the IT platform.

The identifiable assets acquired and liabilities assumed are shown in the breakdown below:

in €m	
Total purchase price	**23.0**
Identifiable assets acquired and liabilities assumed	
Due from banks	125.4
Due from customers	23.0
Fixed-interest securities and investment fund units	530.8
Intangible assets	3.6
Other assets	6.6
Due to banks	9.8
Due to customers	602.9
Provisions	2.6
Other liabilities	15.5
Total identified net assets	**58.6**
Negative goodwill	**–35.6**

Since 1 July 2016, S Broker has generated earnings of €25.4m (interest, commission and other operating income) and net income after tax of €0.4m, which was taken into account accordingly in the statement of profit or loss and other comprehensive income.

7 Financial instruments

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

Financial assets are derecognised if the contractual rights arising from the asset lapse 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. Subsequent measurement of financial assets and liabilities is governed by the categories to which they are allocated at the date of acquisition, in line with IAS 39.

Financial assets or liabilities at fair value through profit or loss

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

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

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

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

Loans and receivables

Loans and receivables include all non-derivative financial instruments that have fixed or determinable payments and are not listed on an active market. A precondition for this is that the corresponding financial instruments are not allocated to the categories financial assets or liabilities at fair value through profit or loss or available for sale at the date of acquisition. Loans and receivables are measured at amortised cost. At each balance sheet date, and at other times if there are indications of potential impairment, loans and receivables are tested for impairment and any necessary provisions are recognised accordingly (see note [15]). Any reversals to impairment are recognised through profit or loss. The maximum limit for the write-back is the amortised cost that would have arisen at the valuation date without the impairment. Securities in the loans and receivables category are reported under financial investments.

Held to maturity

In principle, financial assets with fixed or determinable payments and a fixed term to maturity can be allocated to the held to maturity category. However, this is contingent on the financial instruments having been acquired with the intention and ability to hold them until maturity. Assets held to maturity are measured at amortised cost. At each balance sheet date, and at other times if there are indications of potential impairment, held-to-maturity financial instruments are tested for impairment and are written down where necessary (see note [18]). Reversals of impairments are recorded through profit or loss. The maximum limit for the write-back is the amortised cost that would have arisen at the valuation date without the impairment. Securities in the held to maturity category are reported under financial investments.

Available for sale

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

Other liabilities

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

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

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

8 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 generally recognised valuation models.

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

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

Furthermore, the Bank takes Credit Value Adjustments (CVAs) or Debit Value Adjustments (DVAs) into consideration when measuring OTC derivatives in order to allow for its own credit risk or that of counterparties, unless these are already included elsewhere in the valuation model. If a netting agreement exists for counterparties, the calculation is performed at the level of the counterparty based on the net position. In other cases, the calculation is performed using the individual positions. 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.

9 Hedge accounting

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

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

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

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

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

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

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

10 Structured products

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

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

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

11 Currency translation

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

The financial statements of foreign subsidiaries prepared in a foreign currency are converted using the modified closing rate method. All assets and liabilities are converted at the rate prevailing on the reporting date. The items in the statement of profit or loss and other comprehensive income are converted using the arithmetic mean of the month-end exchange rates during the reporting year. With the exception of the revaluation reserve (converted using the rate prevailing on the reporting date) and 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.

12 Genuine repurchase agreements and securities lending transactions

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

Genuine repurchase agreements are contracts transferring securities in return for a consideration, in which it is agreed at the same time that the securities must subsequently be transferred back to the pledgor in return for payment of a sum agreed in advance. The pledgor continues to account for the transferred securities in the previous 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 is still carried in the accounts of the borrower.

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

If transactions have been undertaken for trading purposes, income and expenses from repurchase agreements and from securities lending transactions are shown under trading profit or loss. If the fair value option is applied, the transactions are reported under profit or loss from financial instruments designated at fair value.

13 Lease accounting

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

The Deka Group as lessee

The rental and lease agreements concluded by the Deka Group as lessee 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 for the correct accounting period and shown in other assets.

The Deka Group as lessor

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

14 Receivables

The items due from banks and due from customers principally include loans granted, non-negotiable bearer and registered bonds, demand deposits, call money and time deposits. Paid cash sums and cash collateral from genuine securities repurchase agreements or securities lending transactions are also reported as receivables. Under IAS 39, the amounts due are categorised as loans and receivables (see also note [7]). Amounts due that are classified as loans and receivables are reported on the balance sheet at amortised cost less any loan loss provision. Income from interest payments and the sale of receivables is reported in net interest income, apart from interest payments in respect of receivables held for trading purposes (for portfolios in the trading book), which are reported in trading profit or loss. The measurement rules set out in note [9] apply to receivables secured as part of fair value hedges.

15 Provisions for loan losses

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

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

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

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

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

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

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

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

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

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

Impairments are recorded in profit or loss using provisions or direct write-downs, as are reversals of provisions and income received on written-down receivables. They are reported in the statement of profit or loss and other comprehensive income under provisions for loan losses.

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

16 Financial assets and financial liabilities at fair value

Held for trading

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

Designated at fair value

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

17 Positive and negative market values from derivative hedging instruments

This item includes hedging derivatives as defined in IAS 39 (hedge accounting) with positive market values 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.

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

18 Financial investments

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

The financial investments line item comprises financial instruments in the loans and receivables, held to maturity and available for sale categories. Securities shown under loans and receivables or as held to maturity are reported at amortised cost. Financial assets in the available for sale category are reported at fair value. Interests in affiliated unlisted companies and other equity investments for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at their acquisition cost in accordance with IAS 39.46c.

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

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

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

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

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

Shares in associates and joint ventures are stated in the consolidated balance sheet at historical cost as at the date of establishment or when significant influence was acquired. In subsequent years, the equity value shown on the balance sheet is adjusted by the proportionate changes in equity of the associate. The proportionate annual net income of the associate is reported in profit or loss on financial investments. Profits 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 that an asset no longer falls within the scope of consolidation, the adjustment to the value is carried out against the equity reported for the respective equity investment.

If there are indications of an impairment of the shares in a company valued in accordance with the equity method, these are subject to an impairment test and if necessary, the equity value of the shares is written down. Revaluations take place if the reasons for impairment no longer apply, using write-backs up to the recoverable amount, but only up to a maximum of the amount of the carrying value that would have been applicable in the previous periods without the impairment losses. Impairment write-downs and write-backs are recognised through profit or loss under profit or loss on financial investments.

19 Intangible assets

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

Goodwill arises on the acquisition of subsidiaries if the cost of acquisition exceeds the Group’s share of the acquired company’s net assets. Goodwill is reported at cost as at the date of acquisition and is not subject to any regular amortisation. Subsequent measurement is carried out at acquisition cost less all accumulated write-downs for impairment. Goodwill is subject to an impairment test each year, or more frequently if there are indications of a possible decrease in value. For the purposes of the impairment test, 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 a consideration are stated at amortised cost. Software developed in-house is capitalised at production 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 write-downs on intangible assets are recorded under administrative expenses in the statement of profit or loss and other comprehensive income.

20 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 for 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:

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

For materiality reasons, economic assets as defined in Section 6 (2) of the German Income Tax Act (*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 income.

21 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. The 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.

22 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 tax group. However, in return for the allocation of the tax base, atypical silent partners are entitled to allocate to DekaBank the corporation tax expense attributable to them (45.6% of 15.0% corporation tax plus the solidarity surcharge thereon, in total 7.22%), meaning that DekaBank pays an amount equal to the tax expense to the atypical silent partners and from an economic point of view also bears this part of the tax expense. 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 resulting in tax charges on reversal. If tax savings are projected when temporary differences are settled and it is probable they will be utilised, deferred tax assets are recorded. Actual income tax assets and liabilities and deferred tax assets and liabilities are stated net 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 loss carry-forwards chargeable to tax, 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, which cannot be carried forward for an unlimited period, are shown by maturity accordingly. Deferred tax assets arising from temporary differences and loss carry-forwards are tested for impairment at each reporting date.

23 Liabilities

Financial liabilities are accounted for on the balance sheet at amortised cost if they come under the other liabilities category. Liabilities in the category liabilities at fair value through profit or loss are measured at fair value through profit or loss. The valuation guidelines described in note [9] apply to liabilities which have been designated as hedging transactions in the context of hedge accounting.

24 Provisions for pensions and similar commitments

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

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

For defined benefit plans, the scope of 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, the asset recognised 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 to a contractually agreed minimum benefit or to the market value of the underlying fund units if higher.

Plan assets were created for the company retirement pensions of the Deka Group in the form of a Contractual Trust Arrangement (CTA). These are held by a legally independent trustee – Deka Trust e.V. The plan assets for the 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.

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

25 Other provisions

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

income that corresponds to the provision in terms of content. Provisions for creditworthiness risks in off-balance sheet lending transactions are charged to provisions for loan losses and reversed in the same line item.

26 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.

27 Subordinated capital

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

28 Atypical silent capital contributions

Atypical silent capital contributions are equity shown on the balance sheet in accordance with German commercial law. Under IAS 32, atypical silent capital contributions must be treated as debt capital, 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 deduct amounts in respect of taxation. The distribution is disclosed as a separate line item – interest expenses for atypical silent capital contributions – below net income before tax. The allocable tax is disclosed as a component of the tax expense (see note [22]).

29 Equity

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

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. Other reserves from retained earnings include retained profits from previous years. In addition, the effects of applying IFRS for the first time are also shown in other reserves from retained earnings, with the exception of valuation effects for financial instruments in the available for sale category.

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

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

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

The differences arising from the conversion of financial statements of foreign subsidiaries prepared in a foreign currency are posted to the currency translation reserve.

Minority interests, if these exist, are shown as a separate sub-item under equity.

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

30 Net interest income

In addition to interest income and expenses, this item includes pro-rated reversals of premiums and discounts from 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. Under IAS 32, silent capital contributions are classified as debt and the payments to typical silent partners are reported in interest expenses.

€m	2016	2015	Change
Interest income from			
Lending and money market transactions	458.0	542.9	–84.9
Interest rate derivatives (economic hedges)	153.4	211.9	–58.5
Fixed-interest securities and debt register claims	152.6	192.7	–40.1
Hedging derivatives (hedge accounting)	63.9	55.4	8.5
Negative interest from liabilities	45.0	1.8	43.2
Current income from			
Shares and other non fixed-interest securities	16.7	32.3	–15.6
Equity investments and shares in affiliated companies	2.1	1.9	0.2
Total interest income	**891.7**	**1,038.9**	–147.2
Interest expenses for			
Interest rate derivatives (economic hedges)	278.6	283.2	–4.6
Liabilities	284.5	394.7	–110.2
Securitised liabilities	69.7	92.7	–23.0
Hedging derivatives (hedge accounting)	31.0	32.4	–1.4
Subordinated liabilities and profit participation capital	36.3	34.1	2.2
Typical silent capital contributions	8.0	8.0	–
Negative interest from money market transactions and fixed-interest securities	47.4	2.3	45.1
Total interest expenses	**755.5**	**847.4**	–91.9
Net interest income	**136.2**	**191.5**	–55.3

A profit of €18.9 million on the disposal of receivables (previous year: €31.2m) is included under interest income from lending and money market transactions.

In the reporting year, interest amounting to €16.1m (previous year: €10.5m) was collected on impaired loans and securities.

Overall, interest income of €532.3m (previous year: €570.5m) and interest expenses of €363.8m (previous year: €417.8m) were reported for financial assets and liabilities not measured at fair value.

31 Provisions for loan losses

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

€m	2016	2015	Change
Allocations to provisions for loan losses	–222.1	–104.7	–117.4
Reversals of provisions for loan losses	26.4	37.7	–11.3
Direct write-downs on receivables	0.0	–	0.0
Income on written-down receivables	1.1	1.9	–0.8
Provisions for loan losses	**–194.6**	**–65.1**	–129.5

Movement in the risk provision for securities in the loans and receivables and held to maturity categories is reported under profit or loss on financial investments (see note [36]).

32 Net commission income

€m	2016	2015	Change
Commission income from			
Investment fund business	1,834.9	1,865.3	–30.4
Securities business	122.0	137.7	–15.7
Lending business	44.4	47.2	–2.8
Other	24.0	33.3	–9.3
Total commission income	**2,025.3**	**2,083.5**	–58.2
Commission expenses for			
Investment fund business	882.1	931.0	–48.9
Securities business	17.6	20.2	–2.6
Lending business	16.1	20.1	–4.0
Other	2.3	2.1	0.2
Total commission expenses	**918.1**	**973.4**	–55.3
Net commission income	**1,107.2**	**1,110.1**	–2.9

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

Commission income from investment fund business essentially comprises management fees, front-end loads and sales commission. In addition, performance-related remuneration and income from lump sum costs are also reported in this figure. Commission expenses for the investment fund business are largely attributable to services provided to sales partners. The vast majority of net commission income stems from trail commission, i.e. recurring commission relating to existing business. Net commission income from investment fund business therefore primarily comprises fees in accordance with IFRS 7.20c (ii).

33 Trading profit or loss

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

€m	2016	2015	Change
Sale and valuation results	249.0	–166.5	415.5
Net interest income and current income from trading transactions	23.0	420.7	–397.7
Commission on trading transactions	–19.3	–17.9	–1.4
Trading profit or loss	**252.7**	**236.3**	16.4

34 Profit or loss on financial instruments designated at fair value

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

€m	2016	2015	Change
Sale and valuation results	155.0	41.6	113.4
Foreign exchange profit or loss	–10.0	–7.7	–2.3
Commission	–0.1	–0.1	–
Profit or loss on financial instruments designated at fair value	**145.0**	**33.8**	111.2

In the reporting period, the valuation result from financial instruments designated at fair value included net income of €6.8m (previous year: €6.7m), which was attributable to differences in value arising from changes in the creditworthiness of own issues. It also included an expense of €4.1m (previous year: €0.0m), which originates from differences in value arising from changes in the creditworthiness of receivables designated at fair value.

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

35 Profit or loss from fair value hedges in accordance with IAS 39

Changes in value in the underlying transactions to which the hedged risk relates, together with fair value changes in the hedges, are reported as profit or loss from fair value hedges in accordance with IAS 39. The profit or loss from these hedges is composed as follows:

€m	2016	2015	Change
Valuation result from hedged underlying transactions	–85.7	37.2	–122.9
Valuation result from hedging derivatives	88.1	–41.3	129.4
Profit or loss from fair value hedges in accordance with IAS 39	**2.4**	**–4.1**	6.5

36 Profit or loss on financial investments

€m	2016	2015	Change
Sale and valuation results from securities	–1.6	–	–1.6
Sale and valuation results from shareholdings	–0.6	7.8	–8.4
Reversal of/allocation to risk provision for securities	–15.2	–14.3	–0.9
Write-downs arising from impairment of equity-accounted companies	–	–18.8	18.8
Write-backs arising from increase in value of equity-accounted companies	2.6	4.4	–1.8
Net income from investments valued using the equity method	1.3	2.2	–0.9
Profit or loss on financial investments	**–13.5**	**–18.7**	5.2

In the first half of 2016, a write-back of €2.6m was booked to the investment carrying value of the existing shares in S Broker AG & Co. KG of €7.0m.

