Deutsche Leasing

Momentum

ANNUAL REPORT 2017 / 2018

TEAM D

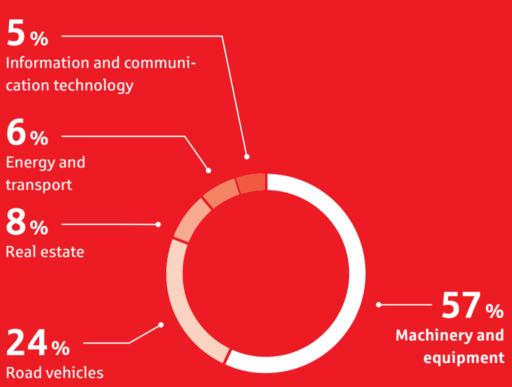
Finanzgruppe

More in Sight

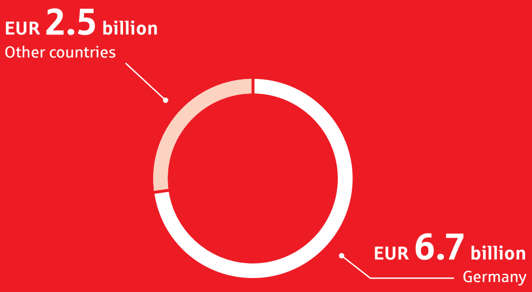
OVERVIEW OF THE DEUTSCHE LEASING GROUP

Figures in EUR million	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
New business	**9,181**	**8,856**	**8,658**	**8,218**	**7,852**
New business: movables	8,474	8,095	8,132	7,417	7,346
New business: real estate	707	761	526	801	506
Assets under management	**38,561**	**36,830**	**35,316**	**33,695**	**33,296**
Assets under management: movables	29,489	27,970	26,716	24,896	24,270
Assets under management: real estate	9,072	8,860	8,600	8,799	9,026
Balance sheet total	20,784	19,355	18,682	16,589	16,190
Net asset value	1,969	1,923	1,855	1,793	1,742
Equity	857	799	765	673	629
Economic result	159	153	148	137	128
Employees	**2,575**	**2,526**	**2,481**	**2,312**	**2,199**
Number of employees at Deutsche Leasing	1,774	1,826	1,777	1,737	1,721
Number of employees at DAL	324	261	252	247	246
Number of employees at investments	477	439	452	328	232

New business of the Deutsche Leasing Group by business segment



New business of the Deutsche Leasing Group Germany / other countries



MOMENTUM

Medium-sized enterprises are Germany's key social and economic pillars.
They provide the momentum for new economic activity and growth.

M

MANAGEMENT BOARD'S LETTER

Dear clients and business partners of Deutsche Leasing,

The financial year 2017/2018 was characterised by ambivalent economic and political conditions. On the one hand, Germany enjoyed an economic boom following years of uninterrupted growth. On the other hand, Europe and the world at large experienced growing economic and political uncertainty. The protectionist tendencies which characterised the USA's relationship with China in particular ebbed and flowed. The key economic issues in Europe were – and remain – the continuing uncertainty over whether, and on what terms, the United Kingdom will leave the European Union, as well as the debt crises in several European countries and the European Central Bank's low interest-rate policy. These factors as well as the challenges which the important automotive industry faces are also a source of uncertainty for the German economy.

In this environment, we were able to remain on track and maintained our positive trend of the past few years.

This is reflected in important ratios such as that of our new business, which we have increased by 4 per cent to EUR 9.2 billion. With a further increase in our economic result, the trend for our net asset value and our equity was positive. We are thus on a solid financial footing and can look ahead with confidence to the financial year 2018/2019.

KAI OSTERMANN
CHIEF EXECUTIVE
OFFICER

SONJA KARDORF
MANAGEMENT BOARD
MEMBER

MATTHIAS LAUKIN
MANAGEMENT BOARD
MEMBER

RAINER WEIS
MANAGEMENT BOARD
MEMBER

Strategic development in the financial year 2017/2018

We implemented a large number of strategic measures in the past financial year. This includes the increased integration of our range of services within Sparkassen-Finanzgruppe. For the savings banks’ online branch, we have developed a digital offering for SME customers which enables these customers to arrange financing of investment assets with a value of up to EUR 50,000 online, in just a few minutes.

Internally, we have made further progress in the digital transformation of the Deutsche Leasing Group. We have introduced an automated process management system, from customer enquiries to risk-related decisions and finally to contract drafting. This will significantly simplify and speed up our execution processes. This is the key to the further expansion of our small-ticket business, which in turn is of great significance for our partnership with the savings banks.

Thanks to digitalisation, we will also boost our levels of efficiency and speed in our international activities. We manage our foreign business in 22 countries worldwide almost entirely via an IT platform which standardises the execution of business processes and reporting.

In our Treasury department, we were able to automate processes and centralise our cash management on a Group-wide basis thanks to the introduction of a new IT system.

We are continuing to focus strategically on the ongoing development of innovative services independently of interest rates. Our insurance products for investment assets which we offer via Deutsche Leasing Insurance Services have been widely accepted by our customers and the savings banks. More than half of our customers in our “DL Direkt” target market, which focuses on business and commercial customers, opt for our product that we offer in partnership with SV Sparkassen-Versicherung.

Mixed results for business segments

Through our business segments we cover a broad portfolio of investment assets, including in segments which consist of a handful of major projects, such as real estate, energy and transport projects. The performance of these segments fluctuates relatively strongly since individual transactions have a comparatively high impact on the volume of new business. We know from past experience that these fluctuations tend to even themselves out over time.

- In the **machinery and equipment** segment, we increased our volume of new business by 11 per cent on the previous year. As well as domestic business with SME customers, our foreign activities contributed to this. Here, we support machinery and equipment manufacturers in their international sales markets and assist German companies with their foreign investments.

- We also realised a growth rate of 11 per cent on the previous year in our **road vehicles** segment. The significant growth trend in the commercial vehicle business segment made up for the negative market conditions for cars, such as the discussion over route restrictions in cities for diesel vehicles as well as delays in the delivery of new vehicles due to the new WLTP test procedure.

- With 7 per cent for **real estate** and 30 per cent for **energy and transport**, the results for our segments shaped by major projects were lower than in the previous year. Moreover, in the energy segment the amendment of the German Renewable Energy Act (Erneuerbare-Energien-Gesetz, EEG) continued to adversely affect the new business trend. For the financial year 2018/2019, we expect a change in the level of fluctuation due to our well-stocked pipeline.

- Our **information and communication technology** business was 15 per cent lower than in the previous year, where this segment had strongly benefited from large-scale projects.

Positive trend for investments

As well as our asset finance products and our supplementary services, through our investments we offer our customers and the savings banks' customers a broad range of additional services and financing products. We thus reinforce the savings banks' product offering and the Group's strength.

Deutsche Factoring Bank achieved factoring turnover of EUR 18.5 billion in 2018 and thus outperformed the market. Import and export factoring gained in significance and accounted for around a quarter of its turnover. Deutsche Factoring Bank's partnership with the savings banks plays a key role in its new factoring business. Over 90 per cent of the contracts newly concluded in the past financial year were brokered by savings banks. S-Compact, a product for smaller corporate and commercial customers, accounted for more than 60 per cent of this.

Bad Homburger Inkasso (BHI) gained a large number of new customers, particularly in the housing sector, and now has more than 1,000 clients – including over 300 savings banks and further Sparkassen-Finanzgruppe companies. As an associated company of the Deutsche Leasing Group, BHI offers bad loan solutions as well as the market-oriented resale of movable and real estate collateral. Its customers include its shareholders, the savings banks and, increasingly, further companies and institutions.

S-Kreditpartner, a joint venture of Deutsche Leasing and Landesbank Berlin/Berliner Sparkasse, achieved further growth in the car and consumer finance business sectors and had raised its volume of loans to over EUR 7 billion as of late 2018. This rise reflected the growing volume of business through existing partnerships with savings banks as well as the successful increase in the number of fully fledged partnerships with savings banks to in excess of 160. Overall, more than 320 savings banks are already partners of S-Kreditpartner and use the online product “S-Kredit-per-Klick”.

Outlook for the financial year 2018/2019

The paths embarked upon in the development of our “Corporate Strategy 2025” and the concrete measures adopted in this respect have paid off. We will continue to rigorously pursue this strategy in the financial year 2018/2019.

We will make further progress with **digitalisation** and automation. The Deutsche Leasing Group is developing entirely new digital business models here, while also modernising its IT landscape. The digitalisation agenda includes the practical application of artificial intelligence, initially on the basis of robot-driven process automation.

As well as our partnerships with machinery and equipment manufacturers in their international sales markets, which are a key pillar of our foreign business (vendor business), our **international partnership with the savings banks** and our involvement in S-CountryDesk, Sparkassen-Finanzgruppe’s global network, are a growth field. We are thus supporting Sparkassen-Finanzgruppe’s foreign business initiatives through our international network in 22 countries.

Together with the savings banks, we will continue to expand our services for business and commercial customers. On the one hand, this includes a comprehensive and enhanced range of contracts which can be concluded online, through the savings banks’ online branch. On the other hand, together with the savings banks we intend to develop new models and products for improved leverage of the potential for business with the savings banks’ SME customers.

The German economy’s growth trend, which has continued for almost an entire decade, appears to be weakening in 2019. All in all, the economic cycle is now at a fairly advanced stage. Several sources of uncertainty in the past year will continue to apply. This includes, in particular, protectionism and trade conflicts as well as the United Kingdom’s possible withdrawal from the European Union. This situation poses risks for the German economy with its strong international focus.

We have started off in the new financial year on solid ground in regard to net assets, finances and earnings. The likely economic and political conditions will be challenging for us, too. Nonetheless, we are confident that we will be able to exploit the market opportunities which become available to us and that, together with the savings banks, we will be able to leverage further potential in our target segments. We would like to thank our customers, Sparkassen-Finanzgruppe and our partners in trade and industry for their confidence in the Deutsche Leasing Group. We would also like to thank our employees in Germany and other countries whose considerable commitment underpinned our success in the financial year 2017/2018. Together with them, we will successfully overcome the challenges that we will face in the financial year 2018/2019.

Our annual report examines the outlook for medium-sized enterprises from the point of view of economic development and the role of growth and sustainability. Under the title “Momentum”, in articles covering digitalisation, internationalisation, corporate culture and financing, we outline the momentum which the German SME sector can draw upon in order to ensure its ongoing development.

Kai Ostermann　　Sonja Kardorf　　Matthias Laukin　　Rainer Weis

S

SUPERVISORY BOARD'S REPORT

In accordance with its function and its understanding of its role, the Supervisory Board is continuously, promptly and comprehensively notified of the company's development and of important business transactions. All key questions concerning the company's position and development, strategic and operational planning, risk management and regulatory requirements were extensively discussed. In regular communication between the chairman of the Supervisory Board and the chairman of the Management Board of the managing shareholder, current operational matters were discussed and strategic planning was initiated.

Structure of the Supervisory Board

As of 30 September 2018, the Supervisory Board consisted of 20 persons, almost all of whom were Management Board members of savings banks. To improve the efficiency of its operations, the Supervisory Board has established two committees: a loans and investments committee and an audit committee. The Supervisory Board is comprehensively notified of the agenda and outcome of meetings of these committees through the committee chairman at regular meetings and through receipt of the minutes.

Supervisory Board's activities

The Supervisory Board's four regular meetings entailed detailed reporting from the Management Board on commercial and risk policy, outline economic conditions, the financial and profit situation and planning as well as related discussions. Investment issues, realisation of the Group's foreign strategy and regulatory requirements were discussed in detail with the Management Board.

Issues of particular relevance were followed up in greater depth in committee meetings.

The loans and investments committee held detailed discussions concerning risk decisions on commitments beyond the scope of the Management Board's responsibility as well as risk policy issues for the company, and intensively prepared Supervisory Board resolutions in the field of investments.

At a total of two meetings and through a conference call, the audit committee focused on the following issues: the financial statements and consolidated financial statements as well as the combined management report of Deutsche Sparkassen Leasing AG & Co. KG and also, with the auditor, its audit findings, in preparation for the Supervisory Board's financial statements meeting. The auditor's findings concerning the supervisory requirements relating to the audit of the financial statements and consolidated financial statements as well as the combined management report of Deutsche Sparkassen Leasing AG & Co. KG as of 30 September 2018 and the appendix were extensively reviewed. The audit committee also discussed medium-term equity planning in detail.

The Supervisory Board verified the orderliness of the company's management and made all decisions which were required of it and which fell within the scope of its competence. It was involved in decisions of material significance for the company and, where necessary, provided its consent, following an extensive discussion and review process. The Supervisory Board discussed with the Management Board the company's strategy and resulting measures for realisation of its medium- and long-term goals and provided its approval.