37 Administrative expenses

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

€m	2016	2015	Change
Personnel expenses			
Wages and salaries	397.3	377.7	19.6
Social security contributions	48.8	45.7	3.1
Allocation to/reversal of provisions for pensions and similar commitments	38.9	42.6	−3.7
Expenses for defined contribution plans	2.7	2.1	0.6
Other expenses for retirement pensions and benefits	0.6	1.9	−1.3
Total personnel expenses	**488.4**	**470.0**	18.4
Other administrative expenses			
Consultancy expenses	88.1	67.2	20.9
Computer equipment and machinery	75.8	63.1	12.7
Rentals and expenses for buildings	56.6	54.5	2.1
Marketing and sales expenses	40.3	46.8	−6.5
IT information services	39.2	37.9	1.3
Subscriptions and fees	38.3	37.1	1.2
Bank levy	34.4	34.8	−0.4
Lump sum for fund administration services	28.8	32.0	−3.2
Postage/telephone/office supplies	12.7	10.5	2.2
Other administrative expenses	49.4	43.3	6.1
Total other administrative expenses	**463.6**	**427.2**	36.4
Depreciation of intangible assets	15.8	17.9	−2.1
Depreciation of property, plant and equipment	2.3	2.3	–
Total depreciation	**18.1**	**20.2**	−2.1
Administrative expenses	**970.1**	**917.4**	52.7

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

Administrative expenses include payments of €49.1m (previous year: €48.6m) 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	2016	2015	Change
Up to 1 year	51.4	47.1	4.3
Between 1 and 5 years	160.8	137.6	23.2
More than 5 years	89.7	85.1	4.6

38 Other operating income

The breakdown of other operating income is as follows:

€m	2016	2015	Change
Income from repurchased debt instruments	**–22.7**	**–8.0**	–14.7
Other operating profit			
From disposal of property, plant and equipment	–	42.1	–42.1
Reversal of other provisions	24.9	3.1	21.8
Rental income	1.2	1.2	–
Other income	81.1	58.0	23.1
Total other operating profit	**107.2**	**104.4**	2.8
Other operating expenses			
Restructuring expenses	18.6	0.1	18.5
VAT from provision of intra-Group services	17.0	18.2	–1.2
Other taxes	1.3	1.1	0.2
Other expenses	23.4	42.4	–19.0
Total other operating expenses	**60.3**	**61.8**	–1.5
Other operating income	**24.2**	**34.6**	–10.4

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

Other income includes negative goodwill of €35.6m resulting from the acquisition of S Broker AG & Co. KG and income booked through profit or loss from releasing a foreign currency translation reserve in the amount of €14.9m due to the deconsolidation of the subsidiary ExFin AG i.L., Zurich, following its liquidation. It also includes administrative fees for settlement services relating to company pension scheme products amounting to €483.8 thousand (previous year: €647.9 thousand).

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

39 Income taxes

This item includes all domestic and foreign taxes determined on the basis of the net income for the year. Income tax expenses comprise the following:

€m	2016	2015	Change
Current tax expense in financial year	179.8	162.8	17.0
Current tax expense/income (–) in previous years	–6.3	15.0	–21.3
Current tax expense	**173.5**	**177.8**	–4.3
Effect of origination and reversal of temporary differences	–24.3	50.1	–74.4
Effects of changes in tax legislation and/or tax rate	–1.4	–	–1.4
Effect of initial recognition of deferred tax on loss carry-forwards	–0.4	–	–0.4
Prior-year deferred tax income	16.9	–13.7	30.6
Deferred tax expense	**–9.2**	**36.4**	–45.6
Total income tax expense	**164.3**	**214.2**	–49.9

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 trade tax at a rate in line with the applicable multiplier. 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

(7.22%). A tax rate of 31.90% (previous year: 31.90%) is therefore applied for the measurement of deferred taxes (see note [22]). This tax rate is assumed as the expected tax rate in the reconciliation statement below. As in the previous year, the other domestic companies determined their deferred taxes at a tax rate of around 32%.

The foreign companies determine deferred taxes using the respective tax rate for the country in question. The tax rate amounts to 27.08% for the DekaBank Luxembourg tax group (previous year: 29.22%). With effect from 1 January 2017 the corporate tax rate in Luxembourg was reduced from 21.0% to 19.0%. Taking into account the surcharge for the unemployment fund and trade tax, this results in a new combined tax rate of 27.08%, which was used as the basis for determining deferred taxes. This led to an imputed tax reduction of €1.5m.

The origination or reversal of temporary differences led to deferred tax expenses of €24.3m (previous year: €50.1m). Current tax expenses for previous years relate primarily to the Luxembourg companies (€–8.0m), an adjustment to tax apportionments for previous years (€–6.2m) at DekaBank, and an offsetting adjustment (€7.6m) to a tax asset in connection with case law on Section 40a of the German Capital Investment Companies Act (*Gesetz über Kapitalanlagegesellschaften* – KAGG), also at DekaBank. The deferred tax expense relating to other periods is predominantly attributable to an adjustment to gains on equities at two special funds in connection with a tax audit.

Due to a positive forecast at a subsidiary, it was possible for the first time to take into account a tax loss carried forward – which had not been taken into account in previous years – in the calculation of deferred taxes (imputed tax reduction of €0.4m).

The following statement reconciles net income before tax with the tax expense:

€m	**2016**	**2015**	Change
IFRS – net income before tax	489.5	601.0	–111.5
x income tax rate	31.90%	31.90%	–
= Anticipated income tax expense in financial year	**156.2**	**191.7**	–35.5
Increase from taxes on non-deductible expenses	15.6	16.3	–0.7
Decrease from taxes on tax-exempt income	16.1	4.8	11.3
Withholding tax	0.3	0.3	–
Tax effect of special funds	–0.1	0.1	–0.2
Effects from interest rate changes	–1.5	–	–1.5
Tax effect of shares in companies accounted for using the equity method	1.5	4.5	–3.0
Effects of differing effective tax rates	–2.8	–3.1	0.3
Tax effects from past periods	10.6	1.1	9.5
Other	0.7	8.1	–7.4
Tax expenses according to IFRS	**164.3**	**214.2**	–49.9

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

The tax effect from tax-exempt income relates to the recognition of negative goodwill in connection with the full acquisition of the shares in S Broker AG & Co. KG (€–11.4m) as well as the amount recognised through profit or loss from releasing a foreign currency translation reserve due to the deconsolidation of the subsidiary ExFin AG i.L., Zurich, following its liquidation (tax-exempt gain on disposal).

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 1.85% lower.

Notes to the consolidated balance sheet

40 Cash reserves

The breakdown in cash reserves is as follows:

€m	31 Dec 2016	31 Dec 2015	Change
Cash on hand	4.9	6.3	−1.4
Balances with central banks	3,682.7	3,601.8	80.9
Total	**3,687.6**	**3,608.1**	79.5

The required minimum reserve was maintained at all times during the reporting year and amounted to €231.5m at the reporting date (previous year: €296.0m).

41 Due from banks

€m	31 Dec 2016	31 Dec 2015	Change
Domestic banks	14,049.0	18,063.7	−4,014.7
Foreign banks	6,605.1	9,032.7	−2,427.6
Due from banks before risk provision	**20,654.1**	**27,096.4**	−6,442.3
Provisions for loan losses	−0.2	−2.4	2.2
Total	**20,653.9**	**27,094.0**	−6,440.1

DekaBank paid €8.8bn (previous year: €10.6bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower, respectively.

42 Due from customers

€m	31 Dec 2016	31 Dec 2015	Change
Domestic borrowers	5,230.5	5,438.3	−207.8
Foreign borrowers	17,943.5	17,291.7	651.8
Due from customers before risk provision	**23,174.0**	**22,730.0**	444.0
Provisions for loan losses	−333.1	−222.0	−111.1
Total	**22,840.9**	**22,508.0**	332.9

DekaBank paid €5.8bn (previous year: €6.5bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower, respectively.

43 Provisions for loan losses

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

€m	31 Dec 2016	31 Dec 2015	Change
Provisions for loan losses – due from banks			
Specific provisions	–	2.1	−2.1
Collective provisions for creditworthiness risks	0.2	0.3	−0.1
Provisions for loan losses – due from customers			
Specific provisions	310.6	185.2	125.4
Collective provisions for creditworthiness risks	17.5	32.9	−15.4
Collective provisions for country risks	5.0	3.9	1.1
Total	**333.3**	**224.4**	108.9

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

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

€m	Opening balance 1 Jan 2015	Additions	Allocation	Utilisation	Reversal	Disposals	Reclassi-fication	Cur-rency effects	Closing balance 31 Dec 2015
Provisions for loan losses – due from banks									
Specific provisions	–	–	2.1	–	–	–	–	–	2.1
Collective provisions for creditworthiness risks	2.5	–	–	–	2.2	–	–	–	0.3
Sub-total	**2.5**	**–**	**2.1**	**–**	**2.2**	**–**	**–**	**–**	**2.4**
Provisions for loan losses – due from customers									
Specific provisions	146.7	–	94.5	33.5	32.4	–	−0.2	10.1	185.2
Collective provisions for creditworthiness risks	27.2	–	8.1	–	2.2	−0.2	–	–	32.9
Collective provisions for country risks	4.2	–	–	–	0.4	–	–	0.1	3.9
Sub-total	**178.1**	**–**	**102.6**	**33.5**	**35.0**	**−0.2**	**−0.2**	**10.2**	**222.0**
Provisions for credit risks									
Specific risks	0.4	–	–	0.1	0.1	–	0.2	–	0.4
Portfolio risks	1.8	–	–	–	0.4	–	–	–	1.4
Sub-total	**2.2**	**–**	**–**	**0.1**	**0.5**	**–**	**0.2**	**–**	**1.8**
Total	**182.8**	**–**	**104.7**	**33.6**	**37.7**	**−0.2**	**–**	**10.2**	**226.2**

Key ratios for provisions for loan losses:

%	2016	2015
Reversal/allocation ratio as at reporting date[1] (Quotient from net allocation and lending volume)	–0.76	–0.24
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.37	0.12
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.51	0.46
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	1.30	0.84

[1] allocation ratio shown without negative leading sign

Calculations of the above key ratios are based on the following lending volume as reflected on the balance sheet:

€m	31 Dec 2016	31 Dec 2015
Due from banks[1]	7,081.5	8,832.1
Due from customers[1]	15,389.0	14,915.1
Contingent liabilities	2,565.6	2,150.9
Irrevocable lending commitments	702.3	1,185.6
Total	**25,738.4**	**27,083.7**

[1] excluding money transactions

Provisions for loan losses by risk segment:

	Valuation allowances and provisions for loan losses and credit risks		Loan defaults[1]		Net allocations to[2]/reversals of valuation allowances and provisions for loan losses	
€m	**31 Dec 2016**	**31 Dec 2015**	**2016**	**2015**	**2016**	**2015**
Customers						
Transport and export finance	281.7	118.9	36.1	32.6	–189.0	–33.2
Public infrastructure	40.9	39.5	–	–	–1.4	–13.1
Property risks	1.6	32.2	25.7	–0.6	3.6	–4.5
Energy and utility infrastructure	8.6	31.4	33.0	–	–10.0	–17.7
Corporates	–	0.5	–	–0.4	0.4	0.7
Other	1.3	1.3	–	0.1	–	0.7
Total customers	**334.1**	**223.8**	**94.8**	**31.7**	**–196.4**	**–67.1**
Banks	**0.2**	**2.4**	**1.4**	**–**	**0.7**	**0.1**
Corporates	–	2.1	1.4	–	0.6	–2.1
Financial institutions	0.2	0.3	–	–	0.1	2.2
Total	**334.3**	**226.2**	**96.2**	**31.7**	**–195.7**	**–67.0**

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

44 Financial assets at fair value

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

€m	31 Dec 2016	31 Dec 2015	Change
Held for trading			
Debt securities and other fixed-interest securities	5,309.9	19,894.0	–14,584.1
Bonds and debt securities	5,214.8	19,516.6	–14,301.8
Money market securities	95.1	377.4	–282.3
Shares and other non fixed-interest securities	1,107.2	2,604.6	–1,497.4
Shares	643.1	1,915.9	–1,272.8
Investment fund units	464.1	688.7	–224.6
Other non fixed-interest securities	–	–	–
Other	1,026.1	868.0	158.1
Promissory note loans	1,026.1	868.0	158.1
Positive market values from derivative financial instruments (trading)	7,194.8	9,790.0	–2,595.2
Total – held for trading	**14,638.0**	**33,156.6**	–18,518.6
Designated at Fair Value			
Debt securities and other fixed-interest securities	18,695.4	15,215.0	3,480.4
Bonds and debt securities	18,695.4	15,196.0	3,499.4
Money market securities	–	19.0	–19.0
Shares and other non fixed-interest securities	1,016.4	1,363.2	–346.8
Shares	15.9	–	15.9
Investment fund units	980.7	1,363.2	–382.5
Participating certificates	–	–	–
Other non fixed-interest securities	19.8	–	19.8
Promissory note loans	297.4	–	297.4
Amounts due from securities repurchase agreements	–	500.5	–500.5
Positive market values from derivative financial instruments (economic hedges)	256.0	672.5	–416.5
Total – designated at fair value	**20,265.2**	**17,751.2**	2,514.0
Total	**34,903.2**	**50,907.8**	–16,004.6

The fair value of receivables in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €–4.1m (previous year: €0.0m).