Financial statements and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft has been appointed as the auditor and has issued unqualified auditor's reports for the financial statements and consolidated financial statements of Deutsche Sparkassen Leasing AG & Co. KG for the financial year 2017/2018 as well as the combined management report. The auditor has notified the Supervisory Board's audit committee of its audit findings and has discussed them in detail with its members. The audit committee has notified the Supervisory Board of the outcome of its review of the auditor's reports and its discussions and has recommended the endorsement of the financial statements and the consolidated financial statements and the presentation of the financial statements to the shareholders' meeting for approval.

The auditor has provided a comprehensive report on its audit findings at the Supervisory Board's financial statements meeting and has replied to questions.

Following its own audit and discussion of the financial statements and the summarised management report with the appointed auditor, the Supervisory Board has approved the auditor's audit findings and has not raised any objections. The Supervisory Board endorses the financial statements presented to it and proposes the approval of the financial statements by the shareholders' meeting.

Proposal for appropriation of profits

The Supervisory Board has discussed the proposal for appropriation of the profit for the year and recommends that the shareholders allocate an amount of EUR 10,404,358.02 out of the parent company's net income for the year of EUR 50,404,358.02 to the non-withdrawable reserves.

The Supervisory Board would like to thank the members of the Supervisory Board who retired during the year under review, Mr Georg Fahrenschon and Dr Martin Lüdiger, for their valuable service. The Supervisory Board would also like to express its thanks and recognition to the Management Board and to all of the company's employees for their sustained commitment and for all of their work in the financial year 2017/2018.

Bad Homburg v. d. Höhe,
February 2019

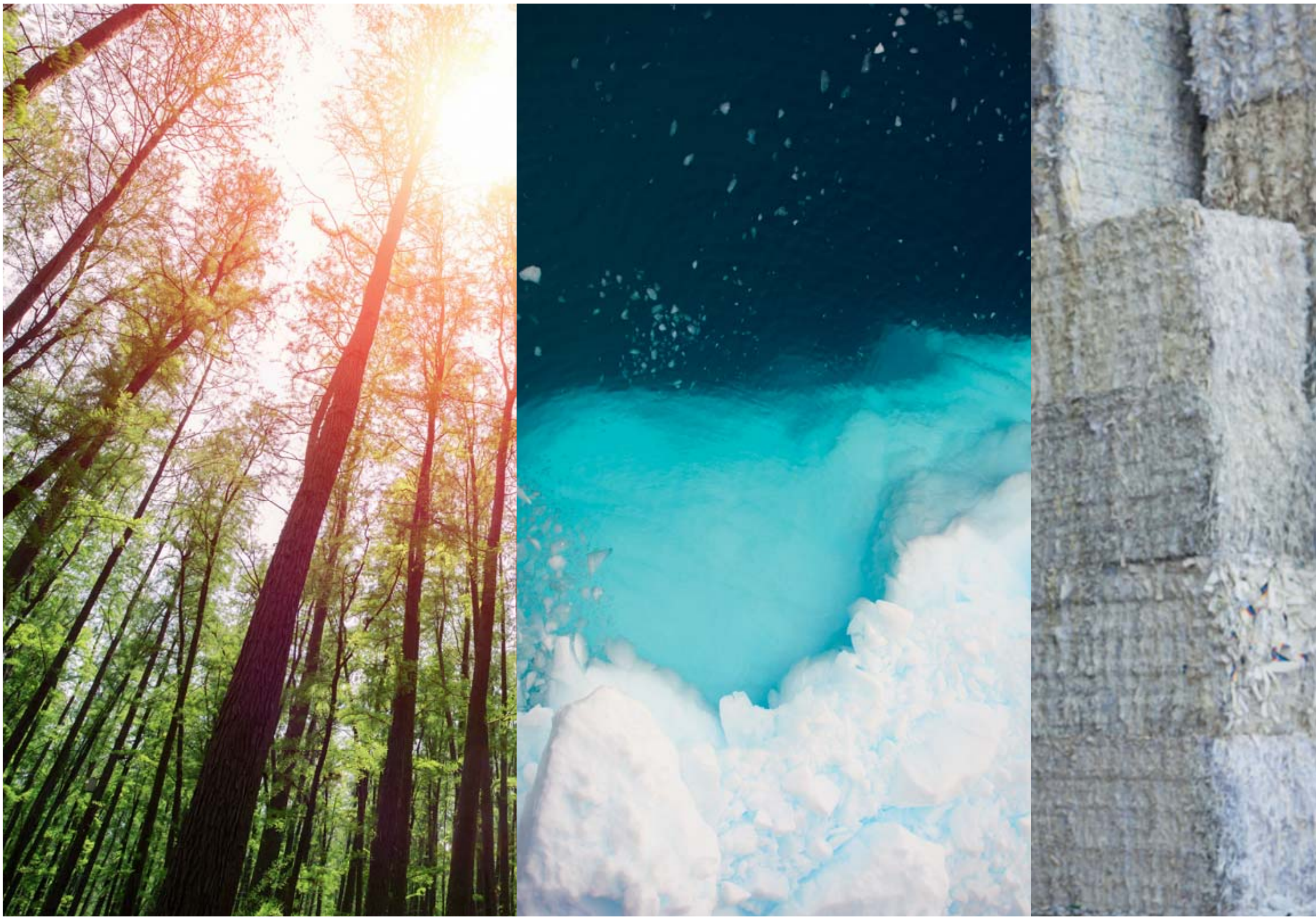
For the Supervisory Board
Chairman of the Supervisory Board

Alexander Wüerst

G

GROWTH REQUIRES AN UPDATE

Growth is the mantra of the industrialised economies. Its popular yardstick, gross domestic product, is a performance indicator for governments, a sword of Damocles in the hands of economic research institutes and a popular item on news channels. The acceptable range of growth is narrow: if it is too high, there is a risk of overheating, but if it is too low, the bony finger of recession will come knocking at the door. It also depends on who is doing the growing: a satiated industrialised nation or an up-and-coming emerging market. But one thing is for sure – growth is a must.



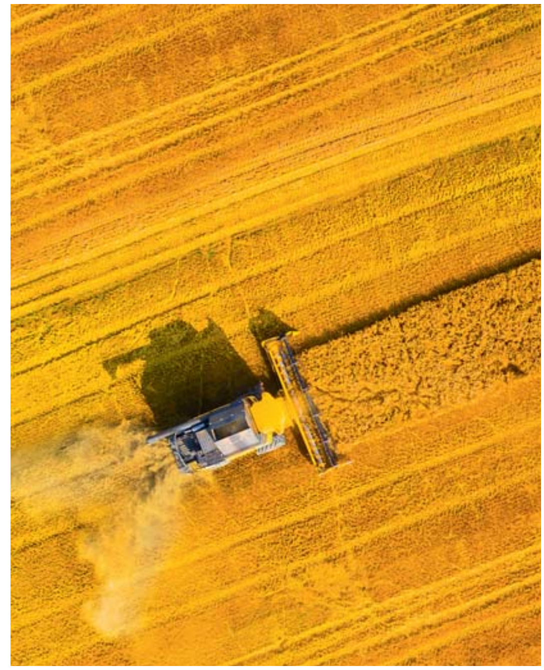
But why is that so? Why is it necessary for the total value of an economy's goods and services to increase year after year? Why do companies need to grow and earn ever larger amounts of money? Isn't what we already have enough? The answer is a clear yes and no.

On the one hand: no, it is not enough, since growth provides benefits. not only because an abstract indicator thus picks up, but also in very concrete terms for people. Thanks to economic growth, the job market offers new opportunities, wages rise and pensions are safe. The public sector can afford to modernise infrastructure and to invest in education and health. It is companies who fulfil this promise of growth. They provide efficiency, innovations and new markets in their quest for sales, market shares and profits. Through their creation of value, above all they help to provide further improvements in everyone's living conditions.

On the other hand: yes, it is enough, since this world has downsides which society became aware of no later than the Club of Rome's 1972 report on "The Limits of Growth". Any increase in goods and services which is so important for increased individual and economic prosperity means a decline somewhere else. The Club of Rome's argument was that growth is based upon the use of the planet's finite resources and thus, in the long term, undermines its foundations. It also comes at the expense of the ecosystem and risks becoming a threat to the environment and thus to all of us.

The forecasts which the Club of Rome published almost 50 years ago and has updated several times since then have not been borne out in quite this way. So far, raw materials have not run out, nor has global food production collapsed – quite the contrary. But it is a bit different from the point of view of the ecological risks and the side effects of human growth which it likewise already described back then. As if to bear out this

"A constant stream of new resources is being found and raw materials are increasingly being reused through recycling."



argument, the summer of 2018 experienced a protracted drought and heatwave. Even if not all of this study's predictions have come true, three key points can be distilled from it.

One of these has to do with the reliability of long-term forecasts: simulations are only as good as their mathematical models, the available data, the technology available for calculations and, frequently, also the political will behind them. The second point is that even forecasts which are not realised can nonetheless contain a kernel of truth. If today's world is not quite so close to the abyss as some people expected in the early 1970s, this has partly to do with technologies and innovations which are now available but which were not yet conceivable at the time. A constant stream of new resources has been found, while used raw materials are increasingly being reused through recycling.

But these examples do nothing to change the fact that the world is living on borrowed time in many respects. This brings us to the third and perhaps most important point: that in our lives and in our economic activity today, now more than ever, we should be committed to the principle of sustainability. If the world is not prepared or not able to do without growth, then simply carrying on as we are is out of the question. Not least, this prompts criticism of the growth indicator itself. For instance, over ten years ago the European Union launched its "Beyond GDP" project, which is intended to introduce future indicators which also cover prosperity and social progress.

If growth is necessary but is more than an economic end in itself and if the context in which it is sought has now changed, companies are nowadays faced with two basic questions: how can they achieve growth at all in future, and how can they do so in a sustainable fashion? We examine these issues in the following articles and point to the key opportunities and challenges associated with further growth in various industries: internationalisation, digitalisation, strategic financing and corporate culture.

This is particularly true of medium-sized enterprises, which are Germany's key economic and social pillars. For them, now more than ever, the principle holds true that not only is their growth permitted, it is even essential. With their innovations, their business acumen, their sense of tradition and their roots, they deliver the progress which is necessary so that they can continue to contribute to improved general parameters and living conditions from the point of view of social, ecological and economic considerations.

The volume of world trade and the level of integration between national economies are on the rise. To achieve further growth, German companies must succeed abroad and hold their own in international competition. How can the German SME sector safeguard its opportunities in a globalised economy? Ideally, together with strong partners. An interview with Helmut Schleweis and Kai Ostermann.

HELMUT SCHLEWEIS IS THE PRESIDENT OF DEUTSCHER SPARKASSEN- UND GIROVERBAND, THE UMBRELLA ORGANISATION OF SPARKASSEN-FINANZGRUPPE, AND PRESIDENT OF THE EUROPEAN SAVINGS BANKS GROUP.

KAI OSTERMANN IS THE CHIEF EXECUTIVE OFFICER OF DEUTSCHE LEASING.

G

GERMAN SME SECTOR – EXPLOITING INTERNATIONAL OPPORTUNITIES

The past few years have marked a continuous growth story for many German medium-sized enterprises. How is the German SME sector currently placed?

Helmut Schleweis: We are in a stable growth phase which has been intact for a very long time now. Turnover among Germany's small and medium-sized enterprises has increased by 5 per cent on average in each of the past two years. Each SME employee is now generating a gross profit of around EUR 40,000 per year. Companies have exploited this solid situation in order to place themselves on an even more stable footing. Their capital ratio has now reached an outstanding level of around 40 per cent. On the basis of this high capital ratio, they are generating a return on equity of 14.7 per cent before tax. These are really fantastic figures!

This strength will help medium-sized enterprises get through the difficult years which are expected to lie ahead of us. Brexit, the growing international trade conflicts and the conflicts over financial policy in the Eurozone are all sources of considerable uncertainty. I only need to mention by way of example the potential import duties on cars, which would also be likely to affect the automotive parts industry. If several of these factors are realised at the same time, that would probably hit the economy quite rapidly. It therefore seems important to me to invest resolutely wherever the outlook for business remains strong. For instance, the German economy is still very strongly placed, and the labour market is likely to remain quite stable.

In which areas should companies invest in order to achieve further growth? Where are new opportunities available?

Kai Ostermann: Particularly in the current challenging world economic environment, future-oriented companies are exploiting the opportunities available to them in various ways: they are bringing increasing numbers of innovations onto the market, i.e. stepping up their volume of investment in research and development. They are boosting their level of efficiency by modernising their machinery and equipment, adjusting their structures and optimising their processes. They are also increasingly relying upon internationalisation, which is focusing on stable and secure countries in the European Union and other western industrialised nations due to the uncertainties which I just mentioned. Here, they are expanding their market access through increased sales activities or else by means of direct investments, e.g. in order to develop or consolidate logistics sites or new production locations.

What are the challenges which companies face from the point of view of internationalisation, particularly in the context of the trade conflicts that are currently simmering?

Helmut Schleweis: Political developments are currently dominating international economic relations. Here, we must hope that these setbacks are merely temporary in nature. But export-oriented countries such as Germany are of course particularly vulnerable to a looming trade war and to the impetuousness of some political figures. A noticeable impact is therefore possible in the short term. But in the long run, I think that all of the players have an interest in undisturbed global trade relationships. I do not therefore expect these political conflicts to be long-lived.

In the long term, I also assume that digitalisation will present more challenges. Here, the German economy – which is very strongly shaped by manufacturing and industry – is faced with powerful American digital corporations as well as China's state-influenced digital economy. They both have an interest in interposing themselves with their platforms between traditional providers and their customers and in controlling key future technologies. Artificial intelligence, autonomous driving and storage batteries are just a few of the examples of this. We therefore envisage a need for European companies to make significant investments in technology and digitalisation if they are to defend their current market positions.

So there are opportunities in every situation. What are the hallmarks of German SMEs which succeed in the international arena?

Kai Ostermann: First of all, a clear international strategy which they stick by, even in an ambivalent situation such as we are currently faced with. Another factor is a solid understanding of the specific characteristics of their foreign market: local market expertise, specialist knowledge of the relevant country's legal system and intercultural skills are critical to success. This is one of the strengths of Deutsche Leasing. Together with Sparkassen-Finanzgruppe, we have supported the German SME sector in foreign markets for more than 25 years now. Our local German-speaking employees are experts in their various industries and are familiar with the market's legal, economic and cultural aspects. With activities in more than 20 countries – including China, the USA and Brazil – through Sparkassen-Finanzgruppe we have the largest international network. As a member of S-CountryDesk – an alliance spanning major savings banks, federal state banks, Deutsche Leasing and Deutsche Factoring Bank – we also rely on our partners for the transfer of knowledge, for advice and for active local support.

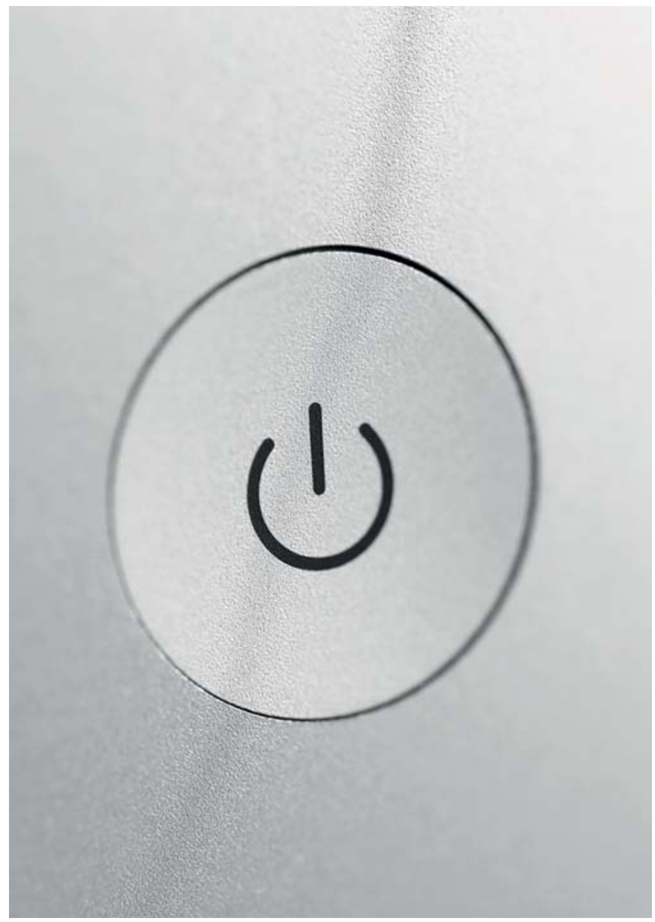
One final question: what are the values which the German SME sector should draw upon for its international growth?

Kai Ostermann: It is important to exploit the opportunities which globalisation offers, but at the same time companies should never forget their roots. The phrase "German Mittelstand" has now pretty much acquired its own iconic brand status. The sources of

"The phrase 'German Mittelstand' has now pretty much acquired its own iconic brand status."

this brand's strength are values such as a long-term focus, a sense of tradition, regional links, but also business acumen and courage. Deutsche Leasing itself has likewise achieved strong growth over the past few years – particularly outside Germany – while always remaining committed to these values. Along with our economic ratios, they mean that we are a genuine "Mittelstand" company. These values form the basis of our relationships with our customers. They are reflected throughout our company – even as far as our risk policy, which we consider to be conservative but also opportunity-oriented at the same time.

Helmut Schleweis: Germany is home to very many international market leaders, some of whom are hidden champions. We have an outstanding technological and industrial base, highly trained employees and a stable social partnership. These are all genuine advantages in a globalised world. In my view, a key requirement for the future is increased investment in digitalisation. On the one hand, this has to do with the expansion of broadband and 5G connections. Not all internationally oriented SMEs are based in big cities; many of them are headquartered outside major urban areas. On the other hand, digitalisation of existing products and processes is crucial. In my opinion, here we need to up the pace in Europe. At Sparkassen-Finanzgruppe, we make sure that we stand side by side with our commercial customers in good times as well as bad and that we maintain a local network of contacts throughout



Germany who have decision-making authority. We know that we depend upon the German SME sector – in the same way that it depends upon us. This means that our interests are aligned, so that together we can successfully weather the odd spell when the economic going gets tough.

Mr Schleweis, Mr Ostermann, thank you for this interview.

The business journalist Michael Hasenpusch conducted the interview.

2018

IMPORT

+5.7 %

1,089.7 billion

German export surplus in 2018: EUR 228.3 billion

In 2018, Germany exported goods with a value of EUR 1,317.9 billion and imported goods with a value of EUR 1,089.7 billion. According to the German Federal Statistical Office (Destatis), on the basis of provisional figures Germany thus achieved an export surplus of EUR 228.3 billion.

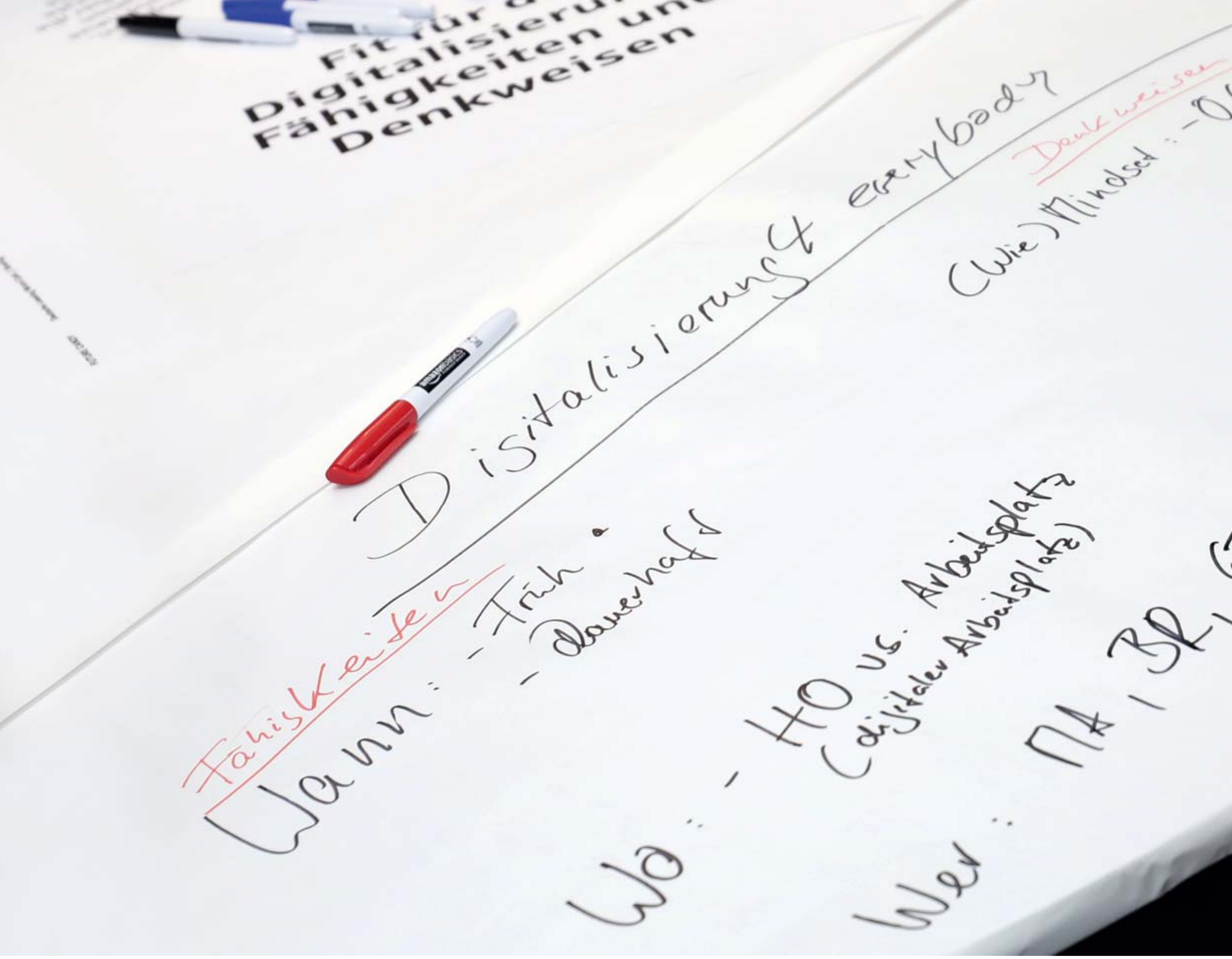
2018

EXPORT

+3.0 %

1,317.9 billion

Source: Statistisches Bundesamt 02.2019



What role do cultural aspects such as a transparent system of values and a management team which embodies these values play in companies' growth?

They are essential since growth always means change and this generally unfolds in many different areas within a company. Where processes, products and maybe even entire business models change, employees must not only understand this transformation, they must also take ownership of this and actively contribute to it. The system of values is the element which provides meaning and which must also change, while at the same time remaining recognisable. Planning and communicating this transformation are among the foremost tasks for managers. This is particularly true in view of the impending changes resulting from the digital transformation.

What is so special about the digital transformation?

Companies are constantly evolving, and sooner or later none of them can afford to keep operating in the same way. This reflects a large number of specific factors which produce an individual change profile for each industry and for every company: the state of the economy and the level of demand, competition, ongoing technological development and, not least, the availability of employees. What is so special about the digital transformation is that it represents a process of change which will affect virtually every industry and every company in equal measure within a short period of time. In future, no companies will be able to remain competitive without undergoing a digital transformation.

Employees. Management.
Corporate culture.

Encouraging autonomy, creating space for ideas.

Recruitment, management and transparency are the basis for a company's long-term growth. A positive corporate culture retains employees and attracts new talent. Only thus can a company overcome the challenges associated with digitalisation. ***An interview with the work, organisational and economic psychologist Stefan Diestel****.*

How do companies need to adapt their culture, and what role will their managers play in this?

A company's culture and its underlying system of values are manifested in managers' behaviours, in the way that employees communicate with one another, in the company's relationships with its customers and in many other aspects. As a reflection of the underlying assumptions of all of a company's employees, it also provides information on their attitude towards change. Fear and uncertainty are critical factors here.

Managers at every level play a crucial role. They should be open and without fear in relation to this topic and, above all, themselves understand where the envisaged change in their company will be able to provide a value-creating contribution. Moreover, instead of being decision-makers and "commanders-in-chief", they must anchor and motivate their employees. Once this mindset is established, an important prerequisite will have been realised at the cultural level. If this is not successful, there is a risk of conflicts and friction losses which will deprive the company of the necessary momentum for its planned transformation.