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 2016	31 Dec 2015	Change
Debt securities and other fixed-interest securities	23,048.1	33,683.6	–10,635.5
Shares and other non fixed-interest securities	1,054.0	2,452.9	–1,398.9

45 Positive market values from derivative hedging instruments

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

€m	31 Dec 2016	31 Dec 2015	Change
Fair value hedges			
Asset items			
Due from banks	0.1	0.1	–
Due from customers	10.0	6.6	3.4
Liability items			
Due to banks	–	40.3	–40.3
Due to customers	11.9	53.9	–42.0
Securitised liabilities	6.6	7.1	–0.5
Subordinated capital	–	0.5	–0.5
Total fair value hedges	**28.6**	**108.5**	–79.9
Cash flow hedges			
Asset items	–	0.5	–0.5
Total	**28.6**	**109.0**	–80.4

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

46 Financial investments

€m	31 Dec 2016	31 Dec 2015	Change
Loans and receivables			
Debt securities and other fixed-interest securities	674.3	531.4	142.9
Held to maturity			
Debt securities and other fixed-interest securities	2,309.4	2,406.4	–97.0
Available for sale			
Debt securities and other fixed-interest securities	0.0	0.0	–
Shares and other non fixed-interest securities	0.0	0.0	0.0
Shareholdings			
Equity investments	30.8	27.9	2.9
Shares in equity-accounted companies	6.9	12.3	–5.4
Shares in affiliated, non-consolidated companies	1.1	4.6	–3.5
Shares in associated companies not accounted for under the equity method	0.2	0.2	–
Financial investments before risk provision	**3,022.7**	**2,982.8**	39.9
Risk provision	–53.8	–38.4	–15.4
Total	**2,968.9**	**2,944.4**	24.5

Shares in affiliated companies, as well as equity investments, are stated at acquisition cost. There is currently no intention to sell these assets. There are no publicly quoted market prices for companies valued using the equity method in the Deka Group.

Of the financial investments, the following are listed:

€m	31 Dec 2016	31 Dec 2015	Change
Debt securities and other fixed-interest securities	2,753.9	2,857.1	–103.2

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

€m	Equity investments	Shares in companies valued under the equity method	Shares in affiliated companies	Shares in associated companies	Total
Historical cost					
As at 1 January 2015	31.7	131.8	1.0	0.2	164.7
Additions	–	–	3.6	–	3.6
Disposals	2.9	–	–	–	2.9
As at 31 December 2015	28.8	131.8	4.6	0.2	165.4
Additions	–	0.0	0.4	–	0.4
Disposals	2.2	–	–	–	2.2
Change in scope of consolidation	–	–55.6	–3.9	–	–59.5
As at 31 December 2016	26.6	76.2	1.1	0.2	104.1
Cumulative amortisation/impairment					
As at 1 January 2015	0.9	103.7	–	–	104.6
Amortisation/impairment	–	18.8	–	–	18.8
Additions	–	4.4	–	–	4.4
Result from companies valued under the equity method	–	2.2	–	–	2.2
Reclassification and other changes	–	0.3	–	–	0.3
Changes in the revaluation reserve	–	–3.3	–	–	–3.3
As at 31 December 2015	0.9	119.5	–	–	120.4
Write-backs	–	2.6	–	–	2.6
Result from companies valued under the equity method	–	1.3	–	–	1.3
Reclassification and other changes	–	1.2	–	–	1.2
Changes in the revaluation reserve	5.1	–1.2	–	–	3.9
Change in scope of consolidation	–	–48.7	–	–	–48.7
As at 31 December 2016	–4.2	69.3	–	–	65.1
Carrying value as at 31 December 2015	**27.9**	**12.3**	**4.6**	**0.2**	**45.0**
Carrying value as at 31 December 2016	**30.8**	**6.9**	**1.1**	**0.2**	**39.0**

47 Intangible assets

€m	31 Dec 2016	31 Dec 2015	Change
Purchased goodwill	**148.1**	**148.1**	–
Software			
Purchased	29.6	20.1	9.5
Developed in-house	3.5	2.1	1.4
Total software	**33.1**	**22.2**	10.9
Other intangible assets	16.9	20.9	–4.0
Total	**198.1**	**191.2**	6.9

The line item acquired goodwill includes goodwill arising on the acquisition of LBB-INVEST (€95.0m). For the purposes of the impairment test performed as at 31 December 2016, this was allocated to the Securities business division as the cash-generating unit. As a result of its strategic reorganisation, the subsidiary LBB-INVEST (Landesbank Berlin Investment GmbH) has been fully integrated into the planning and management of the Securities business division. This line also contains 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 Real Estate business division in the course of normal testing procedures as at 31 December 2016.

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) methodology. The expected cash flows after tax were calculated for a five-year period.

The performance of the Securities business division's total customer assets under management was identified as a key value driver in its capacity as a cash-generating unit. The forecast was based on national economic data and past empirical values. Business and earnings trends are expected to remain stable. Values for perpetual annuity are in line with the forecast for 2021. The long-term growth rate remains unchanged at 1.0%. The discount rate amounted to 8.86% (previous year: 11.83%). The value in use established using this approach was higher than the carrying value of the cash-generating unit. As a result, no impairment write-down was required.

Internal forecasts based on national economic data and specific competition and market analyses were used for the Real Estate business division cash-generating unit. Account was taken of past empirical values, particularly with regard to material value drivers, namely the future development of total customer assets and the proportional gross loan volume. 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 the planned transactions in the target segments, which continue to be very competitive. For the subsequent years, 2020 and 2021, lower net cash inflows and correspondingly lower transaction income are forecast, due to the cyclical nature of sales as well as expected regulatory interventions (for example, reforms to the taxation of investments). The proven business strategy for property financing business will fundamentally remain in place, but there are plans to increase volumes significantly though new business, while at the same time reducing the number of external placements. Continuing price competition is expected to maintain pressure on margins in new business. Furthermore, expectations of future performance take into account a perpetual annuity in line with the forecast for 2021 and assume a long-term growth rate of 1.0% (previous year: 1.0%). The discount rate amounted to 7.46% (previous year: 9.06%). The value in use established using this approach was higher than the carrying value of the cash-generating unit. As a result, no impairment write-down was required.

The line item other intangible assets primarily contains sales partnerships and customer relationships from the acquisition of LBB-INVEST.

The following table shows the movement in intangible assets:

€m	Purchased goodwill	Software purchased	Software developed in-house	Other intangible assets	Total
Historical cost					
As at 1 January 2015	240.4	145.8	73.3	51.7	511.2
Additions	–	4.7	0.7	–	5.4
As at 31 December 2015	240.4	150.5	74.0	51.7	516.6
Additions	–	18.9	0.3	–	19.2
Disposals	–	3.5	0.4	1.1	5.0
Change in scope of consolidation	–	12.1	2.6	–	14.7
As at 31 December 2016	240.4	178.0	76.5	50.6	545.5
Cumulative amortisation/ impairment					
As at 1 January 2015	92.3	118.3	70.2	26.7	307.5
Amortisation/impairment	–	12.1	1.7	4.1	17.9
As at 31 December 2015	92.3	130.4	71.9	30.8	325.4
Amortisation/impairment	–	10.3	1.5	4.1	15.9
Disposals	–	3.5	0.4	1.2	5.1
Change in scope of consolidation	–	11.2	–	–	11.2
As at 31 December 2016	92.3	148.4	73.0	33.7	347.4
As at 31 December 2015	**148.1**	**20.1**	**2.1**	**20.9**	**191.2**
As at 31 December 2016	**148.1**	**29.6**	**3.5**	**16.9**	**198.1**

48 Property, plant and equipment

€m	31 Dec 2016	31 Dec 2015	Change
Land and buildings	–	–	–
Plant and equipment	14.7	14.6	0.1
Technical equipment and machines	2.4	1.7	0.7
Total	**17.1**	**16.3**	0.8

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 2015	28.0	44.0	59.2	131.2
Additions	–	0.6	0.7	1.3
Disposals	28.0	0.1	0.2	28.3
As at 31 December 2015	–	44.5	59.7	104.2
Additions	–	1.2	1.6	2.8
Disposals	–	0.1	3.7	3.8
Change Konsolidierungskreis	–	0.6	2.5	3.1
As at 31 December 2016	–	46.2	60.1	106.3
Cumulative amortisation/impairment				
As at 1 January 2015	15.2	28.8	57.2	101.2
Scheduled amortisation	0.2	1.1	1.0	2.3
Disposals	15.4	–	0.2	15.6
As at 31 December 2015	–	29.9	58.0	87.9
Amortisation/impairment	–	1.1	1.2	2.3
Disposals	–	0.1	3.7	3.8
Change Konsolidierungskreis	–	0.6	2.2	2.8
As at 31 December 2016	–	31.5	57.7	89.2
Carrying value as at 31 December 2015	**–**	**14.6**	**1.7**	**16.3**
Carrying value as at 31 December 2016	**–**	**14.7**	**2.4**	**17.1**

49 Income tax assets

€m	31 Dec 2016	31 Dec 2015	Change
Current income tax assets	193.6	164.0	29.6
Deferred income tax assets	156.1	57.5	98.6
Total	**349.7**	**221.5**	128.2

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.

During the year under review, deferred tax assets on tax loss carry-forwards in the amount of €3.8m arose at two Group companies (previous year: €0.0m).

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

€m	31 Dec 2016	31 Dec 2015	Change
Asset items			
Due from banks	–	–	–
Due from customers	0.6	0.3	0.3
Financial assets at fair value	0.6	15.6	–15.0
Financial investments	–	–	–
Shares in equity-accounted companies	–	1.8	–1.8
Intangible assets	20.0	21.9	–1.9
Other assets	0.4	0.7	–0.3
Liability items			
Due to banks	18.8	11.7	7.1
Due to customers	75.3	71.3	4.0
Securitised liabilities	0.8	1.2	–0.4
Financial liabilities at fair value	299.6	251.0	48.6
Negative market values from derivative hedging instruments	21.0	10.1	10.9
Provisions	96.1	86.5	9.6
Other liabilities	5.0	3.7	1.3
Subordinated capital	3.5	0.4	3.1
Loss carryforwards	**3.8**	**–**	3.8
Sub-total	**545.5**	**476.2**	69.3
Netting	–389.4	–418.7	29.3
Total	**156.1**	**57.5**	98.6

Reported deferred tax assets include €156.0m (previous year: €57.5m) that are medium or long-term in nature.

As at the reporting date there were no unrecognised tax loss carry-forwards at any Group company (previous year: €18.5m at a foreign Group company liquidated during the reporting year, unrecognised tax amount: €3.9m). In the previous year, no deferred tax asset was recognised on tax loss carry-forwards at a German company disposed of during the reporting year (loss carry-forward: €0.5m, deferred tax asset not recognised: €0.2m). In addition, there were no temporary differences for which deferred tax assets have not been recognised (amount of tax assets not recognised during the previous year: €0.0m).

Netting of deferred tax assets and liabilities relates mainly to short-term deferred taxes as a result of 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 €54.1m (previous year: €48.9m) in connection with pension provisions and deferred income tax assets amounting to €9.3m (previous year: €12.6m) in connection with cash flow hedges were offset against equity.

50 Other assets

€m	31 Dec 2016	31 Dec 2015	Change
Amounts due from investment funds	125.7	140.0	– 14.3
Amounts due from non-banking business	22.3	22.3	–
Amounts due or refunds from other taxes	0.7	0.7	–
Other miscellaneous assets	129.1	191.3	– 62.2
Prepaid expenses	28.9	26.2	2.7
Total	**306.7**	**380.5**	– 73.8

No impairment write-downs or write-backs were required during the reporting year as a result of the measurement rules to be applied at the time of classification under IFRS 5.

Other assets include €9.8 thousand (previous year: €0.3m) that are of a medium or long-term nature.

51 Due to banks

€m	31 Dec 2016	31 Dec 2015	Change
Domestic banks	13,150.2	16,640.1	– 3,489.9
Foreign banks	4,212.2	7,444.0	– 3,231.8
Total	**17,362.4**	**24,084.1**	– 6,721.7
Of which:			
Collateralised registered bonds and promissory note loans	199.1	204.8	– 5.7
Unsecured registered bonds and promissory note loans	2,797.7	2,593.2	204.5

Amounts due to banks include payments received from genuine securities repurchase agreements and collateralised securities lending transactions amounting to €3.5bn (previous year: €5.7bn).

52 Due to customers

€m	31 Dec 2016	31 Dec 2015	Change
Domestic borrowers	16,523.3	18,970.8	– 2,447.5
Foreign borrowers	6,895.8	10,491.2	– 3,595.4
Total	**23,419.1**	**29,462.0**	– 6,042.9
Of which:			
Collateralised registered bonds and promissory note loans	1,633.3	1,907.0	– 273.7
Unsecured registered bonds and promissory note loans	1,262.8	1,123.0	139.8

Amounts due to customers include payments received from genuine securities repurchase agreements and collateralised securities lending transactions amounting to €2.5bn (previous year: €4.8bn).

53 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Under IAS 39, own bonds held by the Deka Group with a nominal amount of €0.2bn (previous year: €0.2bn) were deducted from the issued bonds.

€m	31 Dec 2016	31 Dec 2015	Change
Unsecured bonds issued	8,100.6	6,353.2	1,747.4
Covered debt securities issued	224.8	284.9	– 60.1
Money market securities issued	2,750.7	13,283.7	– 10,533.0
Total	**11,076.1**	**19,921.8**	– 8,845.7

54 Financial liabilities at fair value

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

€m	31 Dec 2016	31 Dec 2015	Change
Held for trading			
Trading issues	15,063.5	11,796.0	3,267.5
Securities short portfolios	772.8	1,217.2	−444.4
Negative market values from derivative financial instruments (trading)	7,409.5	10,149.5	−2,740.0
Total – held for trading	**23,245.8**	**23,162.7**	83.1
Designated at fair value			
Issues	2,116.7	2,525.8	−409.1
Negative market values from derivative financial instruments (economic hedges)	1,157.0	1,426.3	−269.3
Total – designated at fair value	**3,273.7**	**3,952.1**	−678.4
Total	**26,519.5**	**27,114.8**	−595.3

Issues can be broken down by product type as follows:

€m	31 Dec 2016	31 Dec 2015	Change
Held for trading			
Unsecured trading issues			
Bearer bonds issued	11,601.0	8,979.9	2,621.1
Registered bonds issued	1,094.3	714.0	380.3
Promissory notes raised	2,368.3	2,102.1	266.2
Total	**15,063.5**	**11,796.0**	3,267.5
Designated at fair value			
Unsecured issues			
Bearer bonds issued	364.7	422.4	−57.7
Registered bonds issued	342.1	489.4	−147.3
Promissory notes raised	329.0	482.9	−153.9
Covered issues	1,080.9	1,131.1	−50.2
Total	**2,116.7**	**2,525.8**	−409.1

The fair value of issues in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €8.9m (previous year: €16.1m).

The carrying value of liabilities allocated to the designated at fair value category is €247.9m higher (previous year: €291.5m higher) than the repayment amount.