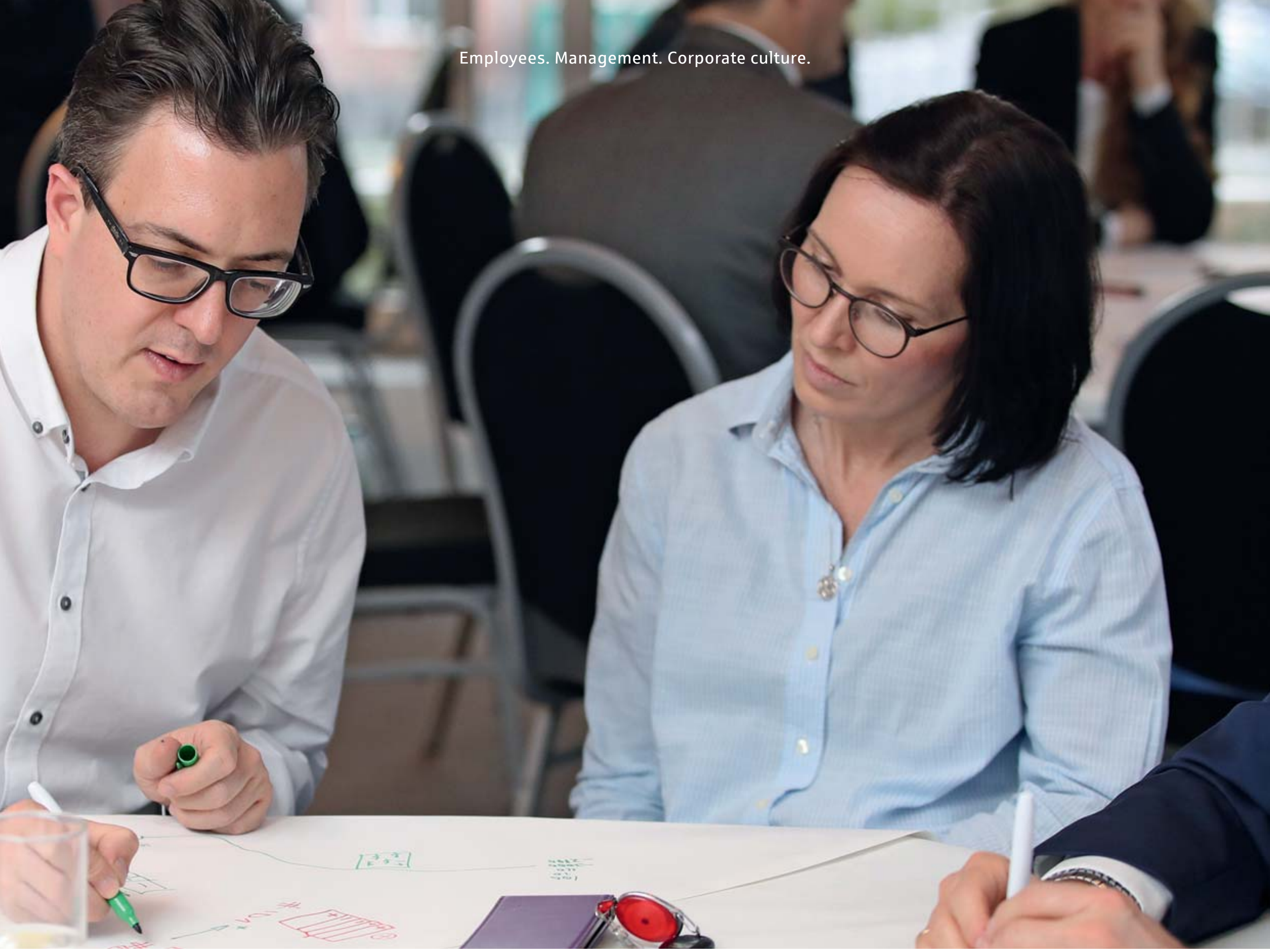
“Autonomy, independent work in combination with exciting projects – these are the key factors for a positive corporate culture.”

How can employees without management responsibility be prepared for impending processes of change?

It is important to establish transparency in this respect throughout the company, so as to eliminate uncertainty. To take the example of the digital transformation: experts can explain what hot topics such as artificial intelligence (AI) or blockchains entail. Open forums where people can share their experiences internally might be established, or else opportunities for employees to learn about a topic in a playful way, through “gamification”. In all of this, the message should be that the use of digital technologies in many different areas can help to make employees’ working lives easier. For instance, repetitive standard tasks will no longer arise and work will become more flexible. This may mean working from home, or else much easier access to customer or market data, which enables the salesforce and customer advisers to make quick and precise decisions during customer meetings.

When seeking out good employees, companies other than the major well-known brands are often less well placed to keep really talented individuals committed. How can they improve their position here?

In principle, what employees are looking for in terms of an attractive company always revolves around the same three aspects which are basically psychological in nature. First of all, everyone has a need to achieve something, to demonstrate his abilities and to develop them. Secondly, social integration is important to people. Employees want to feel comfortable in a setting and to build relationships and ties to their colleagues and managers. This trust-based environment needs to be tangible. The third aspect is autonomy: in principle, everyone would like to act independently and to decide themselves how they achieve goals and implement tasks. This autonomy always requires two different components: managers and employees in equal measure. Some employees absolutely demand it, while others must first learn to act autonomously. Direct managers need to have the right approach for both: to provide their employees with the highest possible degree of autonomy while also encouraging their desire for greater autonomy.



Is this desire for autonomy equally true of all employees?

In principle, yes. But here too, the digital transformation is something of a special case in certain respects. IT employees and the so-called digital natives are particularly important for its realisation. Experience shows that these groups in particular like to be integrated within a larger setting but also seek out the space for their own ideas and for their self-realisation. Autonomy, independent work in combination with exciting projects – these are the key factors for a positive corporate culture. And this is a much better way to encourage employees' level of enthusiasm for a company than financial considerations or the sound of a fashionable brand.

Mr Diestel, thank you very much for this interview.

The interview partner:

Prof. Stefan Diestel

Professor of Work, Organisational and Economic Psychology, University of Wuppertal, and Academic Director of the Kienbaum Institute @ ISM Leader & Transformation GmbH.


Step **it up a notch!**

The digital revolution is transforming the entire economy. The German SME sector still has the OPPORTUNITY to achieve further growth thanks to technologies such as artificial intelligence.

The SME sector's response to digitalisation

An assessment by 200 managing directors/ management board members of German SMEs

(42) Increased use of digital technologies such as social media, mobile, the cloud, etc.

(40) Digitalising distribution channels

(37) Opening up new digital business segments

(25) Establishing a digital think tank

Cooperating with external partners (35)

Reviewing existing business models (40)

DIGITALISATION – BY ANDREAS DENGEL, AI SCIENTIST

Digitalisation and its data-based technologies offer companies the opportunity to embark upon a process of deep-rooted change from which they can emerge with new strength – a process of digital transformation. To achieve this, they simply have to grasp the opportunity, and it is an absolute "must" that they do. Through immense efforts in the field of artificial intelligence (AI), economic heavyweights such as China and the USA are demonstrating how seriously they are taking this issue, even at a national level, as well as the key significance which they ascribe to it in terms of their successful future positioning in the global economy.

German companies – and the German SME sector in particular – still have solid opportunities for new and sustainable growth in this competitive environment. They are very well placed in their segments, often as world market leaders, and most of them already have the foundations for their successful digital transformation: data. At any rate, they do in theory. Three widespread shortcomings are preventing companies from linking their data with their business processes and thus generating new value.

First of all, their IT infrastructure has evolved over time to become a complex and heterogeneous system landscape. Making any significant changes here always requires a substantial investment whose volume is often hard to predict for companies, which is why they are hesitant to do so. But the transformation of their IT infrastructure is an essential step and one of the preconditions for further success. The available data can only be properly handled with a system landscape which is ready for the digital transformation.

Secondly, the available volume of data may already be immense in most companies, but the necessary expertise required to generate value out of this raw material is frequently lacking. One of the basic prerequisites for this is the quality of data, which is not yet adequate in many companies. Sometimes companies are not even aware which type of data they have and where these are stored. Establishing the required degree of transparency here is a necessary first step on the path to the digital transformation.

Thirdly, the essential understanding for a realistic assessment of the risks and opportunities associated with digitalisation is lacking. Many industries are already benefiting from the digital transformation, such as agriculture, for instance, which is playing a pioneering role here in the German SME sector. The applications range from self-driving tractors and harvesters to the use of data on flow measurement, humidity, quality and yield of the harvest, which enable individual adjustments for the treatment of each specific field. In the automotive sector, the use of AI is already standard for parts manufacturing, e.g. for a visual quality control process which is based upon image recognition and deep learning. Semi-autonomous driving is already possible today and will play a growing role in the future. AI-based medical technology systems model organs on the basis of data from MRI scans, identify tumours and provide diagnostic recommendations. The life sciences and pharmaceutical industries are benefiting from AI in relation to the approval process for medicines, through the generation of documents or the analysis of cell cultures by means of image-processing methods. Digitalisation likewise offers the many heterogeneous, data-based health management processes strong potential for optimisation. Even the financial sector is already using this technology for risk assessments, for churn analyses and for AI-based chatbots for interaction with customers.

Deutsche Leasing Group – a partner for digitalisation

The Deutsche Leasing Group is assisting its customers with their digitalisation projects. For instance, it has been included in SAP's partner programme as its first financing partner. The key focus here is tailored and coordinated financing models for companies changing over from the ERP system R/3 to SAP S/4 HANA.

In cooperation with HAUSHELD AG, the Deutsche Leasing Group offers municipal utilities a complete package for smart meter financing for their transition to intelligent metering systems.

The value-enhancing use of data, algorithms and processors is dependent upon companies' willingness to face the issue of the digital transformation and its associated technologies. Experience shows that this does not necessarily require a radical, "all or nothing" change of system. The recipe for successful digitalisation involves a few but carefully considered steps. The key point is to identify and to pursue the options within a company that promise a strong contribution to value creation and which can be implemented relatively quickly. Following the initial success associated with these areas of high potential (quick wins), the digital transformation can then be gradually expanded.

Infrastructure, data quality and a willingness to take up the digital transformation – many players in the German SME sector, even major ones, must first address these three issues in order to safeguard and build upon their current success. The sooner they do so, the better. The ideas labs and innovation teams which many medium-sized enterprises are currently setting up are providing the digital transformation with momentum. It is helpful if these teams are established outside of a company's traditional structure, since only then will they have the necessary freedom. A critical issue when putting together teams is interdisciplinarity, which makes it possible to combine a wide variety of different perspectives and different roles. Added value is achieved not least through the resulting friction.

The life sciences and pharmaceutical industries are benefiting from AI in the analysis of cell cultures, using image-processing methods.

But for all the enthusiasm for technology, it is essential to keep one thing in mind: the workforce also needs to be brought on board, and this is one of the key tasks for the company's management and its executives. Employees will only be prepared to work with this technology if they understand where and how digital technologies such as AI can have an impact. The digital transformation does not mean a total disruption of the world of work, leading to humans and machines swapping roles and thus the loss of jobs. Properly implemented, it will support employees in their work and open up new opportunities for companies.

About the author:

Andreas Dengel

Site Head at the German Research Centre for Artificial Intelligence (DFKI) in Kaiserslautern and Scientific Director of the DFKI's Smart Data & Knowledge Services research department.

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FINANCING THE FUTURE OF MOBILITY

Operating local public transport services rather than outsourcing them to external service providers may offer local authorities a sustainable concept for their future mobility requirements. The Rhine-Erft District's public transport company set itself this strategic objective and partnered with Deutsche Leasing on the financing aspects.

The leased buses fulfil various mobility requirements: such as a manual ramp for wheelchairs, broad doorways, high-contrast stop buttons with acoustic and visual signals as well as space for specific passenger needs, e.g. for prams, wheelchairs and walking frames.

For publicly owned transport companies, growth is an issue as for any other company. However, this entails a strategic focus which is different than it might be for a similarly sized machine manufacturer. Local public transport plays a special role in a free market economy. In providing services of general interest, it ensures better living conditions for the general public, thanks to mobility and accessibility. Local public transport eases the burden on traffic routes and on the environment. Not only does it serve the economy, it also plays an important social and integrative role for society as a whole. This means that these companies' growth objective entails, above all, offering an efficient service which is socially and ecologically sustainable. At the same time, it must also be economically viable.

The public transport company REVG Rhein-Erft-Verkehrsgesellschaft is an example of the far-reaching changes which a local public transport provider can undergo and of the type of financing which is particularly suitable for this sort of evolution. REVG is based in Kerpen and serves the Rhine-Erft district, to the west of Cologne, with a network spanning 872 kilometres, with a daily average of 1,870 trips, calling at around 1,300 bus stops. Particularly in view of this high level of social responsibility, a municipally owned company is subject to the same requirements for its financing that apply to the private sector: first of all, this company must safeguard its liquidity, and secondly, it must be able to achieve the goals which it has set itself.

This is even truer following the decision made by the Rhine-Erft district council in September 2017 to expand REVG's role from 1 January 2019, transforming it from a simple management company that previously entrusted external service providers with its operating business into a fully equipped and independent transport company, with its own depot, vehicles and drivers. There were two different motives for this drastic change of strategy. On the one hand, a current EU regulation had established a new regulatory environment permitting municipalities and other public authorities to provide local public transport services themselves or else to assign them directly to in-house service providers. On the other hand, REVG's management was in any case seeking increased influence over local public transport and the underlying mobility concept: **"The key consideration for us was the ability to be able to react more flexibly and rapidly to future changes in commuter flows and drive technology,"** says Wolfgang Orth, REVG's Head of Transport and Operations.

For the development of the necessary infrastructure in the two-year period between this decision and the launch of in-house transport services, financing of the bus fleet was a critical aspect. Through Kreissparkasse Köln, REVG decided to cooperate with Deutsche Leasing, Sparkassen-Finanzgruppe's centre of excellence for leasing and factoring. On the basis of a financial leasing contract, by the end of 2018 a total of 43 buses had been purchased from the Daimler subsidiary EvoBus, for an investment volume of EUR 12.5 million, and are now available for transport services. **"The time frame was short. But thanks to our decades of expertise – from technological developments in local public transport via the changed regulatory environment to individually tailored financing for such projects – we were able to get a solution for REVG up and running in a very short period of time,"** remarks Jörg Nelles, Head of Major Transport and Logistics Customers at Deutsche Leasing.

The choice of leasing as a form of financing is consistent with the desire of REVG's management to offer a good service while safeguarding its liquidity and achieving the strategic goals which it has set itself. The adopted leasing model ensures cost-effective operations since the fixed leasing instalments provide the transport company with planning certainty throughout the term of its leasing contract. With a modern and low-emission bus fleet, REVG is now not only able to fulfil current mobility needs, but can also react flexibly to changes in the level of demand and in case of technological developments. **"If necessary, we can change over to the latest drive technology and adjust our leasing contract accordingly. This flexibility was a key point for us in our choice of this financing instrument,"** says REVG's Orth.

For operators of local public transport services, flexibility will be increasingly important in future. In 2017, around 30 million people already used buses and rail services every day in Germany. All of the forecasts suggest that this figure is likely to continue to rise in future. This growth is not only affecting the transport operators themselves. It is also playing a critical role in the development of municipalities. Besides infrastructure, their geographical situation and other aspects, the quality of local public transport services also influences the attractiveness of a location for companies and likewise for their employees: **"Local public transport has long been an important competitive factor for municipalities. With our new REVG, we will help to enhance our district's attractiveness,"** emphasises REVG's Managing Director, Walter Reinarz.

"With our new REVG, we will help to enhance our district's attractiveness."

Strong group partners

363 savings banks are shareholders in Deutsche Leasing, as direct and indirect limited partners.

In the calendar year 2018, the savings banks increased their leasing business with the Deutsche Leasing Group to approx. **EUR 4.5**

As of 30 September 2018, savings banks and federal state banks accounted for

of the Deutsche Leasing Group’s borrowed funds.

Over **90 %**
of Deutsche Factoring Bank's contracts concluded in the calendar year 2018 were brokered through savings banks.

Import and export factoring accounts for approx. **1/4** of Deutsche Factoring Bank's factoring turnover.

billion

320 savings banks use the online product "S-Kredit-per-Klick" and over 160 savings banks are partners of Deutsche Leasing's S-Kreditpartner investment, for its S-Privatkredit and S-Autokredit products.

Consolidated management report Deutsche Leasing Group

Consolidated management report

Financial year 2017/2018
Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe

Business performance

- New business grows to EUR 9.2 billion in an environment which remains challenging
- Disproportionately strong growth for domestic SME business and in other countries

Earnings position

- Group's net profit for the year increases to EUR 77.2 million
- Declining, but still positive, resale results on car contracts with open residual values, despite diesel crisis
- Further increase in net asset value – economic result at a high level

Net assets and financial position

- Consolidated balance-sheet total grows by 7 per cent to EUR 20.8 billion
- Portfolio structure remains stable
- Equity shown in the balance sheet increases by over 7 per cent
- Solid financing base for further growth

Opportunities and risk management

- Further improvement in default situation in a stable economic environment
- Risk-bearing capacity remains clearly intact, even in stress scenarios
- Robust position strengthened through further diversification with factoring and insurance products

Outlook

- Growth potential in terms of new business and income contrasts with increasing political and economic risks
- Goal of new business growth slightly in excess of overall economic trend
- Slight rise in continuously increasing net asset value
- Further increase in equity as well as provisions in accordance with §§ 340f and 340g HGB

Basic information regarding the Deutsche Leasing Group

Overview

Deutsche Sparkassen Leasing AG & Co. KG, headquartered in Bad Homburg v. d. Höhe, is the parent company of the Deutsche Leasing Group. As a financial services provider, it is supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and by the German Bundesbank.

As one of the leading asset finance and asset service partners in Germany and Europe, the Deutsche Leasing Group offers investment and financing solutions as well as supplementary services for both fixed and current assets. On the basis of a broad product range with solutions for small-volume investments and financing as well as for individual, complex major projects, it supports its customers in their realisation of investment projects. In addition to the core products of leasing and factoring, the Group's product range encompasses further financing solutions as well as supporting services. The Deutsche Leasing Group offers comprehensive services in its factoring and debt management segments. In terms of its customers, Deutsche Leasing – as a central group partner of the savings banks – mainly focuses on SMEs in Germany, which it also supports at an international level.

On 30 September 2018, overall the Group had 2,575 employees in 23 countries.

Products and services

The solutions offered by the Deutsche Leasing Group continue to mainly comprise leasing and asset financing for machinery and equipment, vehicles, IT and communication equipment, medical technology, real estate, intangible assets and large-scale movable assets and also factoring. It offers its partners sales financing products as well as dealer purchase finance.

In line with the requirements of its customers, the Deutsche Leasing Group provides asset-related services for the entire investment life cycle. This ranges from purchasing of assets via brokerage of asset-related insurance and administrative activities to resale of assets and includes, for instance, full-service products as well as a certified return process in the vehicle fleet segment, construction management services for real estate leasing and life cycle management including services and logistics in the IT sector. In its factoring and collection segment, the Deutsche Leasing Group offers comprehensive debt management services.

Its in-depth asset know-how and its understanding of specific industry requirements enable targeted ongoing development and fine-tuning of its range of services in line with prevailing market conditions. In particular, the goal is to identify early on any market segments with relevant investment requirements and to support customers during the planning of their investments and right up to their realisation, thus laying the foundations for successful long-term partnerships.

Organisation and structure

The Deutsche Leasing Group is represented on the market by means of its different business segments, DAL Deutsche Anlagen-Leasing GmbH & Co. KG (DAL), Deutsche Factoring Bank GmbH & Co. KG (DFB) and also further investments specialising in the asset finance and asset service segments. Companies in 23 countries in Europe, Asia and America provide an international platform for the Deutsche Leasing Group's services.

As the market leader in Germany and one of the leading providers of leasing in Europe, Deutsche Leasing concentrates on business-to-business operations with

SMEs: Deutsche Leasing is the solutions provider for investments in the SME sector. In combining asset, industry, service and product competence, the Deutsche Leasing Group offers its customers a significant advantage.

Through its **Savings Banks and SMEs business segment**, Deutsche Leasing serves the German market via two different distribution channels: the savings banks and direct distribution, supplemented with services marketed through online channels. Via its comprehensive distribution network, its customers receive competent on-site advice and support for their investment projects. In addition, in cooperation with the International business segment the savings banks and their customers receive needs-oriented support for their foreign activities through so-called "German desks" in Deutsche Leasing's foreign companies.

Through its **Fleet business segment**, Deutsche Leasing offers a range of vehicle-related investment and service solutions as well as efficient car fleet management for SMEs in Germany especially. Customers are provided with tailored mobility solutions via asset-oriented financing know-how as well as modular services. Through AutoExpo Deutsche Auto-Markt GmbH (AutoExpo), Deutsche Leasing's reselling company which specialises in second-hand cars, returned leasing assets are marketed to private and commercial purchasers in Germany and other countries.

The activities of the **International business segment** focus on support for German industrial enterprises as partners for sales financing in Germany and other countries. Via its international network, Deutsche Leasing offers selected vendors and their customers asset finance solutions in line with local requirements in 23 countries. It also supports customers of Deutsche Leasing and the savings banks with their foreign investments through "German desks" established in Deutsche Leasing's foreign companies. The International business segment also supports its vendors in Germany and handles business with customers in the construction and agricultural sectors.

Within the Deutsche Leasing Group, **DAL** offers its customers finance solutions for long-term and large-scale investments in the following business segments: real estate (including construction management), energy, transport, logistics, medical technology, IT as well as special products (such as financing solutions for intangible assets and current assets). Within the Deutsche Leasing Group, DAL specialises in the arrangement and structuring of major projects. The previous business segment Information Technology was transferred to DAL as of 1 October 2017; the Group's medical technology business was also integrated in DAL in this context.

Deutsche Leasing Finance GmbH (DLF) offers asset-related credit financing, primarily purchasing, rental park and warehouse financing for dealers in the construction machinery, agricultural technology and material handling vehicle segments. Deutsche Leasing Finance GmbH also serves as a conduit bank for development loans. In addition, this company assists the subsidiaries of the Deutsche Leasing Group in case of financing requirements, including outside Germany, and provides intra-Group guarantees and overdraft facilities within the scope of its financing activities.

At **Deutsche Leasing Insurance Services GmbH (DL Ins)**, Deutsche Leasing has pooled Group-wide responsibility for insurance services within a central entity in order to optimise processes, purchasing and product development. This business unit develops tailored insurance services which it markets to the Deutsche Leasing Group and its customers and partners through the full range of distribution channels.

Deutsche Factoring Bank GmbH & Co. KG (DFB) is Sparkassen-Finanzgruppe's factoring centre of excellence under the umbrella of the Deutsche Leasing Group. The savings banks and their customers are offered comprehensive receivables financing and debt management solutions in addition to the range of services designed for the SME sector.

Bad Homburger Inkasso GmbH (BHI) – an associated company of the Deutsche Leasing Group – offers distressed debt solutions as well as the market-oriented resale of movable and real estate collateral on behalf of its shareholders, the savings banks and other companies and institutions.

S-Kreditpartner GmbH (SKP), a Deutsche Leasing investment, focuses on the fields of car and consumer loans in Germany. It pursues its sales activities within the scope of partnerships with the savings banks; SKP also offers financing of sales and purchasing activities for the vehicle industry.

Thanks to the intensive cooperation of all of the Deutsche Leasing Group's business segments/investments, its centre of excellence function within Sparkassen-Finanzgruppe is to be deepened and expanded while making optimal use of existing potential, and cross-selling opportunities in particular.

Positioning within Sparkassen-Finanzgruppe

Within Sparkassen-Finanzgruppe, Deutsche Leasing is the centre of excellence for leasing, factoring and other SME-oriented asset finance solutions as well as supplementary services. As a central group partner and internationally focused asset finance partner, it helps the savings banks to realise their customers' investments both nationally and internationally, through leasing and other asset finance solutions. As well as close market cooperation, the savings banks serve as Deutsche Leasing's key financing partner. Moreover, overall 363 savings banks are shareholders in Deutsche Leasing, as direct and indirect limited partners.

Distribution channels

Deutsche Leasing exploits its markets through three different distribution channels:

Direct business: With a network of branch offices throughout Germany, Deutsche Leasing and DAL exploit the market independently, through direct acquisition. Direct business sales focus especially on those customers and markets whose potential the savings banks or partners/vendors have not yet fully exhausted. Direct business promotes the expansion of the Group's existing customer base through the acquisition of new customers and safeguards our outstanding level of customer and industry insight, thus underlining the independence of the Deutsche Leasing Group.

Savings banks: The Deutsche Leasing Group enables savings banks to access and exploit its full range of services. Overall, through a broad-based and coordinated market approach the savings banks and the Deutsche Leasing Group cooperate to ensure optimal fulfilment of the needs of the savings banks' customers and improved exploitation of existing potential. The savings banks are able to select from an extensive range of services: from standardised product lines to tailored specialist solutions. Moreover, German desks have been established in the foreign companies of the Deutsche Leasing Group; German-speaking employees serve here as on-site contacts for the savings banks and their customers.

Partners/vendors: The Deutsche Leasing Group's partners are its dealers, vendors and cooperation partners. By working with dealers and vendors, the Deutsche Leasing Group achieves efficient and early access to customers, thus ensuring broad sales coverage in Germany and other countries. In factoring business, in particular, exploitation of the market is supplemented by means of cooperation agreements with brokers and other intermediaries.