55 Negative market values from derivative hedging instruments

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

€m	31 Dec 2016	31 Dec 2015	Change
Fair value hedges			
Asset items			
Due from banks	–	9.9	–9.9
Due from customers	31.0	26.6	4.4
Liability items			
Due to banks	–	–0.3	0.3
Securitised liabilities	0.1	–0.1	0.2
Subordinated capital	0.1	–0.1	0.2
Total – fair value hedges	**31.2**	**36.0**	–4.8
Cash flow hedges			
Asset items	3.2	–	3.2
Total	**34.4**	**36.0**	–1.6

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

56 Provisions for pensions and similar commitments

The following table shows the movement in provisions:

€m	Provisions for pensions	Provisions for similar commitments[1]	Total
As at 1 January 2015	**230.3**	**22.0**	**252.3**
Additions	40.7	1.9	42.6
Utilisations	11.7	6.7	18.4
Reclassification	–	8.1	8.1
Change in plan assets	–15.2	–0.4	–15.6
Business combinations and change in scope of consolidation	–	–	–
Revaluations not affecting net profit	–55.4	–	–55.4
As at 31 December 2015	**188.7**	**24.9**	**213.6**
Additions	36.6	2.3	38.9
Utilisations	13.4	6.2	19.6
Reclassification	–	1.6	1.6
Change in plan assets	–13.0	–0.9	–13.9
Business combinations and change in scope of consolidation	0.2	–	0.2
Revaluations not affecting net profit	15.1	–	15.1
As at 31 December 2016	**214.2**	**21.7**	**235.9**

[1] including provisions for working hours accounts

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

€m	31 Dec 2016	31 Dec 2015	Change
Present value of fully or partially funded defined benefit obligations	709.3	658.3	51.0
Fair value of plan assets at reporting date	519.9	491.9	28.0
Funded status	**189.4**	**166.4**	23.0
Present value of unfunded defined benefit obligations	46.5	47.2	–0.7
Provisions for pensions	**235.9**	**213.6**	22.3

The movement in the net liability arising from defined benefit obligations was as follows:

	Defined benefit obligations		**Fair value of plan assets**		**Net debt/ (net assets)**	
€m	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
As at 1 January	**705.5**	**706.0**	**491.9**	**453.7**	**213.6**	**252.3**
Current service cost	33.2	36.9	–	–	33.2	36.9
Interest expenses or income	17.1	14.8	11.4	9.1	5.7	5.7
Net interest income/expense (recognised in profit or loss)	**50.3**	**51.7**	**11.4**	**9.1**	**38.9**	**42.6**
Actuarial gains/losses arising from:						
Financial assumptions	24.9	–37.2	–	–	24.9	–37.2
Experience adjustments	–8.1	–4.7	–	–	–8.1	–4.7
Income from plan assets excluding interest income	–	–	1.7	13.5	–1.7	–13.5
Revaluation gains/losses (recognised in other comprehensive income)	**16.8**	**–41.9**	**1.7**	**13.5**	**15.1**	**–55.4**
Transfers	1.6	8.1	–	–	1.6	8.1
Business combinations and change in scope of consolidation	1.2	–	1.0	–	0.2	–
Employer contributions	–	–	6.2	6.3	–6.2	–6.3
Employee contributions	–	–	9.9	10.2	–9.9	–10.2
Employee benefits	–19.6	–18.4	–2.2	–0.9	–17.4	–17.5
As at 31 December	**755.8**	**705.5**	**519.9**	**491.9**	**235.9**	**213.6**
Of which:						
Final salary plans and general contribution schemes	484.8	470.4	311.7	311.9	173.1	158.5
Fund-based defined contribution plans	243.8	205.6	202.5	175.4	41.3	30.2

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

%	31 Dec 2016	31 Dec 2015	Change
Actuarial interest rate	1.95	2.30	–0.35
Pension trend for adjustments according to Section 16 (2) Company Pension Funds Act (BetrAVG)[1)]	1.75	2.00	–0.25
Pension adjustment with overall trend updating[1)]	2.25	2.50	–0.25
Salary trend[1)]	2.50	2.50	–

[1)] not relevant for the valuation of fund-based commitments as these are not dependent on the final salary

For forfeitable 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 –0.25% (previous year: 0.04%) 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 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 defined benefit obligation (DBO) and not to the net obligation, as this is determined by a number of factors including both the actuarial assumptions and the plan assets measured at fair value.

€m	**Change in actuarial assumptions**	**Effect on defined benefit obligations**	
		31 Dec 2016	**31 Dec 2015**
Actuarial interest rate	Increase of 1.0 percentage point	–110.9	–104.1
	Reduction of 1.0 percentage point	144.7	136.5
Salary trend	Increase of 0.25 percentage point	6.8	6.9
	Reduction of 0.25 percentage point	–6.4	–6.5
Pension trend	Increase of 0.25 percentage point	15.9	15.3
	Reduction of 0.25 percentage point	–15.2	–14.5
Life expectancy	Extended by 1 year	22.0	20.9

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

€m	**31 Dec 2016**	**31 Dec 2015**	Change
Equity funds	191.8	164.8	27.0
Bond funds	1.7	2.3	–0.6
Mixed funds	8.0	7.2	0.8
Near-money market funds	5.6	4.7	0.9
Mutual funds	207.1	179.0	28.1
Special funds	311.9	311.8	0.1
Insurance contracts	0.9	1.1	–0.2
Total	**519.9**	**491.9**	28.0

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 2016, the plan assets included €519.0m of the Deka Group's own investment funds (previous year: €490.8m). They did not include properties used by the Deka Group or other assets.

The units in mutual funds are used to finance fund-based commitments and working hours accounts. Investments were made in a special fund for commitments under final salary plans and general contribution schemes, the investment strategy of which is based on an integrated asset-liability 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.

The income from the plan assets is assumed to be at the level of the actuarial interest rate which is determined on the basis of corporate bonds with a credit rating of at least AA. If the actual return on the plan assets falls below the actuarial interest rate applied, the net obligation arising from the defined benefit commitments is increased. However, in view of the composition of the plan assets, it is assumed that the actual return over the medium to long term will exceed the yield on good-quality corporate bonds.

The amount of the net obligation is also affected, in particular, by the actuarial interest rate, whereby the current very low level of interest rates leads to a relatively high net obligation. A further decline in corporate bond yields would lead to a further increase in the defined benefit obligations, which can only be partially offset by the positive performance of the plan assets.

The weighted average maturity of the defined benefit pension obligations was 17.4 years as at the balance sheet date (previous year: 17.2 years).

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

€m	31 Dec 2016	31 Dec 2015	Change
Current scheme members	398.7	360.1	38.6
Former scheme members	166.8	157.5	9.3
Pensioners and surviving dependants	190.3	187.9	2.4
Present value of defined benefit obligation	**755.8**	**705.5**	50.3

For the 2017 financial year, it is expected that contributions amounting to €16.1m (previous year: €16.5m) will have to be allocated to the defined benefit schemes.

57 Other provisions

€m	31 Dec 2016	31 Dec 2015	Change
Provisions for restructuring measures	27.2	9.9	17.3
Provisions for legal risiks	7.4	9.4	−2.0
Provisions for operational risks	0.6	0.7	−0.1
Provisions for credit risks	1.0	1.8	−0.8
Provisions in human resources	0.5	1.4	−0.9
Provisions in investment funds business	72.6	112.0	−39.4
Sundry other provisions	12.8	105.1	−92.3
Total	**122.1**	**240.3**	−118.2

Restructuring provisions arise from the Deka Group's various restructuring activities, including the transformation process aimed at turning DekaBank into the *Wertpapierhaus* for the savings banks, as well as the strategic reorganisation of the subsidiary LBB-INVEST (Landesbank Berlin Investment GmbH) 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. Operational risks can lead to claims from customers, counterparties and supervisory authorities or to legal action.

Provisions for credit risks are provisions created for impairments identified in relation to guarantees and sureties (see note [43]).

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

Amongst other things, the Deka Group's range of products includes investment funds with guarantees of various types. At maturity of the fund or at the end of the investment period, the capital management company guarantees the capital invested less charges, or the unit value at the start of the respective investment period. The amount of the provision is determined from the forecast shortfall at the guarantee date, which represents the difference between the expected and guaranteed unit value. On the balance sheet date, provisions of €2.4m (previous year: €7.9m) were established based on the performance of the respective fund assets. As at the reporting date, the guarantees covered a maximum total volume of €3.9bn (previous year: €4.8bn) at the respective guarantee dates. The market value of the corresponding fund assets totalled €4.1bn (previous year: €5.0bn). These also include the funds described below with a forecast return performance and a volume of €2.4bn (previous year: €2.7bn).

Investment funds, whose return is forecast and published on the basis of current money market rates set by the Group, exist in two fund varieties: with or without a capital guarantee. The level of the provision is determined using potential loss scenarios taking account of the risks related to liquidity, interest rate and spreads. As at the reporting date, provisions of €40.1m (previous year: €78.7m) had been established. The underlying total value of the funds amounted to €6.5bn (previous year: €6.1bn), of which €2.4bn (previous year: €2.7bn) related to funds with a capital guarantee and €4.1bn (previous year: €3.4bn) related 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 2016	Addition	Utilisation	Reversal	Reclassi-fications	Accumu-lation	Currency effects	Closing balance 31 Dec 2016
Provisions for restructuring measures	9.9	18.6	–	–	–1.3	–	–	27.2
Provisions for legal risks	9.4	0.5	–	2.5	–	–	–	7.4
Provisions for operational risks	0.7	0.1	–	0.2	–	–	–	0.6
Provisions for credit risks	1.8	–	0.1	1.7	1.1	–	–0.1	1.0
Provisions in human resources	1.4	0.5	0.8	0.4	–0.3	–	–	0.5
Provisions in investment funds business	112.0	7.1	1.3	45.1	–	–0.1	–	72.6
Sundry other provisions	105.1	33.6	103.8	22.1	–	–	–	12.8
Other provisions	**240.3**	**60.4**	**106.0**	**72.0**	**–0.5**	**–0.1**	**–0.1**	**122.1**

Depending on their original nature, some of the provisions for restructuring measures are reclassified as provisions for pensions and similar commitments in the subsequent year.

Other provisions include €45.0m (previous year: €100.9m) that are of a medium or long-term nature.

58 Income tax liabilities

€m	31 Dec 2016	31 Dec 2015	Change
Provisions for income taxes	16.8	21.3	–4.5
Current income tax liabilities	42.1	58.4	–16.3
Deferred income tax liabilities	123.3	28.1	95.2
Total	**182.2**	**107.8**	74.4

Provisions for income taxes relate to corporation tax, the solidarity surcharge and trade tax. Provisions for income taxes include €16.8m (previous year: €21.3m) that are of a medium or long-term nature.

Current income tax liabilities comprise payments due but not yet paid as at the reporting date for income taxes from the reporting year and earlier periods. 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 2016	31 Dec 2015	Change
Asset items			
Due from banks	3.0	9.1	−6.1
Due from customers	5.6	77.6	−72.0
Financial assets at fair value	317.3	270.8	46.5
Positive market values from derivative hedging instruments	124.5	32.6	91.9
Financial investments	50.6	44.9	5.7
Intangible assets	5.7	6.3	−0.6
Property, plant and equipment	–	–	–
Other assets	4.8	4.6	0.2
Liability items			
Due to customers	–	–	–
Provisions	0.0	0.1	−0.1
Other liabilities	1.2	0.8	0.4
Sub-total	**512.7**	**446.8**	65.9
Netting	−389.4	−418.7	29.3
Total	**123.3**	**28.1**	95.2

The deferred tax liabilities reported are all of a short-term nature (€121.7m, previous year: €28.1m).

Netting of deferred tax assets and liabilities relates mainly to short-term deferred taxes as a result of 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 €475.5m (previous year: €471.1m), resulting in imputed deferred tax liabilities of €7.6m (previous year: €7.5m) which, in accordance with IAS 12.39, have not been recognised on the balance sheet. In the previous year, a liability of €0.2m was recognised in connection with the liquidation of a subsidiary, ExFin AG i.L, Zurich, which was completed in the first quarter of 2016.

During the reporting year, deferred income tax liabilities amounting to €0.1m (previous year: €0.7 thousand) in connection with the revaluation of an equity investment sold after the reporting date and the revaluation of bonds and other securities in the available for sale portfolio were offset against equity.

59 Other liabilities

The breakdown of other liabilities is as follows:

€m	31 Dec 2016	31 Dec 2015	Change
Liabilities			
Debt capital from minority interests	0.8	0.8	–
Commissions not yet paid to sales offices	101.2	97.1	4.1
Liabilities from current other taxes	26.5	30.5	−4.0
Securities spot deals not yet settled	2.2	0.1	2.1
Shares of profit attributable to atypical silent partners	84.1	7.7	76.4
Other	75.1	73.6	1.5
Accruals			
Sales performance compensation	290.6	301.9	−11.3
Personnel costs	106.5	107.3	−0.8
Closing and other audit costs	5.9	6.2	−0.3
Other accruals	48.6	45.3	3.3
Prepaid income	4.2	4.7	−0.5
Total	**745.7**	**675.2**	70.5

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

DekaBank offsets the share of profit attributable to atypical silent partners against the taxes already deducted for the benefit of the owners. As at the reporting date, the share of profit was €84.1m higher than the taxes deducted.

The item 'other' includes trade payables of €42.4m (previous year: €44.0m) and liabilities to custodial account holders of €11.1m (previous year: €1.8m).

Other liabilities include €3.3m (previous year: €0.6m) that are of a medium or long-term nature.

60 Subordinated capital

€m	31 Dec 2016	31 Dec 2015	Change
Subordinated bearer bonds	187.8	188.3	–0.5
Subordinated promissory note loans	172.4	213.4	–41.0
Other subordinated liabilities	525.8	514.6	11.2
Prorated interest on subordinated liabilities	20.6	21.5	–0.9
Capital contributions of typical silent partners	203.9	203.9	–
Prorated interest on capital contributions of typical silent partners	8.0	8.0	–
Total	**1,118.5**	**1,149.7**	–31.2

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

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

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

Interest expenses for typical silent capital contributions existing as at the reporting date amounted to €8.0m and are reported in net interest income (see note [30]). Silent capital contributions of €203.9m have been terminated in full.

61 Atypical silent capital contributions

Atypical silent capital contributions amounted to €52.4m (previous year: €52.4m). The distribution on atypical silent capital contributions in the year under review was €59.3m (previous year: €56.9m).