International presence of the Deutsche Leasing Group

Deutsche Leasing locations

Locations

Germany is the core market of the Deutsche Leasing Group. Through its foreign network, Deutsche Leasing also supports German companies' exports and their international presence. It does so through cooperation with international vendors – mainly in Germany, Austria and Switzerland ("DACH") – which are able to rely on the financing expertise of Deutsche Leasing's international network to support their sales activities; Deutsche Leasing also assists German companies' foreign direct investment programmes as well as the foreign subsidiaries of German companies. Outside Germany, its international network spans 22 further countries in Europe, America and Asia.

In the year under review, as well as its headquarters in Bad Homburg v. d. Höhe the Deutsche Leasing Group had one German branch office, in Berlin, and seven other German sales offices. The Deutsche Leasing Group is also represented in its various regions through its investments.

Economic report

Overall economic and industry-specific environment

In the financial year 2017/2018, the world economy grew up to the summer of 2018, but the pace of growth slowed toward the end of the period. On the one hand, the financial outline conditions for the emerging markets have deteriorated due to the withdrawal of international investors; this has triggered crises in countries such as Turkey and Argentina. On the other hand, protectionist tendencies have resulted in tensions for the world economy which have been reflected, in particular, in the worsening of the trade conflict between the USA and China.

The USA increased its economic output in the second quarter of 2018, which reached its highest level in the past three years. However, this momentum dropped off slightly in the third quarter of 2018 due to weaker private consumption. A similar trend was apparent in Japan, where economic growth was supported by private consumption and corporate investments in particular, while export growth levels generally declined. In China, imports increased more strongly than exports due to private consumption as well as the government's subsidy programme in support of Chinese companies in key sectors. In South America, production stagnated in Brazil while Argentina faced the risk of a recession.

In the financial year 2017/2018, the US Federal Reserve gradually raised its key interest rate to 2.0 per cent and intends to increase this to between 2.5 and 2.75 per cent by the end of 2019. To date, this does not appear to have prompted a negative market reaction.

The Eurozone's economy weakened in the first half of 2018, following its strong growth in the calendar year 2017. This was mainly due to the decline in exports; on the other hand, the growth trend for private consumption and investments remained intact. At the start of the third quarter of 2018, the introduction of the new test procedure WLTP (Worldwide harmonized Light vehicles Test Procedure) had a negative impact on production in the automotive industry which is of considerable economic importance, since many of the manufacturers' models did not comply with this standard, leading to significant delivery setbacks. These factors also affected the overall European economy. All in all, the Eurozone remains buoyant, albeit with declining momentum. In particular, there was uncertainty in relation to the framework for the United Kingdom's withdrawal from the EU ("Brexit"), which has yet to be conclusively clarified, as well as its implications for economic relationships within the Eurozone, and also the increasing risk of a debt crisis in Italy.

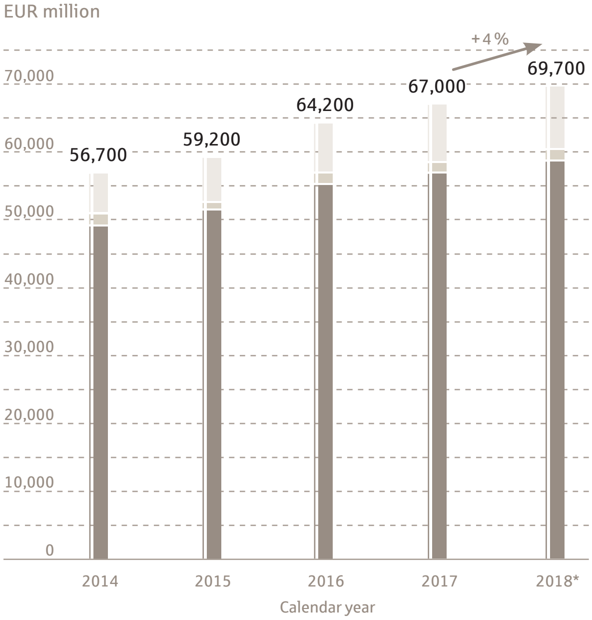
The upturn in Germany continued for the sixth consecutive year. This development was supported by the domestic economy, which benefited from the strong growth in the level of employment as well as low interest rates. However, a further increase in the level of utilisation of production capacities failed to materialise in the second half of the year. On the one hand, on the demand side incoming orders generally declined, due to an economic slowdown in the key German sales markets. This effect was aggravated by the introduction of the new WLTP test cycle and the related increase in stocks of vehicles featuring old technology, together with delays in the delivery of WLTP-compliant models. On the other hand, on the supply side a shortage was apparent on the labour market.

The German council of economic experts assumes gross domestic product growth of 1.6 per cent (previous year: 2.0 per cent) for the calendar year 2018. The pace of growth will be subdued due to a less favourable environment for foreign trade as well as temporary production shortages. Due to the existing capacity constraints, well-filled order books and financing conditions which remain favourable, plant and equipment expenditures are expected to increase by 3.9 per cent (previous year: 2.3 per cent).

In the calendar year 2018, the leasing sector in Germany envisages new business growth of 4.0 per cent. The trend for new leasing business is thus in line with the growth rates for plant and equipment expenditures (Federal Association of German Leasing Companies (Bundesverband Deutscher Leasing-Unternehmen e. V., BDL), Berlin/ifo Investitionstest).

Leasing investments in Germany

EUR million



Movables   Real estate   Hire-purchase   * Projection

Source: Federal Association of German Leasing Companies/ifo investment test

Demand for leasing was largely stable in spite of the persistently challenging economic environment – particularly on account of the continuing low interest-rate phase, supply bottlenecks in the important vehicles movables leasing segment due to the new emissions testing procedure WLTP as well as companies' general investment restraint which reflected the imponderable economic and political environment. This demonstrates the continuing attractiveness of leasing and the strength of the leasing sector. As the market leader in the asset finance segment, in the financial year 2017/2018 Deutsche Leasing participated in the general environment in line with its position and achieved a satisfactory level of growth in overall terms.

Business performance

In the financial year 2017/2018, the Deutsche Leasing Group remained subject to strong competitive and margin pressure. The ECB's expansionary monetary policy, with enduring low interest rates, prolonged this margin pressure. The Deutsche Leasing Group faced particular challenges in its cars segment; initial access restrictions for diesel vehicles in major cities (including Stuttgart and Hamburg), declining resale results and the new WLTP test procedure have resulted from the diesel affair and are the challenges which have ensued from this. Regulatory requirements required additional focus over the course of the past financial year. To master the key challenges ahead of it and to focus in further depth on its market opportunities, the Deutsche Leasing Group launched a strategic programme for the future. It already implemented initial organisational optimisation measures in the financial year 2017/2018 – in particular, generalist business was differentiated from specialist and project business, functions were centralised and pooled and a consistent company-wide cost management approach was established.

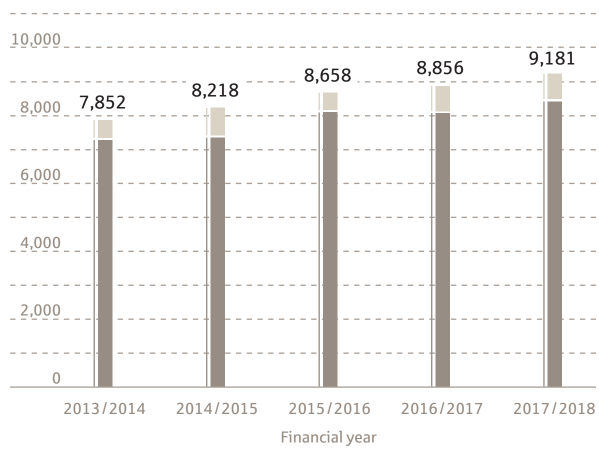
With 4 per cent growth in the volume of new business to EUR 9.2 billion in the financial year 2017/2018, Deutsche Leasing was able to maintain its market leadership in Germany and its leading position among European leasing providers in an environment which remained challenging.

In the financial year 2017/2018, SME business and the foreign subsidiaries in particular contributed to the Group's positive new business trend. SME business reached a growth rate significantly in excess of the previous year. With a new business volume of EUR 2.5 billion, the foreign subsidiaries achieved a growth rate of 11 per cent on the previous year.

An analysis of new business in the various business segments, with a breakdown by asset class, shows the following development:

New business of the Deutsche Leasing Group

EUR million



New business by business segment

Business segment	2016/2017 acquisition values In EUR million	2016/2017 acquisition values Share in per cent	2017/2018 acquisition values In EUR million	2017/2018 acquisition values Share in per cent	Change in per cent in relation to previous year
Machinery and equipment	4,744	54	5,250	57	506
Road vehicles	1,964	22	2,176	24	212
Real estate	761	8	707	8	- 54
Energy and transport	862	10	601	6	- 261
Information and communication technology	525	6	447	5	- 78
Deutsche Leasing Group	**8,856**	**100**	**9,181**	**100**	**325**

In the past financial year, the **machinery and equipment** segment achieved a growth level of 11 per cent by comparison with the previous year. As well as SME business, in the year under review the Group's foreign companies contributed to the significant increase in this segment.

The **road vehicles** segment registered growth of 11 per cent on the previous year. The trend for commercial vehicles business clearly more than made up for adverse market conditions, such as the discussion regarding the restriction of diesel vehicles' access to cities as well as noticeable delays in deliveries of new vehicles due to the new test procedure WLTP which came into effect on 1 September 2018.

New business in the **real estate** segment was 7 per cent lower than the previous year's figure, which had been buoyed by several large-scale projects.

The result for the **energy and transport** segment was 30 per cent lower than the strong figure for the previous year. As well as the 2017 amendment of the German Renewable Energy Act (Erneuerbare-Energien-Gesetz, EEG) which had a dampening impact on new business in this segment, delays in the completion of large-scale projects in particular gave rise to this volatile trend.

New business in the **information and communication technology** segment was 15 per cent lower than in the previous year. Besides a strong figure for the previous year which reflects large-scale projects, this trend is also attributable to the strategic repositioning of this segment which was initiated as of the incorporation of the old Information Technology business segment within DAL as of 1 October 2017.

Financial position

EARNINGS POSITION

In the past financial year, the **net profit for the year** increased from EUR 72.0 million to EUR 77.2 million, while net income for the year rose to EUR 91.1 million.

Leasing income resulting from leasing and hire-purchase business and from the sale of second-hand leasing assets increased by 4 per cent on the previous year, from EUR 6,867 million to EUR 7,139 million. Leasing income growth was achieved despite strong competitive and margin pressure thanks to an expansion of the leasing and hire-purchase portfolio. Some of the adverse margin-related effects directly correspond to the lower refinancing costs for interest expenses, due to interest rate levels, which are among the key factors in the gross performance for leasing business.

Leasing expenses increased by EUR 251 million. **Depreciation and valuation adjustments on leasing assets** have increased by more than 1 per cent, from EUR 2,490 million to EUR 2,525 million. In principle, scheduled depreciation on newly acquired leasing assets included in this amount in the period remains in line with the term of the underlying leasing contracts.

The continuing low interest-rate phase and the associated lower interest-rate level for borrowed funds resulted in a significant decline in interest expenses which was associated with the outlined margin trend. **Interest income** thus improved slightly overall.

The low interest-rate level remained a key factor shaping the result for the financial year. It affected the rate of interest for interest-free liabilities tied up in lending business and the liquid capital base as well as the net interest margin contributions achievable on the market. The income included in the profit and loss account is now reflecting the full impact of the low interest-rate phase, since almost the entire portfolio consists of business at the "lower margin end". In the financial year 2017/2018, the resale results once again provided a positive earnings contribution. This was mainly due to the conservative calculation of residual values as of the conclusion of contracts as well as successful resale activities. The conservative residual value policy of the past few years in the car contracts segment, with open residual values, is a key factor in this sustained positive trend and has helped to adequately compensate for the trend in the second-hand car market for diesel vehicles.

General administrative expenses amounted to EUR 346 million and thus declined on the previous year (previous year: EUR 351 million). Expenses for wages and salaries increased due to regular salary rises as well as scheduled recruitment of personnel. Expenses for retirement pensions have increased due to the decline in the interest rate for discounting of the provisions for pensions and similar obligations. On the other hand, other administrative expenses were reduced thanks to stringent cost management.

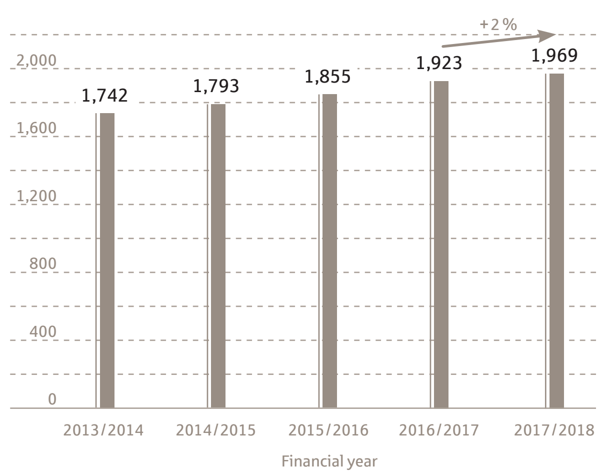
Depreciation and valuation adjustments on receivables (incl. the allocation to the provisions in accordance with §§ 340f and 340g HGB) declined by EUR 20 million, from EUR 63 million to EUR 43 million. Among other factors, this reflects the favourable development of the risk situation.

Equity shown in the balance sheet has increased by EUR 58 million, from EUR 799 million to EUR 857 million, alongside the increase in provisions in accordance with §§ 340f and 340g HGB. Deutsche Leasing has thus continued to adhere to its strategy of strengthening its equity.

In the past financial year, the **net asset value** increased to EUR 1,969 million despite the continuing negative impact on margins due to interest rate levels, the rate of interest on the volume of equity used as well as costs. The net asset value is calculated according to the standard developed by the Federal Association of German Leasing Companies in terms of its structure and substance. The auditor reviews this value in line with the "IDW audit standard: net asset value calculation auditing for leasing companies (IDW PS 810)" issued by the Institute of Public Auditors in Germany, Düsseldorf. The net asset value reflects the value of the Deutsche Leasing Group's equity, after disclosure of hidden reserves. It is a key element for calculation of the economic result – a recognised, summary ratio indicating period net income for leasing companies.

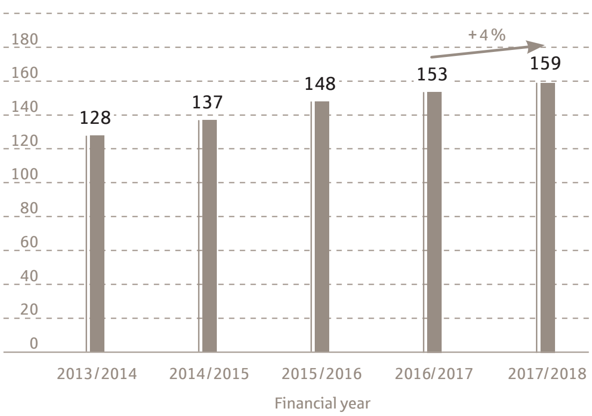
Net asset value of the Deutsche Leasing Group

EUR million



Allowing for the dividend distributed by Deutsche Sparkassen Leasing AG & Co. KG, with a value of EUR 159 million for the financial year 2017/2018, the **economic result** exceeded the previous year's level (EUR 153 million). Deutsche Leasing has thus achieved its target earnings level. Appropriate distributions, the implementation of necessary future investments and the equity trend which is required for its growth from an economic point of view are thus guaranteed.

Economic result of the Deutsche Leasing Group
EUR million



For the financial year 2017/2018, the Deutsche Leasing Group had predicted a volume of new business growth slightly in excess of the overall economic trend and a continuously rising net asset value, with a further strengthening of equity as well as provisions in accordance with §§ 340f and 340g HGB. This forecast was based on a moderately optimistic prediction of its business and earnings trends, according to the prevailing market potential.

In the financial year 2017/2018 – amid favourable economic outline conditions in Europe and Germany – the Deutsche Leasing Group's volume of new business increased by almost 4 per cent. The trends outlined in further detail in the section outlining the Group's › Business performance contributed to this growth. New business growth thus exceeded the growth level for the overall economy for the calendar year 2017 as well as the level predicted by the German council of economic experts for the calendar year 2018. The development of the net asset value is in line with the target of continuous growth, with an increase of EUR 46 million. In the same context, equity increased to EUR 857 million, while EUR 31 million was allocated to the contingency reserves in accordance with §§ 340f and 340g HGB. Equity and the contingency reserves were thus strengthened as envisaged.

FINANCIAL POSITION

In its financial management, the Deutsche Leasing Group seeks to safeguard permanent solvency and to cover financing requirements on the best possible terms, with the goals of hedging financial risks and achieving the greatest possible level of independence in relation to developments on the financial markets.

Capital structure

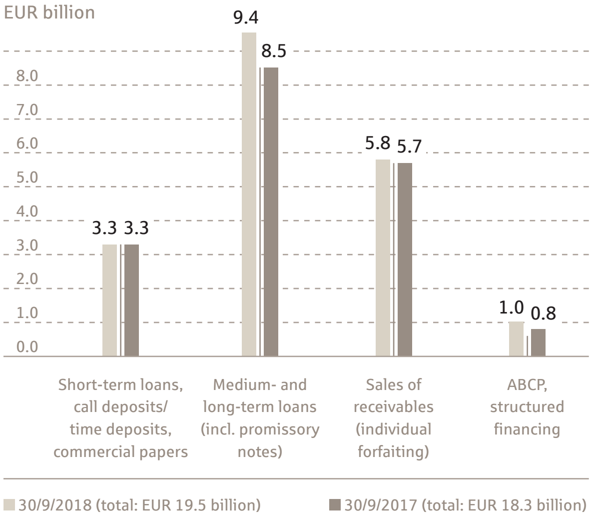
In the financial year 2017/2018, the debt capital borrowed served to finance the customer business of the Deutsche Leasing Group, in particular the acquisition of leasing assets. Borrowed funds of the Group's domestic and foreign companies (without DAL's non-recourse business, but including DFB) increased by around 6.5 per cent on the previous year, in line with the growth trend for new business. On 30 September 2018, they amounted to EUR 19.5 billion (previous year: EUR 18.3 billion).

In almost all cases, funds were borrowed on terms matching the structures of customer transactions in terms of the capital commitment and fixed interest-rate periods as well as the respective currency. Maturity transformations were thus not implemented to any significant extent. Medium- and long-term borrowing (including promissory note loans) from savings banks and other banks and forfaiting – which jointly accounted for around four fifths of the total debt capital borrowed – remained the key elements of Deutsche Leasing's financing structure. Loan financing grew somewhat disproportionately year-on-year, in particular due to the higher rate of growth in borrowing from public business development banks.

Money market borrowing was mainly for the purpose of financing short-term customer business. Around one third of money market borrowing served to finance DFB's factoring business. The volume of securitisation-based financing underwent further moderate expansion, with the goal of diversifying financing, and accounted for around 5 per cent of total borrowed funds as of the balance-sheet date. In order to diversify financing, the introduction of ABS bonds is planned for the financial year 2018/2019.

Development of financing volume by financing instrument

EUR billion



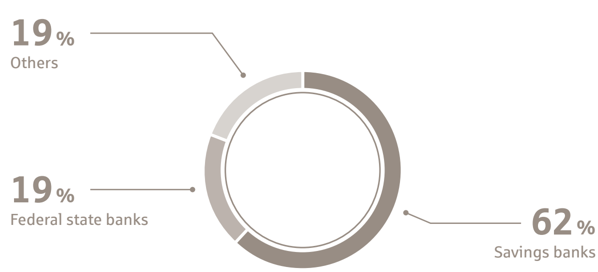
The funds borrowed generally had original maturities of up to six years and fixed-rate agreements which were generated by means of interest rate derivatives where necessary.

As before, derivative financing instruments for management of interest and currency risks (mainly interest rate swaps) were exclusively entered into for hedging purposes. Since the volume, term and capital commitment periods of the derivative financing instruments entered into were determined on the basis of the structures of the underlying customer transactions and borrowed funds (mainly as a macro hedge on the basis of interest-rate gap analyses and in some cases as a micro hedge), risk is effectively covered. A documented, appropriate and functional risk management system is used for these transactions.

The volume of financing (Germany and other countries, excluding DAL's non-recourse business) was distributed as follows between the financing partners as of 30 September 2018:

Financing volume

(Germany and other countries, excluding DAL's non-recourse business)



The Deutsche Leasing Group continues to receive almost all of its funding from institutions within Sparkassen-Finanzgruppe. As of 30 September 2018, the savings bank and federal state banks provided four-fifths of all borrowed funds. Public business development banks accounted for around two-thirds of the remaining borrowing.

Liquidity

In the financial year 2017/2018, Deutsche Leasing maintained a broadly diversified debt financing structure, in terms of the number of financing partners and the financing instruments used. Financing reserves were once again moderately increased, at a high level, in the financial year 2017/2018, despite the increase in borrowed funds on account of business growth. As of 30 September 2018, Deutsche Leasing's "free liquidity" was significantly in excess of EUR 3 billion.

Through its structures implemented for forfaiting and securitisation-based financing as well as traditional financing through conventional credit lines, further options were available for debt financing and to safeguard liquidity.

The Deutsche Leasing Group was able to fulfil its payment obligations at all times in the financial year 2017/2018.

Overall, on the basis of its anchoring in Sparkassen-Finanzgruppe, its stable long-term business relationships with credit institutions and a diversified range of financing instruments, Deutsche Leasing has a solid financing base for its planned further growth.

Within the scope of the **statement of cash flows**, cash and cash equivalents amounted to TEUR 36 at the start of the financial year and to TEUR 104,998 at the end of the financial year. The structure of the statement of cash flows reflects the specific characteristics of the leasing sector.

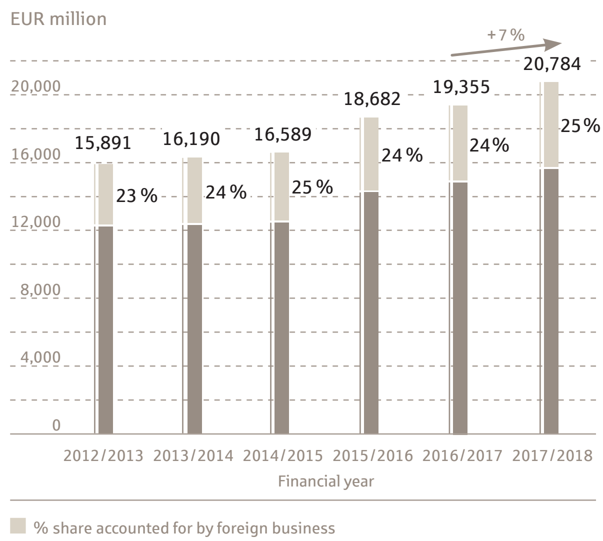
The cash inflow from current business activities amounted to TEUR 165,355 (previous year: TEUR 90,422), while the cash outflow from investing activities totalled TEUR -22,540 (previous year: TEUR -53,243). The cash outflow from financing activities amounted to TEUR -37,853 (previous year: TEUR -37,194).

Contingent liabilities under suretyships and guarantee agreements amounted to EUR 380.3 million at the end of the financial year (previous year: EUR 255.6 million). On the balance-sheet date, irrevocable loan commitments were valued at EUR 219.7 million (previous year: EUR 177.2 million).

NET ASSET SITUATION

Deutsche Leasing's **consolidated balance-sheet total** increased by more than 7 per cent or EUR 1,429 million, from EUR 19.4 billion to EUR 20.8 billion at the end of the year under review. This was mainly due to the growth in the volume of overall new customer business documented in receivables from customers and leasing assets.

Development of consolidated balance-sheet total



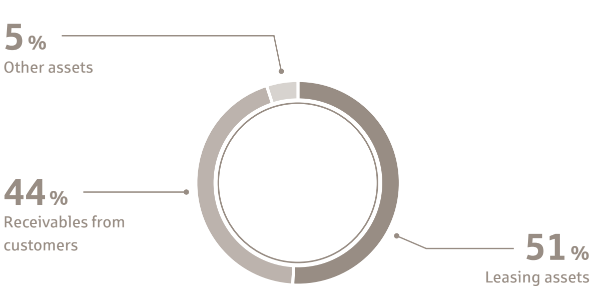
At EUR 17.8 billion, leasing assets at historical costs were higher than in the previous year (EUR 17.1 billion). Leasing assets measured at residual carrying amounts – which remain a key element of the consolidated balance-sheet total – had the following structure on 30 September 2018, with a breakdown for individual business segments:

Leasing assets measured at residual carrying amounts	2017/2018		2016/2017		Change	
Business segment	EUR million	Share in per cent	EUR million	Share in per cent	EUR million	Share in per cent
Machinery and equipment	5,648	53	5,433	53	215	4
Road vehicles	3,308	31	3,208	32	100	3
Information and communication technology	951	9	890	9	61	7
Energy and transport	589	6	511	5	78	15
Real estate	105	1	145	1	-40	-28
Total residual carrying amounts	**10,601**	**100**	**10,187**	**100**	**414**	**4**

Stable portfolio structure

Central asset items developed as follows in terms of the balance-sheet volume: the residual carrying amounts of leasing assets accounted for 51.0 per cent of the consolidated balance-sheet total (previous year: 52.6 per cent). Receivables from customers (mainly hire-purchase receivables and receivables from banking transactions) amounted to 43.7 per cent of the balance-sheet total (previous year: 42.7 per cent). In accordance with the German Commercial Code, the leasing business of foreign subsidiaries generally involves hire-purchase business and is therefore reported in receivables from customers. Assets in foreign subsidiaries represent 25 per cent of the consolidated balance-sheet total.