62 Equity

€m	31 Dec 2016	31 Dec 2015	Change
Subscribed capital	286.3	286.3	–
Less own shares	94.6	94.6	–
Additional equity components (AT1 bonds)	473.6	473.6	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings			
Statutory reserve	6.3	13.4	−7.1
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	4,235.4	4,054.4	181.0
Total reserves from retained earnings	**4,293.0**	**4,119.1**	173.9
Revaluation reserve			
For provisions for pensions	−169.5	−154.4	−15.1
For cash flow hedges	−29.1	−39.5	10.4
For financial instruments available for sale	5.1	–	5.1
For equity-accounted companies	−4.5	−3.3	−1.2
Applicable deferred taxes	63.3	61.5	1.8
Total revaluation reserve	**−134.7**	**−135.7**	1.0
Currency translation reserve	1.8	16.2	−14.4
Consolidated profit/loss	70.7	67.9	2.8
Total	**5,086.4**	**4,923.1**	163.3

In the 2016 financial year, a negative valuation result from existing cash flow hedges totalling €–3.0m (previous year: €–13.1m) was recorded in the revaluation reserve. In addition, a loss on completed hedging transactions in the amount of €–13.4m (previous year: €–24.9m) was reclassified from the revaluation reserve to profit on financial instruments in the designated at fair value category. As a result of unscheduled repayments and syndications, margin cash flows from loans that were originally hedged, converted in the amount of €42.2m (previous year: €74.6m), will not arise in future periods. The cash flow hedge was modified accordingly. There were no reclassifications due to the ineffectiveness of hedges during the reporting year.

The hedged cash flows are expected in the following subsequent reporting periods and are scheduled to be recognised through profit or loss in those periods:

€m	31 Dec 2016	31 Dec 2015	Change
Expected cash flows from asset items			
Up to 3 months	34.4	25.1	9.3
3 months to 1 year	57.2	57.0	0.2
1 year to 5 years	172.0	194.1	−22.1
More than 5 years	48.7	53.3	−4.6
Total expected cash flows	**312.3**	**329.5**	−17.2

Notes to financial instruments

63 Carrying values by valuation category

In the Deka Group, financial instruments are classified by balance sheet line item and IFRS categories in accordance with IFRS 7:

€m	31 Dec 2016	31 Dec 2015	Change
Asset items			
Loans and receivables			
Due from banks	20,653.9	27,094.0	–6,440.1
Due from customers	22,840.9	22,508.0	332.9
Financial investments	672.4	531.1	141.3
Held to maturity			
Financial investments	2,257.5	2,368.3	–110.8
Available for sale			
Financial investments	39.0	45.0	–6.0
Held for trading			
Financial assets at fair value	14,638.0	33,156.6	–18,518.6
Designated at fair value			
Financial assets at fair value	20,265.1	17,751.2	2,513.9
Positive market values from derivative hedging instruments	28.6	109.0	–80.4
Total asset items	**81,395.4**	**103,563.2**	–22,167.8
Liability items			
Other liabilities			
Due to banks	17,362.4	24,084.1	–6,721.7
Due to customers	23,419.1	29,462.0	–6,042.9
Securitised liabilities	11,076.1	19,921.8	–8,845.7
Subordinated capital	1,118.5	1,149.7	–31.2
Held for trading			
Financial liabilities at fair value	23,245.8	23,162.7	83.1
Designated at fair value			
Financial liabilities at fair value	3,273.6	3,952.1	–678.5
Negative market values from derivative hedging instruments	34.4	36.0	–1.6
Total liability items	**79,529.9**	**101,768.4**	–22,238.5

64 Net income by valuation category

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

€m	31 Dec 2016	31 Dec 2015	Change
Loans and receivables	289.8	462.6	–172.8
Held to maturity	50.1	59.8	–9.7
Other liabilities	–363.8	–417.8	54.0
Other comprehensive income	5.1	–	5.1
Results recognised in profit or loss	2.5	9.7	–7.2
Available for sale	7.6	9.7	–2.1
Held for trading	304.8	277.2	27.6
Designated at fair value	57.9	16.5	41.4
Valuation result from hedge accounting for fair value hedges	2.4	–4.1	6.5
Result from hedge accounting for cash flow hedges not recognised in profit or loss	10.4	–13.1	23.5

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

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

65 Fair value data

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

	31 Dec 2016		31 Dec 2015	
€m	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Asset items				
Cash reserve	3,687.6	3,687.6	3,608.1	3,608.1
Due from banks	20,835.2	20,653.9	27,290.4	27,094.0
Due from customers	23,122.1	22,840.9	22,623.2	22,508.0
Financial assets at fair value	34,903.2	34,903.2	50,907.8	50,907.8
Positive market values from derivative hedging instruments	28.6	28.6	109.0	109.0
Financial assets	2,983.3	2,968.9	3,004.3	2,944.4
Loans and receivables	632.9	672.4	485.3	531.1
Held to maturity	2,311.4	2,257.5	2,474.0	2,368.3
Available for sale	39.0	39.0	45.0	45.0
Other assets	183.9	183.9	164.5	164.5
Total asset items	**85,743.9**	**85,267.0**	**107,707.3**	**107,335.8**
Liability items				
Due to banks	17,521.7	17,362.4	24,290.6	24,084.1
Due to customers	23,691.8	23,419.1	29,806.6	29,462.0
Securitised liabilities	11,164.2	11,076.1	20,025.5	19,921.8
Financial liabilities at fair value	26,519.5	26,519.5	27,114.8	27,114.8
Negative market values from derivative hedging instruments	34.4	34.4	36.0	36.0
Subordinated liabilities	1,217.8	1,118.5	1,249.4	1,149.7
Other liabilities	230.7	230.7	149.7	149.7
Total liability items	**80,380.1**	**79,760.7**	**102,672.6**	**101,918.1**

For financial instruments due on demand or short-term financial instruments, fair value corresponds to the amount payable as at the reporting date. The carrying value therefore represents a reasonable approximation to the fair value. These include, among other things, the cash reserve, overdraft facilities and demand deposits owed to banks and customers, as well as financial instruments included in the other assets or liabilities item. In the following description of the fair value hierarchy, financial assets amounting to €4,565.5m (previous year: €4,327.2m) and financial liabilities amounting to €10,729.3m (previous year: €10,527.7m) are not allocated to any level of the fair value hierarchy.

Shares in affiliated unlisted companies and other equity investments in the amount of €39.0m (previous year: €45.0m) included in financial investments allocated to the available for sale category, for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at cost. There is currently no intention to sell these assets. These financial instruments are also not allocated to any level of the fair value hierarchy in the table below.

Financial instruments in the held to maturity category are bearer bonds for which there was an active market on acquisition. Their fair values correspond to market prices or were determined on the basis of observable market parameters.

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

Level 2 (Valuation method based on observable market data): Financial instruments whose fair value can be determined either from similar financial instruments traded on active and liquid markets, or 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, inter alia, 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, allocated to the respective level of the fair value hierarchy.

	Prices on active markets (Level 1)		Valuation method based on observable market data (Level 2)		Valuation method not based on observable market data (Level 3)	
€m	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Financial assets at fair value						
Debt securities, other fixed-interest securities and loan receivables	12,942.4	20,672.1	9,884.3	12,904.6	2,502.2	2,400.4
Shares and other non fixed-interest securities	1,996.3	3,672.1	127.2	295.7	–	–
Derivative financial instruments						
Interest-rate-related derivatives	0.1	0.1	5,705.2	6,677.1	15.8	15.3
Currency-related derivatives	–	–	225.9	113.3	–	–
Share-price and other price-related derivatives	329.7	335.0	1,170.6	3,313.7	3.5	7.9
Other financial assets (dafv)	–	–	–	500.5	–	–
Positive market values from derivative hedging instruments	–	–	28.6	109.0	–	–
Assets measured at amortised cost						
Due from banks	–	–	14,338.6	18,944.4	6,150.4	7,927.4
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	–	8,753.8	10,604.0	–	–
Due from customers	–	–	7,770.4	7,767.6	15,003.9	14,719.6
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	–	5,813.0	6,517.4	–	–
Financial investments	1,254.9	1,130.2	656.6	504.7	1,032.8	1,324.4
Total	**16,523.4**	**25,809.5**	**39,907.4**	**51,130.6**	**24,708.6**	**26,395.0**
Financial liabilities at fair value						
Securities short portfolios	647.1	1,102.3	125.7	114.9	–	–
Derivative financial instruments						
Interest-rate-related derivatives	0.9	0.1	5,923.5	6,905.4	139.9	33.6
Currency-related derivatives	–	–	214.0	127.7	–	–
Share-price and other price-related derivatives	665.8	671.9	1,621.0	3,828.7	1.4	8.3
Issues	–	–	16,472.4	13,791.3	707.8	530.5
Negative market values from derivative hedging instruments	–	–	34.4	36.0	–	–
Liabilities measured at amortised cost						
Due to banks	–	–	14,008.4	21,418.1	2,565.2	2,403.3
Of which liabilities relating to genuine repurchase agreements and collateralised securities lending transactions	–	–	3,788.9	5,729.4	–	–
Due to customers	–	–	12,701.4	18,610.2	1,439.9	1,287.7
Of which liabilities relating to genuine repurchase agreements and collateralised securities lending transactions	–	–	2,563.8	4,781.3	–	–
Securitised liabilities	–	–	11,164.2	20,025.5	–	–
Subordinated capital	–	–	–	–	1,217.8	1,249.4
Total	**1,313.8**	**1,774.3**	**62,265.0**	**84,857.8**	**6,072.0**	**5,512.8**

Reclassifications

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

	Reclassification from level 1 to level 2		Reclassification from level 2 to level 1	
€m	**2016**	**2015**	**2016**	**2015**
Financial assets at fair value				
Debt securities, other fixed-interest securities and loan receibales	3,487.9	2,202.4	925.6	659.9
Shares and other non fixed-interest securities	–	249.5	–	642.9
Derivative financial instruments				
Interest-rate-related derivatives	–	0.1	–	–
Financial liabilities at fair value				
Securities short portfolios	68.3	3.5	4.0	88.5

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

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

Fair value hierarchy level 1

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

In principle, the redemption price published by the respective investment company (*Kapitalverwaltungsgesellschaft*) is used to determine the fair value of unconsolidated investment funds.

Fair value hierarchy level 2

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

If no price is observable on an active market for long-term financial liabilities, fair value is determined by discounting the contractually agreed cash flows using an interest rate at which comparable liabilities could have been issued. Any existing collateralisation structure is taken into account, such as that used for *Pfandbriefe*, for example.

Provided that they are not products traded on the stock market, derivative financial instruments are in principle measured using standard valuation models, such as the Black-Scholes model, the SABR model, the Bachelier model, the G1PP model or the local volatility model. The models are always calibrated using observable market data. 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.

Furthermore, in some individual cases and under restrictive conditions, options traded on the stock market are also measured using the Black-Scholes model. This case-by-case regulation applies to special EUREX options where the published price is not based on sales or actual trading volume, but on the valuation using a theoretical EUREX model.

Interest rate swaps and interest rate/currency swap agreements as well as unlisted interest rate futures are measured on the basis of the discounted cash flow model using the market interest rates applying to the remainder of the term of the financial instruments. The tenor structures of the individual interest rates are taken into account by means of separate forward interest rate curves. Interest rate swaps are discounted using the respective 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 foreign exchange forward contracts are determined at the reporting date on the basis of the future rates, which in turn are quoted by FX swap points in the market.

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 discount rate adjusted for credit risk. The discount rate applied takes into account the collateral criteria agreed at the time of concluding the genuine securities repurchase agreement.

Fair value hierarchy level 3

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

Bonds and debt securities reported under assets measured at amortised cost are bonds and securitisation positions for which DekaBank had no current market price information as at the reporting date. Bonds are valued either on the basis of indicative quotations or using the discounted cash flow model, applying risk-adjusted market interest rates. The differing credit ratings of issuers are taken into account through appropriate adjustments in the discount rates.

The bonds and debt securities in the designated at fair value category and reported under financial assets at fair value essentially relate to plain vanilla bonds and non-synthetic securitisation positions. Since 2009, the Bank has been winding down the latter whilst safeguarding assets. Determining the fair value of plain vanilla bonds involves the use of credit spreads that are not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the plain vanilla bonds could have been €1.8m higher or lower.

The fair value of non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations or via spreads derived from indicative quotations for comparable bonds. These quotations are obtained from various brokers as well as from market price providers, such as S&P. The bid-ask spreads from the available price indications for the individual securitisation positions were used to determine a cautious bid-ask spread, which was used as an estimate for price sensitivity. Using this bid-ask spread, a variation range of 0.64 percentage points averaged across the portfolio was obtained. On this basis the market value of the securitisation positions concerned could have been €1.0m lower or higher.

The bonds and debt securities presented within the financial assets at fair value line item in the held for trading category are plain vanilla bonds measured using credit spreads not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the market value of the positions concerned could have been €4.8m higher or lower.

The Bank also allocates to level 3 a limited number of equity and interest rate derivatives or issues with embedded equity 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 respective share prices or interest rate fixings, or modifications to these. Using a 14.0% shift in the correlations, the sensitivity of the equity option positions concerned as at 31 December 2016 was around €–4.6m. The size of the shift was determined on the basis of relevant historical fluctuations in the correlations. For interest rate derivatives based on an index spread, the sensitivity in terms of the correlation between the relevant reference indices is mapped via shifts in the model parameters. The resulting change in the correlation is approximately +7%, giving rise to a measurement difference of €–0.1m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty amounts to an equity vega of 1.1, resulting in a value of approximately €0.8m as at 31 December 2016. 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 2016, this resulted in a value of €0.6m.

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.

As at 31 December 2016, 99.9% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.

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

Performance of financial instruments in fair value hierarchy level 3

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

€m	Debt securities, other fixed-interest securities and loan receivables	Shares and other non fixed interest securities	Interest-rate-related derivatives	Share-price and other price-related derivatives	Total
As at 1 January 2015	2,545.5	9.9	0.5	6.6	2,562.5
Additions through purchase	2,425.5	–	1.1	0.0	2,426.6
Disposals through sale	703.4	–	–	–	703.4
Maturity/repayments	1,955.0	5.2	–	0.1	1,960.3
Transfers					
To level 3	88.9	–	14.6	1.4	104.9
From level 3	52.0	4.5	0.5	–	57.0
Changes arising from measurement/disposal[1]					
Recognised in profit or loss	45.6	−0.2	–	−0.3	45.1
Recognised in other comprehensive income	–	–	–	–	–
As at 31 December 2015	**2,395.1**	**0.0**	**15.7**	**7.6**	**2,418.3**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[2]	**14.7**	**–**	**–**	**−0.3**	**14.4**
Additions through purchase	1,084.5	0.1	16.3	0.5	1,101.4
Disposals through sale	620.5	0.1	–	0.0	620.6
Maturity/repayments	548.6	–	–	6.2	554.8
Transfers					
To level 3	332.0	–	0.8	1.9	334.7
From level 3	195.6	–	15.7	1.4	212.7
Changes arising from measurement/disposal[1]					
Recognised in profit or loss	48.6	–	–	1.0	49.6
As at 31 December 2016	**2,495.5**	**0.0**	**17.1**	**3.4**	**2,516.0**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[2]	**39.0**	**–**	**–**	**1.0**	**40.0**

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

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

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

€m	Securities short portfolios	Interest-rate-related derivatives	Share-price and other price-related derivatives	Issues	Total
As at 1 January 2015	**1.1**	**0.6**	**10.3**	**237.8**	**249.8**
Additions through purchase	–	18.9	0.6	–	19.5
Disposals through sale	–	0.2	–	–	0.2
Additions through issues	–	–	–	384.2	384.2
Maturity/repayments	–	–	3.0	172.5	175.5
Transfers					
To level 3	–	14.0	0.6	149.1	163.7
From level 3	1.1	0.4	–	43.8	45.3
Changes arising from measurement/disposal[1]					
Recognised in profit or loss	–	–	0.3	26.6	26.9
Recognised in other comprehensive income	–	–	–	–	–
As at 31 December 2015	**–**	**32.9**	**8.2**	**528.2**	**569.3**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[2]	**–**	**–**	**0.3**	**26.6**	**26.9**
Additions through purchase	–	2.2	0.8	23.8	26.9
Disposals through sale	–	–	0.1	–	0.1
Additions through issues	–	–	–	346.7	346.7
Maturity/repayments	–	–	7.1	184.5	191.6
Transfers					
To level 3	–	64.1	0.0	52.7	116.8
From level 3	–	14.0	0.5	72.2	86.8
Changes arising from measurement/disposal[1]					
Recognised in profit or loss	–	–38.3	–0.0	–10.7	–49.0
Recognised in other comprehensive income	–	–	–	–	–
As at 31 December 2016	**–**	**123.5**	**1.3**	**705.3**	**830.1**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[2]	**–**	**–38.3**	**–**	**–12.4**	**–50.7**

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

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

During the reporting period, positive market values from bonds, other fixed-income securities and loan receivables amounting to €195.6m and negative market values from issues/trading issues in the amount of €72.2m were transferred from level 3 to level 2. Furthermore, positive market values from bonds, other fixed-income securities and loan receivables amounting to €332.0m were migrated to level 3. This was due to a more detailed analysis of the market data used for valuation.

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

Measurement processes for financial instruments in fair value hierarchy level 3

For all transactions in the trading book and the banking book, DekaBank essentially 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, parameterisation, performance of the valuation and quality assurance. The steps and processes are each designed and conducted by one team.

Finance and Risk Control analyse and provide commentary on any significant changes noted during 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 the presence of model risks as part of the implementation and validation process. If model risks are present, a corresponding model reserve is taken into account.

66 Offsetting financial assets and liabilities

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

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

31 Dec 2015				Associated amounts not offset in the balance sheet		
€m	Financial assets/ liabilities (gross)	Offset financial assets/ liabilities	Financial assets/liabilities shown in the balance sheet (net)	Collateral – securities	Collateral – cash	Net amount
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	6,201.2	3,043.8	3,157.4	3,157.4	–	–0.0
Receivables arising from securities repurchase agreements (not eligible for offsetting)	14,231.3	–	14,231.3	14,231.3	–	–
Derivatives (eligible for offsetting)	4,648.4	4,605.2	43.2	–	–	43.2
Derivatives (not eligible for offsetting)	10,528.3	–	10,528.3	268.1	1,173.8	9,086.4
Total	**35,609.2**	**7,649.0**	**27,960.2**	**17,656.8**	**1,173.8**	**9,129.6**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	6,514.2	3,043.8	3,470.4	3,470.4	–	–0.0
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	6,457.9	–	6,457.9	6,457.9	–	–
Derivatives (eligible for offsetting)	4,820.0	4,771.0	49.0	49.0	–	–
Derivatives (not eligible for offsetting)	11,562.8	–	11,562.8	149.1	2,580.1	8,833.6
Total	**29,354.9**	**7,814.8**	**21,540.1**	**10,126.4**	**2,580.1**	**8,833.6**

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).

67 Information on the quality of financial assets

Impaired exposure and provisions for loan losses by risk segment

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

€m	Financial institu-tions	Trans-port and export finance	Energy and utility infrastruc-ture	Property risks	Public infrastruc-ture	Corpo-rates	Other	Total 31 Dec 2016	Total 31 Dec 2015
Impaired gross loan volume[1]	–	565.2	12.3	–	97.2	44.5	1.2	720.4	519.2
Collateral[2]	–	163.6	0.0	–	–	–	–	163.6	130.6
Impaired net loan volume[1]	–	401.6	12.3	–	97.2	44.5	1.2	556.8	388.6
Provisions for loan losses	15.8	281.7	9.7	1.6	40.9	37.1	1.3	388.1	264.6
Specific valuation allowances	–	266.6	3.6	–	40.1	36.7	0.2	347.2	202.9
Provisions	–	0.1	–	–	–	–	0.2	0.3	0.4
Portfolio valuation allowances for country risks	–	4.0	1.0	–	–	–	–	5.0	3.9
Portfolio valuation allowances for credit-worthiness risk	15.8	11.0	5.1	1.6	0.8	0.4	0.9	35.6	57.4

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

In addition to provisions for loan losses of €334.3m (previous year: €226.2m) in the lending business, provisions for loan losses also include provisions for financial investments amounting to €53.8m (previous year: €38.4m).

As at the reporting date, the total amount of loans in default but not written down amounted to €44.5m (previous year: €36.1m).

Non-performing exposures

Non-performing exposures under the definition introduced by the EBA for supervisory reporting (FINREP) amounted to €807.3m (previous year: €698.5m). This relates to exposures that are more than 90 days overdue or for which the Bank expects that the borrower will not satisfy its loan obligations in full. It is also mandatory to classify exposures as non-performing where the CRR regulations (Article 178) require them to be classified as in default or where specific provisions have been made against them. In addition, exposures subject to successful restructuring measures may only be classified as performing after a recovery period of at least one year has elapsed.

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

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corpo-rates	Other	Total 31 Dec 2016	Total 31 Dec 2015
Non-performing exposures[1]	599.0	37.5	–	97.2	72.4	1.2	807.3	698.5
Collateral[2]	185.8	–	–	–	27.3	–	213.1	196.8
Provision for loan losses	272.2	5.6	–	40.1	36.7	0.4	355.0	215.5
Specific valuation allowances	266.6	3.6	–	40.1	36.7	0.2	347.2	202.9
Provisions	0.1	0.0	–	–	–	0.2	0.3	0.4
Portfolio valuation allowances for country risks	4.0	–	–	–	–	–	4.0	3.9
Portfolio valuation allowances for credit-worthiness risk	1.5	2.0	–	–	–	–	3.5	8.3

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

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

Exposures with forbearance measures

The Deka Group concludes extension or restructuring agreements with borrowers experiencing financial difficulties if there is a prospect of recovery. Responsibility for the monitoring and management of such deferred or restructured exposures rests with the Monitoring Committee, in accordance with the general rules on default monitoring (see the risk report). Furthermore, creditworthiness-related restructuring measures or deferral agreements represent objective evidence of an impairment. Relevant exposures are tested individually for impairment, and where necessary specific provisions are recognised (see note [15]). Where restructuring measures entail such extensive contractual amendments that a new asset exists from an accounting perspective, this is presented on the balance sheet as a disposal of the original asset and acquisition of a new asset. If there is a difference between the carrying value of the asset to be disposed of and the fair value of the asset acquired, the difference is posted directly to profit or loss.

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

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

As at the balance sheet date, there were €798.8m (previous year: €803.7m) of deferred or restructured exposures requiring classification as forborne exposures under the EBA definition. Risk provisions in place in respect of these exposures amounted to €309.6m (previous year: €181.2m).

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

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corporates	Other	Total 31 Dec 2016	Total 31 Dec 2015
Forborne exposures[1]	630.4	71.2	–	97.2	–	–	798.8	803.7
of which performing	52.4	42.3	–	–	–	–	94.7	231.9
of which non-performing	578.0	28.9	–	97.2	–	–	704.1	571.8
Collateral[2]	188.2	8.6	–	–	–	–	196.8	251.2
Provision for loan losses	267.1	2.4	–	40.1	–	–	309.6	181.2
Specific valuation allowances	265.0	–	–	40.1	–	–	305.1	166.8
Portfolio valuation allowances for credit-worthiness risk	2.1	2.4	–	–	–	–	4.5	14.4

[1] The values shown represent the gross carrying value of the credit-risk bearing financial assets classified as non-performing.
[2] Recognition of measureable collateral after discounts; as at the balance sheet date, the market value of the physical collateral provided amounted to €295.1m.

Key ratios for non-performing and forborne exposures

%	2016	2015
NPE rate at the reporting date (Ratio of non-performing exposures to maximum credit risk)	0.96	0.67
NPE coverage ratio, including collateral, at the reporting date (Ratio of provisions for loan losses, including collateral, to non-performing exposures)	70.37	59.01
Forborne exposures ratio at the reporting date (Ratio of forborne exposures to maximum credit risk)	0.95	0.77

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.36a, using credit-risk bearing financial assets and the corresponding off-balance sheet liabilities. Financial instruments measured at amortised cost are stated at gross carrying value, credit-risk bearing financial instruments measured at fair value are stated at fair value, irrevocable lending commitments are stated at the respective amount of the commitment and sureties and guarantees are stated at nominal value. On this basis, as at the reporting date the maximum credit risk was €84.1bn (previous year: €104.7bn).

68 Credit exposure in individual European countries

The following table shows the exposure to selected European countries from an accounting perspective. In addition to receivables and securities, this comprises credit linked notes issued by the Bank that are referenced to these countries as well as credit default swaps from both the protection buyer and protection seller perspectives:

	31 Dec 2016			31 Dec 2015		
€m	**Nominal[1]**	**Carrying value**	**Fair value**	**Nominal[1]**	**Carrying value**	**Fair value**
Ireland						
Debt securities (held to maturity category)	4.0	4.6	4.5	–	–	–
Debt securities (held for trading category)	–	–	–	30.0	31.4	31.4
Credit default swaps (protection seller)	15.0	0.4	0.4	–	–	–
Credit default swaps (protection buyer)	–16.0	–0.4	–0.4	–	–	–
Italy						
Debt securities (held to maturity category)	10.0	11.3	11.2	–	–	–
Debt securities (designated at fair value category)	88.7	89.1	89.1	–	–	–
Debt securities (held for trading category)	–	–	–	265.0	265.1	265.1
Credit default swaps (protection seller)	162.1	–0.5	–0.5	90.5	0.7	0.7
Credit default swaps (protection buyer)	–91.5	0.9	0.9	–60.5	–0.3	–0.3
Credit linked notes[2] (held for trading category)	–10.0	–10.1	–10.1	–20.0	–19.9	–19.9
Portugal						
Credit default swaps (protection seller)	17.0	–2.3	–2.3	17.0	–1.5	–1.5
Credit default swaps (protection buyer)	–17.0	2.3	2.3	–17.0	1.5	1.5
Spain						
Debt securities (held to maturity category)	5.0	6.0	6.0	–	–	–
Debt securities (designated at fair value category)	39.2	39.8	39.8	–	–	–
Debt securities (held for trading category)	190.0	239.3	239.3	95.0	95.8	95.8
Securities forward contracts	–35.0	–4.9	–4.9	–35.0	–1.9	–1.9
Total return swap (protection buyer)	–155.0	–4.0	–4.0	–	–	–
Credit default swaps (protection seller)	42.8	0.3	0.3	35.1	0.1	0.1
Credit default swaps (protection buyer)	–16.0	–0.3	–0.3	–3.0	–0.0	–0.0
Credit linked notes[2] (held for trading category)	–7.8	–8.1	–8.1	–17.8	–18.1	–18.1
Total	**225.5**	**363.4**	**363.2**	**379.3**	**352.9**	**352.9**

[1] The nominal values of the protection buyer transactions are shown with a negative sign.
[2] The figure shown is the fair value of credit linked notes issued by the Bank and relating to a liability of the respective country.

In addition to exposure to the government of Spain, the Bank also has exposure to Spanish banks. This mainly relates to bonds with a nominal value of €301.2m (previous year: €490.7m), including bonds in the held to maturity category with a nominal value of €55.0m (previous year: €25.0m). The remaining bonds are measured at fair value through profit or loss. There are also receivables from securities repurchase agreements and collateralised securities lending transactions amounting to €1,151.5m (previous year: €505.2m), offset by liabilities from securities repurchase agreements and collateralised securities lending transactions amounting to €83.2m (previous year: €406.6m). The receivables and liabilities were allocated to the loans and receivables and other liabilities categories, respectively.

DekaBank's exposure to Italian banks results primarily from bonds with a nominal value of €222.5m (previous year: €449.3m). This includes bonds in the held to maturity category with a nominal value of €53.6m (previous year: €175.0m). The remaining bonds are measured at fair value through profit or loss. There are also receivables from securities repurchase agreements and collateralised securities lending transactions amounting to €107.8m (previous year: €37.5m), offset by liabilities from securities repurchase agreements and collateralised securities lending transactions amounting to €134.1m (previous year: €0.0m). The receivables and liabilities were allocated to the loans and receivables and other liabilities categories, respectively. In addition to direct exposure, indirect exposures also exist through credit default swaps referencing these counterparties. Protection seller positions with a nominal value of €48.6m (previous year: €19.5m) are offset by protection buyer positions with a nominal value of €107.6m (previous year: €288.0m).

DekaBank also holds loan receivables with a value of €212.8m (previous year: €235.3m) allocated to the loans and receivables category in respect of companies that are majority state-owned by Russia. There is no exposure to Ukraine. As was also the case at the end of the previous year, there was no exposure to borrowers classified under Greek country risk at the end of 2016.

69 Derivative transactions

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

	Nominal value		Positive fair values [1]		Negative fair values [1]	
€m	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Interest rate risks **OTC products**						
Interest rate swaps	433,632.2	426,970.8	11,945.0	10,823.6	10,953.3	9,777.3
Forward rate agreements	24,291.0	38,198.0	1.4	1.7	1.3	1.7
Interest rate options						
Purchases	9,683.3	8,587.5	242.7	204.1	63.4	51.9
Sales	12,805.2	10,602.7	148.1	116.3	441.6	342.6
Caps, floors	8,633.9	3,050.8	45.5	19.8	27.7	8.9
Other interest rate contracts	2,268.5	2,715.0	23.0	7.0	198.8	143.8
Stock exchange traded products						
Interest rate futures/options	10,768.4	15,426.7	2.4	2.6	5.0	2.3
Sub-total	**502,082.5**	**505,551.5**	**12,408.1**	**11,175.1**	**11,691.1**	**10,328.5**
Currency risks **OTC products**						
Foreign exchange future contracts	14,870.0	15,623.6	226.0	113.9	217.2	127.7
(Interest rate) currency swaps	10,163.9	9,101.8	364.5	233.7	1,323.6	1,419.9
Sub-total	**25,033.9**	**24,725.4**	**590.5**	**347.6**	**1,540.8**	**1,547.6**
Share and other price risks **OTC products**						
Share forward contracts	–	63.1	–	1.7	–	1.8
Share options						
Purchases	948.0	2,720.6	336.5	2,120.0	–	–
Sales	6,388.7	22,430.1	–	–	725.7	2,515.2
Credit derivatives	10,866.0	11,250.7	93.7	106.3	77.1	112.1
Other forward contracts	2,674.0	1,796.5	52.6	28.8	15.6	11.1
Stock exchange traded products						
Share options	18,530.7	23,741.4	1,021.1	1,399.8	1,469.9	1,867.3
Share futures	2,813.4	283.7	12.2	15.9	56.4	7.1
Sub-total	**42,220.8**	**62,286.1**	**1,516.1**	**3,672.5**	**2,344.7**	**4,514.6**
Total	**569,337.2**	**592,563.0**	**14,514.7**	**15,195.2**	**15,576.6**	**16,390.7**
Net amount presented on the statement of financial position			**7,479.4**	**10,571.6**	**8,600.9**	**11,611.8**

[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 €7bn (previous year: €4.6bn). Conversely, the variation margin paid reduced fair values within liabilities by a total of around €7.0bn (previous year: €4.8bn).

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 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Banks in the OECD	204,051.8	203,590.7	5,898.4	6,751.9	7,120.7	7,721.3
Public offices in the OECD	8,117.4	25,988.1	1,171.0	970.0	172.2	355.7
Other counterparties	357,168.0	362,984.2	7,445.3	7,473.3	8,283.7	8,313.7
Total	**569,337.2**	**592,563.0**	**14,514.7**	**15,195.2**	**15,576.6**	**16,390.7**

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

70 Breakdown by remaining maturity

Remaining maturity is seen as the time between the reporting date and the contractually agreed maturity of the receivable or liability or their partial payment amount. Financial assets and liabilities at fair value were in principle recognised according to contractual maturity. However, financial instruments in the held for trading sub-category were deemed to have a maximum remaining maturity of one year due to the intention to trade. Equity instruments were allocated to the due on demand and indefinite term maturity bracket. Financial investments 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 2016	31 Dec 2015	Change
Asset items			
Due from banks			
Due on demand and indefinite term	3,534.5	5,137.8	−1,603.3
Up to 3 months	4,418.9	6,788.9	−2,370.0
Between 3 months and 1 year	6,326.5	6,153.8	172.7
Between 1 year and 5 years	4,862.3	7,649.3	−2,787.0
More than 5 years	1,511.7	1,364.2	147.5
Due from customers			
Due on demand and indefinite term	1,603.4	1,082.7	520.7
Up to 3 months	1,967.7	1,456.6	511.1
Between 3 months and 1 year	4,287.9	4,793.0	−505.1
Between 1 year and 5 years	10,147.9	10,185.3	−37.4
More than 5 years	4,834.0	4,990.4	−156.4
Financial assets at fair value			
Of which non-derivative assets			
Due on demand and indefinite term	2,103.7	3,967.8	−1,864.1
Up to 3 months	2,679.3	5,545.3	−2,866.0
Between 3 months and 1 year	9,277.0	17,620.4	−8,343.4
Between 1 year and 5 years	12,245.0	10,205.1	2,039.9
More than 5 years	1,147.4	3,108.4	−1,961.0
Of which derivative assets			
Up to 3 months	456.2	1,375.2	−919.0
Between 3 months and 1 year	5,770.0	8,160.0	−2,390.0
Between 1 year and 5 years	330.0	244.6	85.4
More than 5 years	894.6	681.0	213.6
Positive market values from derivative hedging instruments			
Up to 3 months	0.2	1.8	−1.6
Between 3 months and 1 year	0.3	0.2	0.1
Between 1 year and 5 years	6.0	20.3	−14.3
More than 5 years	22.2	86.7	−64.5
Financial investments			
Due on demand and indefinite term	0.1	0.0	0.1
Up to 3 months	148.1	50.6	97.5
Between 3 months and 1 year	479.8	394.4	85.4
Between 1 year and 5 years	1,720.5	2,068.4	−347.9
More than 5 years	581.4	386.0	195.4

€m	31 Dec 2016	31 Dec 2015	Change
Liability items			
Due to banks			
Due on demand and indefinite term	2,487.9	3,564.0	–1,076.1
Up to 3 months	6,545.0	10,878.1	–4,333.1
Between 3 months and 1 year	4,511.5	6,289.1	–1,777.6
Between 1 year and 5 years	2,605.6	1,893.0	712.6
More than 5 years	1,212.4	1,459.9	–247.5
Due to customers			
Due on demand and indefinite term	11,772.4	11,424.4	348.0
Up to 3 months	6,582.3	10,688.8	–4,106.5
Between 3 months and 1 year	1,530.1	4,077.8	–2,547.7
Between 1 year and 5 years	1,990.7	1,622.8	367.9
More than 5 years	1,543.7	1,648.2	–104.5
Securitised liabilities			
Up to 3 months	2,655.2	10,585.0	–7,929.8
Between 3 months and 1 year	1,239.7	4,309.2	–3,069.5
Between 1 year and 5 years	6,039.8	3,981.6	2,058.2
More than 5 years	1,141.4	1,046.0	95.4
Financial liabilities at fair value			
Of which non-derivative assets			
Due on demand and indefinite term	289.3	792.1	–502.8
Up to 3 months	1,477.7	1,775.6	–297.9
Between 3 months and 1 year	14,892.5	11,290.6	3,601.9
Between 1 year and 5 years	845.5	922.6	–77.1
More than 5 years	448.0	758.1	–310.1
Of which derivative assets			
Up to 3 months	563.5	1,505.3	–941.8
Between 3 months and 1 year	6,399.2	8,450.7	–2,051.5
Between 1 year and 5 years	967.4	948.7	18.7
More than 5 years	636.4	671.1	–34.7
Negative market values from derivative hedging instruments			
Up to 3 months	3.9	0.9	3.0
Between 3 months and 1 year	1.2	2.9	–1.7
Between 1 year and 5 years	19.9	27.8	–7.9
More than 5 years	9.4	4.4	5.0
Subordinated capital			
Up to 3 months	206.1	29.5	176.6
Between 3 months and 1 year	26.4	40.0	–13.6
Between 1 year and 5 years	77.7	282.5	–204.8
More than 5 years	808.3	797.7	10.6

Other information

71 Capital management

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

The analysis of DekaBank's risk-bearing capacity is conducted chiefly based on an approach focused on the liquidity perspective. Economic capital corresponds to the risk capacity defined in the risk strategy. In principle, DekaBank determines the overall risk across all significant risk types that impact income and also includes those risks not taken into consideration for regulatory purposes, for example business risk. Overall risk is measured as the amount of capital that is highly likely to be sufficient to cover all losses from the main high risk positions within a year and at any time. DekaBank uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and to aggregate them as an indicator for overall risk.

To assess risk-bearing capacity on a differentiated basis, DekaBank distinguishes between the risk capacity, the maximum risk appetite and the risk appetite. Under a liquidation approach, the risk capacity essentially consists of equity capital according to IFRS, earnings components and positions of a hybrid capital nature (subordinated capital) and is available in its entirety as a formal overall risk limit to guarantee the Bank's risk-bearing capacity. Based on this, a capital buffer is reserved for stress scenarios, which corresponds at a minimum to the level of subordinated capital components. The primary control parameter and hence the basis of the risk capital allocated as risk appetite is referred to as the maximum risk appetite, which results from deducting the buffer for stress scenarios from the risk capacity.

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

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

72 Regulatory capital (own funds)

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

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

	31 Dec 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)
Subscribed capital	286	286	286	286
Less repurchased Common Equity Tier 1 instruments	95	57	95	38
Open reserves	4,310	4,310	4,095	4,095
Other comprehensive income	131	89	160	–
Prudential filters	4	1	76	78
Deductions from Common Equity Tier 1 items	389	234	337	209
Common Equity Tier 1 (CET 1) capital	**3,978**	**4,216**	**3,866**	**4,213**
Additional Tier 1 capital instruments	474	474	474	474
Silent capital contributions	–	31	–	37
Deductions from Additional Tier 1 items	–	157	–	218
Additional Tier 1 (AT1) capital	**474**	**348**	**474**	**292**
Tier 1 capital	**4,451**	**4,564**	**4,339**	**4,505**
Subordinated liabilities	838	838	855	855
Deductions from Tier 2 items	–	36	–	41
Tier 2 (T2) capital	**838**	**801**	**855**	**814**
Own funds	**5,289**	**5,366**	**5,194**	**5,319**

In the presentation of figures applying the transitional provisions, accumulated other comprehensive income is reported separately for the 2016 financial year. In 2015, accumulated other comprehensive income was included in deductions from Common Equity Tier 1 items for the transitional figures.

The increase in Tier 1 capital is mainly due to the reinvestment of profits from the 2015 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 by 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 above-mentioned risk factors must be backed by own funds. The items subject to a capital charge are shown in the following table:

	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)
Credit risk	15,038	15,038	15,391	15,391
Market risk	4,478	4,478	11,884	11,884
Operational risk	2,887	2,887	2,185	2,185
CVA risk	1,411	1,411	1,727	1,727
Risk-weighted assets (total risk exposure amount)	**23,813**	**23,813**	**31,188**	**31,188**

The adequacy of the capital and reserves is to be calculated by expressing Common Equity Tier 1 capital (CET1 ratio), Tier 1 capital (T1 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 2016		31 Dec 2015	
	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 capital ratio	16.7	17.7	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

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

73 Contingent and other liabilities

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

€m	31 Dec 2016	31 Dec 2015	Change
Irrevocable lending commitments	702.3	1,185.6	–483.3
Other liabilities	102.7	104.8	–2.1
Total	**805.0**	**1,290.4**	–485.4

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 liabilities has been deducted from the respective amounts.

As in the previous year, other financial liabilities include payment obligations of €0.1m and subsequent funding obligations of €5.1m (previous year: €5.1m) to unconsolidated companies or companies outside the Group. There is an additional funding obligation for the security reserve of the *Landesbanken* and *Girozentralen* of €97.6m (previous year: €99.4m). By 2024, the assets held in the security reserve must be built up to the statutory target level of 0.8% of the deposits held by members of the security reserve. Each year the security reserve collects contributions from its members for this purpose.

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

74 Assets transferred or received as collateral

The transfer of assets as collateral for own liabilities is shown in the following table:

€m	31 Dec 2016	31 Dec 2015	Change
Carrying value of transferred collateral securities			
Under *Pfandbrief* Act	4,160.8	4,449.8	–289.0
For refinancing purposes with Deutsche Bundesbank	1,062.4	2,975.8	–1,913.4
From transactions on German and foreign futures exchanges	–	100.2	–100.2
From repurchase agreements	989.3	1,805.0	–815.7
From securities lending transactions	4,103.7	6,610.1	–2,506.4
From triparty transactions	3,284.9	8,782.3	–5,497.4
From other securities transactions	146.6	129.2	17.4
Loan and securities collateral	**13,747.7**	**24,852.4**	–11,104.7
Cash collateral relating to securities lending and repurchase agreements	613.7	233.3	380.4
Cash collateral relating to derivative transactions	3,138.5	2,780.4	358.1
Cash collateral	**3,752.2**	**3,013.7**	738.5
Total	**17,499.9**	**27,866.1**	–10,366.2

Collateral received for repurchase agreements and securities lending transactions as well as other securities transactions, which may be repledged or resold even without the default of the party providing the collateral, amounts to €57.1bn (previous year: €59.8bn). Of this amount, €36.1bn (previous year: €35.6bn) was resold or repledged.

75 Financial instruments transferred but not derecognised

The Deka Group transfers financial assets while retaining the material risks and rewards arising from these assets. Such a transfer takes 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 2016	31 Dec 2015	Change
Carrying value of non-derecognised securities for			
Genuine repurchase agreements			
Held to maturity	21.7	30.7	–9.0
Financial assets at fair value	968.2	1,771.4	–803.2
Securities lending transactions			
Held to maturity	27.0	–	27.0
Financial assets at fair value	1,569.9	652.8	917.1
Other sales without commercial disposal			
Loans and receivables	558.7	523.9	34.8
Financial liabilities at fair value	2.1	5.4	–3.3
Total	**3,147.6**	**2,984.2**	163.4

Liabilities of €1.5bn (previous year: €2.3bn) were reported for financial instruments transferred but not derecognised.

76 Letter of comfort

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

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

77 Information on interests in subsidiaries

Composition of the Deka Group

In addition to DekaBank, as parent company, a total of 10 (previous year: 9) domestic and 7 (previous year: 9) foreign affiliated companies in which DekaBank directly or indirectly holds the majority of voting rights are included in the consolidated financial statements. In addition, 9 (previous year: 9) structured entities controlled by the Deka Group are included in the scope of consolidation.

A total of 15 (previous year: 14) affiliated companies controlled by the Deka Group were not consolidated, because they are of minor significance for the presentation of the net assets, financial position and results of operations of the Group. The interests held in these subsidiaries are reported under financial investments (see note [46]). Where they are of minor significance to the consolidated financial statements, structured entities are also not consolidated (see list of shareholdings in note [79]). To determine their significance for the presentation of the net assets, financial position and results of operations of the Group, investment funds are assessed using both qualitative and quantitative criteria. The 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 (note [44]).

During the 2016 financial year, the Deka Group recorded a loss of €0.5m on the sale of shares in DKC Deka Kommunal Consult GmbH, Düsseldorf, under profit or loss on financial investments.

Significant restrictions

Significant restrictions on the Group's ability to access or use assets and settle liabilities arise in particular as a result of the contractual, legal and regulatory requirements that apply to financial institutions (see note [72] "Regulatory capital (own funds)" and note [74] with regard to restrictions associated with the placement of cash, loans or securities as collateral to cover the Group's own liabilities arising, for example, from genuine repurchase agreements, securities lending transactions and OTC derivative 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 [40]).

Interests in joint arrangements and associates

DekaBank has interests in three jointly controlled entities and one associated company. Equity investments in S-Pensions-Management GmbH and Dealis Fund Operations GmbH i.L (joint ventures) are included in the consolidated financial statements using the equity method. Although DekaBank exercises significant influence over them, the Group did not consolidate two affiliated companies because they are of minor significance for the presentation of the net assets, financial position and results of operations of the Group.

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

The table below presents an overview of the summarised financial information for all associated companies and 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.

	Associated companies		Joint ventures[1]	
€m	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Carrying value of equity participation	**–**	**4.4**	**6.9**	**7.9**
Profit or loss from continuing business operations	–	–	1.3	2.2
Profit or loss after tax from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–1.2	–3.3
Total income[2]	**–**	**–**	**0.1**	**–1.1**

[1] At the time of the preparation of the DekaBank's consolidated financial statements, there were no current financial statements available for S-PensionsManagement GmbH for the 2016 reporting year. For this reason, the measurement under the equity method used forecast results, which took into account the impact of any significant transactions and other events that have arisen since the last reporting date of S-PensionsManagement GmbH, or that might be expected to occur.
[2] This does not include the distributions shown in net interest income.

78 Information on interests in unconsolidated structured entities

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

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

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

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

Investment funds

Part of the Deka Group's core business involves providing securities and real estate investments to private and institutional investors. As a result, companies in the Deka Group play a role, directly or indirectly, in setting up fund structures as part of their ordinary business activities, and are involved in determining the purpose and design of such structures. In addition, the Group's activities cover the whole of the usual value chain for fund business. In return, the Group receives appropriate commission, for example in the form of management and custodial fees. The Group also invests in holdings in investment funds owned by the Group in the context of start-up financing, thereby providing those funds with liquidity. Investment funds are therefore considered to be structured entities within the meaning of IFRS 12. Funds are primarily financed by issuing unit certificates (equity). To a limited extent, funds can also take up loans. The assets held by the fund are generally used as collateral for the fund's external financing activities. Fund assets held in Group-owned and external investment funds amount to €248.2bn (previous year: €234.4bn). 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 the non-strategic securitisation products in the former Liquid Credits portfolio acquired by the Bank, which has been allocated to non-core business since 2009 and is being wound down while safeguarding assets. The issuing companies are generally financed by issuing tradable securities whose value is dependent on the performance of the vehicle's assets or which are collateralised using the vehicle's assets. For all securitisations held by DekaBank, funding at matching maturities is in place for the assets held by the securitisation company. The vast majority of securitisation products at DekaBank are in the designated at fair value category and are reported under financial assets at fair value on the balance sheet; 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 €3.5bn (previous year: €5.1bn).

	Subordinated interest		Mezzanine interest		Senior interest		Most Senior interest	
€m	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
ABS								
Maximum default risk	–	–	2.2	2.5	–	–	0.5	0.7
Potential losses of prior-ranking creditors[1)]	–	–	19.8	19.8	–	–	–	–
CLO								
Maximum default risk	–	–	114.2	131.2	23.3	50.0	9.1	16.7
Potential losses of prior-ranking creditors[1)]	–	–	261.8	340.6	–	–	–	–
CMBS								
Maximum default risk	–	–	24.2	25.7	4.5	8.3	2.3	5.4
Potential losses of prior-ranking creditors[1)]	–	–	228.4	255.6	–	–	–	–
RMBS								
Maximum default risk	–	–	89.6	100.9	9.0	9.4	23.2	34.2
Potential losses of prior-ranking creditors[1)]	21.2	22.5	122.3	128.3	23.5	23.5	–	–

[1)] nominal values

Lending business

According to the definition, if a company is founded specifically to finance or operate the assets for which a loan is made, and the design of that company is such that it is not controlled by means of voting or similar rights, then this constitutes a structured entity for DekaBank. A holding in a structured entity may also exist if rights that are contractually agreed as part of the loan agreement (for example intellectual property or trademark rights) are converted into co-determination rights in the event of deteriorating creditworthiness. An operating company can, for example, become a structured entity if relevant business activities start to be governed predominantly by the provisions of the loan agreement. As part of the classification performed in accordance with IFRS 12, structured entities were identified within the transport and export finance, energy and utility infrastructure, and real estate risk segments. The financing concerned is generally collateralised by charges on property, aircraft mortgages, ship mortgages, and sureties and guarantees. When determining the size of the financing classified as structured, the balance sheet totals of the current available financial statements or the market value of the (co-)financed asset were used. This amounts to €2.0bn (previous year: €2.7bn).

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 companies [1]	
€m	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Asset items						
Due from customers	1,126.3	1,251.3	267.6	329.4	–	–
Financial assets at fair value	1,318.5	3,130.3	0.2	–	300.0	379.7
Financial investments	–	–	4.7	5.1	2.1	5.3
Total asset items	**2,444.8**	**4,381.6**	**272.5**	**334.5**	**302.1**	**385.0**
Liability items						
Due to customers	9,781.8	10,322.9	0.0	0.0	–	–
Financial liabilities at fair value	862.7	2,570.4	–	–	–	–
Total liability items	**10,644.5**	**12,893.3**	**0.0**	**0.0**	**–**	**–**
Contingent and other liabilities						
Irrevocable lending commitments	39.9	5.3	10.4	12.5	–	–
Other liabilities	–	–	6.2	6.5	–	–
Total contingent and other liabilities	**39.9**	**5.3**	**16.6**	**19.0**	**–**	**–**
Maximum exposure to loss	**2,484.7**	**4,386.9**	**289.1**	**353.5**	**302.1**	**385.0**

[1] Including loan loss provision

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

- The maximum possible exposure to loss from interests in unconsolidated structured entities that arise as a result of on-balance-sheet transactions corresponds to the carrying value or fair value of the respective balance sheet figure.
- 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 [57]).

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 2016, there were no sponsored unconsolidated entities.

79 List of shareholdings

DekaBank Deutsche Girozentrale, Frankfurt/Berlin, is entered in Commercial Register A at the District Court of Frankfurt am Main under number HRA 16068. The following information on shareholdings is based on the supplementary requirements of German law pursuant to Section 315a of the German Commercial Code. Therefore, no comparative information in respect of the previous period is presented.

Consolidated subsidiaries (affiliated companies):

Name, registered office	Share in fund assets in %
bevestor GmbH, Frankfurt/Main (formerly: Deka Vermögensmanagement GmbH)	100.00
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Far East Pte. Ltd., Singapur	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 Lending k.k., Tokyo	100.00
Deka Real Estate Services USA Inc., New York	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
International Fund Management S.A., Luxembourg	100.00
Landesbank Berlin Investment GmbH, Berlin	100.00
S Broker Management AG, Wiesbaden	100.00
S Broker AG & Co. KG, Wiesbaden	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74 [1]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

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

Consolidated subsidiaries (structured entities):

Name, registered office	Share in fund assets in %
A-DGZ-FONDS, Frankfurt/Main	100.00
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
Deka Treasury Corporates-FONDS, Frankfurt/Main	100.00
S Broker 1 Fonds, Frankfurt/Main	100.00
Masterfonds S Broker, Frankfurt/Main	100.00

Joint ventures and associated companies accounted for under the equity method:

Name, registered office	Share in capital in %	Equity in € thousand[1]	Net income in € thousand[1]
Joint ventures			
S-PensionsManagement GmbH, Cologne	50.00	48,255.0	–65,158.3
Dealis Fund Operations GmbH, Frankfurt/Main	50.00	29,800.4	1,220.8

[1] amounts reported in financial statements for the year ended 31 December 2015

Joint ventures and associated companies not accounted for under the equity method:

Name, registered office	Share in capital in %
Joint ventures	
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Associated companies	
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	20.00

Unconsolidated subsidiaries (affiliated companies):

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

Unconsolidated structured entities:

Name, registered office	Fund assets in €m	Share in capital/ fund assets in %
Deka-BR 45, Frankfurt/Main	6.3	100.00
Deka-Relax 70, Frankfurt/Main	0.5	100.00
Deka-Relax 50, Frankfurt/Main	0.5	100.00
Deka-Relax 30, Frankfurt/Main	0.5	100.00
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	70.7	99.04
Deka-Multi Asset Ertrag, Luxembourg	21.3	98.52
Deka-PB ManagerMandat, Frankfurt/Main	53.9	97.83
Deka-Multimanager defensiv, Frankfurt/Main	0.5	94.06
Deka-Industrie 4.0, Luxembourg	10.7	92.63
Deka Deutsche Boerse EUROGOV® Germany 10+ UCITS ETF, Frankfurt/Main	45.8	86.81
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	32.3	86.64
Deka-BasisStrategie Aktien, Frankfurt/Main	29.1	82.47
Deka Eurozone Rendite Plus 1-10 UCITS ETF, Frankfurt/Main	23.5	80.00
Mix-Fonds: Optimierung, Luxembourg	7.5	68.68
Deka Oekom Euro Nachhaltigkeit UCITS ETF, Frankfurt/Main	27.1	65.81
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	47.0	63.98
Deka-Globale Renten High Income, Frankfurt/Main	47.2	62.62
Deka-Global Balance, Frankfurt/Main	31.7	59.47
Deka-Multimanager Strategien PB, Luxembourg	0.9	55.71
Deka EURO iSTOXX ex Fin Dividend+ UCITS ETF, Frankfurt/Main	172.0	48.41
Deka MSCI Japan UCITS ETF, Frankfurt/Main	36.7	48.35
Deka-ImmobilienNordamerika, Frankfurt/Main	90.9	47.51
Deka-Multimanager ausgewogen, Frankfurt/Main	1.1	45.77
Deka-EuroFlex Plus, Luxembourg	125.7	43.63
Deka-CorporateBond High Yield Euro 1-4, Frankfurt/Main	47.4	42.97
Deka-Kirchen Balance, Frankfurt/Main	52.1	30.72
Mix-Fonds: Select ChancePlus, Luxembourg	3.0	30.32
Deka-CorporateBond Global Hedged Euro, Frankfurt/Main	73.3	29.22
Deka Deutsche Börse EUROGOV® Germany 3-5 UCITS ETF, Frankfurt/Main	96.8	25.89
Deka-Immobilien Fokus Prag, Frankfurt/Main	195.8	22.56
Deka-RentenStrategie Global, Frankfurt/Main	121.1	20.44
HSBC Trinkaus Kurzläufer, Düsseldorf	23.5	20.01
Comtesse DTD Ltd., London	–	9.99[1]

[1] differing voting rights 25.1%

80 Related party disclosures

The Deka Group has business dealings with related parties. These include DekaBank's shareholders, subsidiaries that are not consolidated on materiality grounds, joint ventures, associated companies 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 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Short-term benefits	3.2	3.1	0.7	0.7
Post-employment benefits	1.8	1.8	–	–
Other long-term benefits	2.6	2.8	–	–
Total	**7.6**	**7.7**	**0.7**	**0.7**

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

Transactions are carried out with related parties under normal market terms and conditions as part of the ordinary business activities of the Deka Group. These relate, inter alia, to loans, call money, time deposits and derivatives. The liabilities of the Deka Group to mutual funds and special funds essentially comprise balances with banks from the temporary investment of liquid funds. The tables below show the extent of these transactions.

Business relationships with shareholders of DekaBank and unconsolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Asset items				
Due from customers	45.0	45.0	5.5	1.1
Financial assets at fair value	–	–	28.0	43.3
Other assets	–	–	0.5	0.6
Total asset items	**45.0**	**45.0**	**34.0**	**45.0**
Liability items				
Due to customers	39.7	43.6	49.3	53.9
Total liability items	**39.7**	**43.6**	**49.4**	**53.9**

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

	Joint ventures/ associated companies		Other related parties	
€m	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Asset items				
Due from customers	0.3	–	–	0.2
Financial assets at fair value	–	–	2.9	27.4
Other assets	0.2	0.9	0.3	0.4
Total asset items	**0.5**	**0.9**	**3.2**	**28.0**
Liability items				
Due to customers	115.6	582.1	399.7	645.7
Financial liabilities at fair value	33.3	31.5	0.2	1.8
Total liability items	**148.9**	**613.6**	**399.9**	**647.5**

81 Average number of staff

	2016			2015		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Full-time employees	2,443	1,033	3,476	2,292	985	3,277
Part-time and temporary employees	152	655	807	137	611	748
Total	**2,595**	**1,688**	**4,283**	**2,429**	**1,596**	**4,025**

82 Remuneration of Board members

€	31 Dec 2016	31 Dec 2015
Total remuneration of Board members		
Board of Management	5,317,132	4,293,060
Administrative Board	711,833	709,500
Total remuneration of former Board members and their dependents		
Board of Management	5,350,116	5,370,846
Provisions for pensions for former Board members and their dependents	61,289,500	61,331,365

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 2016 financial year, variable remuneration elements that are dependent on future performance amounting to €2.5m (previous year: €4.2m) were committed to current and former members of the Board of Management.

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

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

Total emoluments include deferred variable remuneration components from previous years payable to active members of the Board of Management amounting to €1.9m and to former members of the Board of Management amounting to €1.4m. Of this amount, the entitlement of active board members includes €0.5m for the 2015 financial year, €0.6m for the 2014 financial year, €0.6m for the 2013 financial year and €0.2m for the 2012 financial year.

83 Auditor's fees

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

€m	31 Dec 2016	31 Dec 2015	Change
Fees for			
Year-end audit services	2.5	2.5	–
Other auditing services	1.0	1.0	–
Tax advisory services	0.1	0.1	–
Other services	–	0.1	–0.1
Total	**3.6**	**3.7**	–0.1

84 Additional miscellaneous information

Post balance sheet events

No major developments of particular significance occurred after the 2016 balance sheet date.

Recommendation regarding appropriation of net profit

The proposed appropriation of net profit for the 2016 financial year amounting to €70,748,126.66 is as follows:

- Distribution of a dividend amounting to €67,296,998.54, i.e. 35.1% on existing shares in the Bank's subscribed capital (€191,729,340.56) that are entitled to dividends as at 31 December 2016.
- Distribution of a special dividend amounting to €3,451,128.12. i.e. 1.8 % on existing shares in the Bank's subscribed capital (€191,729,340.56) that are entitled to dividends as at 31 December 2016.

The consolidated financial statements were approved for publication on 24 February 2017 by the Board of Management of DekaBank.

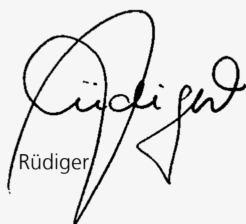
Assurance of the Board of Management

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 net assets, financial position and results of operations of the Group and that the management report conveys a true and fair view of the business performance including the business results and position of the Group and suitably presents the material risks and opportunities and likely development of the Group.

Frankfurt/Main, 24 February 2017

DekaBank
Deutsche Girozentrale

The Board of Management


Rüdiger

Dr. Stocker

Better

Dr. Danne

Müller