Structure of assets as of 30 September 2018



General statement by the Management Board on the economic situation

Despite an environment which remained challenging (the diesel issue, uncertainty regarding political developments, etc.), strong competitive and margin pressure and regulatory requirements which had an increasingly adverse impact, in the financial year 2017/2018 the earnings position of the Deutsche Leasing Group developed in line with the expectations of the Management Board. The Group was able to further strengthen its equity and its provisions in accordance with §§ 340f and 340g HGB on a long-term basis.

Thanks to the increase in its economic result to EUR 159 million and in its net asset value by EUR 46 million to EUR 1,969 million, on the basis of its sustainable business and risk model Deutsche Leasing achieved its income and capital goals.

New business, which was already at a high level, was once again increased, to a volume of EUR 9.2 billion.

The financial position of the Deutsche Leasing Group is unchanged and remains solid. Due to its anchoring in Sparkassen-Finanzgruppe and its long-term business relationships with credit institutions, Deutsche Leasing has a solid and broadly diversified financing base, including in relation to its planned future growth.

The parent company reported a net income for the year of EUR 50.4 million. This provides the basis for the proposed distribution to the shareholders of Deutsche Sparkassen Leasing AG & Co. KG in the amount of EUR 40.0 million (previous year: EUR 35.0 million), in line with the adopted equity strategy. Deutsche Leasing thus continues to adhere to its sustainable dividend policy, at an increased level.

The net asset, financial and earnings position of the Deutsche Leasing Group remains in good order.

Financial and non-financial performance indicators

FINANCIAL PERFORMANCE INDICATORS

As in the previous year, Deutsche Leasing is managed on the basis of a Group-wide integrated logic which focuses on the development of new business as well as its net asset value and equity, with due consideration of risk-bearing capacity.

New business

The development of new business is a key factor in the Deutsche Leasing Group's activities. New business comprises all of the (confirmed) transactions within a specific reporting period, including the total historical costs for all associated investment assets from leasing, hire-purchase and rental products, investment loans and the services stipulated under service agreements as well as the average level of recourse to credit lines within the scope of dealer purchase finance. This does not include "new business" from factoring business.

On the development of new business, please refer to the › "Business performance" chapter.

Net asset value

The net asset value calculation is used as necessary supplementary information in addition to the financial statements prepared in accordance with German commercial law for leasing companies. It enables the disclosure of hidden reserves and hidden liabilities as well as future earnings potential resulting from the volume/portfolio entered into. It is thus able to transcend the inherent weaknesses associated with a profit and loss account prepared according to commercial law (periodisation, inevitable establishment and release of hidden reserves) and to avoid the potential mismanagement which may result from a one-sided profit and loss account focus.

As well as equity, the net asset value includes the earnings potential/profit contributions of future profit and loss accounts on the basis of the portfolio as of the key date, established by means of prior offsetting of expenses (declining interest-rate trend, start-up costs from acquisition and advance depreciation, by comparison with their straight-line leasing instalment equivalents) and calculated profits in a given portfolio.

While the net asset value calculation plays a less prominent role than the financial statements, it is a materially essential precondition for an overall assessment and serves as an indicator of a leasing company's risk coverage potential, as determined on a value-oriented basis. At the same time, as a financial measure of total equity a company's net asset value is used for financing purposes, i.e. it is mainly used to provide liquidity for the company.

The net asset value calculation is a necessary supplement to the profit and loss account prepared in accordance with commercial law and the basis for a general indication of net income realised within a given period. This is referred to as the economic result for the period. Deutsche Leasing calculates this figure throughout its Group on the basis of the industry standard developed by the Federal Association of German Leasing Companies.

On the development of the net asset value, please refer to the › "Earnings position" chapter.

Equity

To ensure adequate economic foundations for its growth objectives and as cover against possible unexpected risks, Deutsche Leasing is continuing to strengthen its equity base on an ongoing basis (including provisions in accordance with §§ 340f and 340g HGB) through its own resources.

On the development of equity, please refer to the › "Earnings position" chapter.

NON-FINANCIAL PERFORMANCE INDICATORS

Employees

As well as a sustainable business model, well-qualified, motivated and committed employees both in Germany and other countries, who are flexible in adapting to changing outline conditions, and a high level of attractiveness as an employer are critical to the business success of the Deutsche Leasing Group. In view of the demographic trend, transparent labour markets and regional factors (such as the "Rhine-Main banking sector"), a company's attractiveness as an employer is increasingly important.

The dedication and expertise of Deutsche Leasing's employees are vital to its success in ensuring a high level of satisfaction on the part of its customers and partners. Through comprehensive qualification and training measures, employees and managers are supported in their career and personal development. Key areas of focus are customer orientation, teaching sales skills and strengthening advisory and asset finance expertise. Moreover, for international business, employees also require linguistic and intercultural skills.

All of Deutsche Leasing's employees set great store by its corporate culture and its central values of "trust", "team spirit", "passion" and "commitment". On the basis of these values, a holistic cultural process has been established throughout the Group, so as to prepare it for the future. The four cornerstones of this culture – "Assuming real responsibility", "Market orientation", "Focus on getting things done" and "Learning from errors" – play a key role in the company's targeted and continuous, ongoing development. This process is continuously implemented, with the involvement of all of the Group's employees and managers. This corporate culture is the key foundation of the Deutsche Leasing Group's success and represents the basis for an improvement in the level of customer and employee satisfaction.

On the balance-sheet date, the Deutsche Leasing Group had a total of 2,575 (previous year: 2,526) employees, of which 480 outside Germany (previous year: 468).

The average length of employees' service in Germany amounted to approx. 12.0 years (previous year: 11.6 years), with an average age of 45.6 years (previous year: 45.1 years). The fluctuation rate amounted to 5.5 per cent (previous year: 4.5 per cent) and the sickness level to 6.4 per cent (previous year: 5.4 per cent).

A performance-oriented remuneration system links individual employees' goals with the company's strategic objectives and thus provides an additional framework for the company's consistent management.

On the basis of our employees' in-depth expertise and many years of experience, numerous projects and strategic realignments were initiated and successfully implemented within the company in the period under review. A key factor in this success was the early and target-oriented inclusion of our employees, who operated with a high level of commitment and dedication as specialists, multipliers and ambassadors on behalf of "their projects". Getting involved – in the sense of assuming genuine responsibility – remains a key element of our corporate culture development process. In addition, initiatives were implemented with the key goals of strengthening employees' willingness to embrace change and their ability to do so.

Deutsche Leasing is aware that it is necessary to approach ever faster and increasingly complex cycles of change professionally and confidently, as a basic precondition in order to ensure a company's future viability. Deutsche Leasing organises its initial training, its dual courses and its programmes for trainees and young and upcoming managers on the basis of a far-sighted approach within the context of its corporate strategy, and does so with outstanding results. This is an investment which pays off and which in the reporting period enabled technical and management positions to be filled internally with former apprentices, dual-course students and trainees.

Deutsche Leasing currently has 11 trainees (previous year: 7) with permanent employment contracts. The company's initial training programme is currently offering 22 apprentices a career in office administration and also, through dual courses, apprenticeships leading to a Bachelor of Arts degree in International Business Administration (in partnership with the accadis university of applied sciences) or a degree in Business Administration with an integrated bank officer apprenticeship. After successfully completing their training or courses of study, all of Deutsche Leasing's apprentices and students enrolled on Bachelor degree programmes were offered full-time employment positions. All of these trainees have taken on more advanced roles in line with the core areas of their training and their interests.

Social commitment

As an important member of Sparkassen-Finanzgruppe, Deutsche Leasing lives up to its social responsibility in various ways, for example through commitments to art and culture, science, social issues and sport.

Besides purely financial initiatives, many Deutsche Leasing employees also show a high level of social engagement through the company's "Socially Active Employees" (SAM) scheme. Since 2011, Deutsche Leasing employees have demonstrated commitment to social projects on their own initiative through this scheme. A large number of projects were once again realised in the financial year 2017/2018. Deutsche Leasing provides financial support for these SAM projects and also assists them by granting leave to participating employees. Moreover, Deutsche Leasing supports external commitments by enabling its employees to actively contribute to various organisations, e.g. by registering as sponsors.

Deutsche Leasing continues to support and to assist a large number of organisations and associations through donations and funding.

Deutsche Leasing is also actively dedicated to sports funding, such as the German sport aid foundation (Stiftung Deutsche Sporthilfe). As part of Sparkassen-Finanzgruppe, Deutsche Leasing is also a “Top Partner of Team Germany” and thus supports the German Olympics teams and Paralympics team as well as young sportsmen and women and grassroots sport.

In the field of art and culture, in the financial year 2017/2018 together with Sparkassen-Kulturfonds des Deutschen Sparkassen- und Giroverbandes, Helaba Landesbank Hessen-Thüringen and Frankfurter Sparkasse Deutsche Leasing sponsored the exhibition “Rubens. The Power of Transformation” at Frankfurt’s Städel Museum, as a particularly outstanding regional highlight of national significance. Deutsche Leasing also supports a large number of cultural initiatives, such as through its commitment to the “Blickachsen” sculpture exhibition in Bad Homburg v. d. Höhe. Particularly notable is Deutsche Leasing’s relationship of several years’ standing with the Rheingau Music Festival in the form of a premium partnership. The Rheingau Music Festival has enriched the Rhine-Main region’s cultural scene for many years now, with almost 150 concerts at over 40 venues every summer.

Deutsche Leasing is also active in science funding and provides assistance for a wide range of research projects conducted by various institutions. Deutsche Leasing’s long-standing membership of the funding association for the University of Cologne’s leasing research institute documents the company’s intensive relationships with universities. In addition, the lectures and forums supported by Deutsche Leasing and its membership of Sparkassen-Finanzgruppe’s science funding association ensure an active exchange between the realms of theory and practice.

Report on risks and opportunities and forecast report

Report on opportunities

Deutsche Leasing seeks to identify opportunities at the earliest possible moment, to assess these opportunities and to take suitable action so that these opportunities can be transformed into commercial success.

Starting with a comprehensive analysis of the market environment, organic growth opportunities are systematically identified within the scope of Deutsche Leasing's annual medium-term planning. Market potential, customer requirements as well as general and specific market and environment developments, trends and also competitors and regulatory requirements are included in this detailed analysis. The goals and business activities defined in the company's business strategy on the basis of its "Strategy 2025" and the measures thus determined in accordance with the company's risk strategy serve as the basis for medium-term planning for the financial years 2018/2019 to 2020/2021 of the Deutsche Leasing Group. These strategies are reviewed and (if necessary) adjusted every year.

Deutsche Leasing sees future growth opportunities in the following areas in particular:

MARKET AND INTRAGROUP POTENTIAL

Intragroup business with the savings banks is one of the Group's largest growth areas. Having been successfully opened up, this business segment is undergoing further intensification and development, in close co-operation with the savings banks and with the structural involvement of regional associations and advisory boards. This will enable a targeted focus on the existing market potential offered by Sparkassen-Finanzgruppe and improved exploitation of this potential. SME customers are supervised together with the savings banks on a target-group-oriented basis. This is rounded off by means of segment-oriented sales management.

To ensure a high level of satisfaction on the part of the savings banks and their customers, specific support concepts have been developed in accordance with their individual requirements. Business with smaller corporate, business and commercial customers is a particular area of focus for the next few years. Deutsche Leasing is boosting its sales support for the savings banks here through measures including a specialised advisory team for standardised small-ticket business.

This planned business development is underpinned by efficient processes and systems. For small-ticket business, credit and contract processes are combined within a specialised unit (encompassing multiple business segments) for transaction-volume-based bulk business. This unit supports the business segments through standardised, system-based and cost-efficient procedures and services.

In addition, the Group is focusing on expanding the range of services offered through online channels, for more intensive exploitation of existing intragroup potential.

INTERNATIONAL BUSINESS

Deutsche Leasing sees international business as a further growth field. Here, it supports vendors in their international sales markets and German companies in their foreign investments.

Due to the German business sector's strong export focus and international presence, Deutsche Leasing also provides international support for its customers and partners through its foreign network. In concrete terms, Deutsche Leasing enters into partnerships with international vendors and assists German companies and their foreign subsidiaries with direct investments. The German business sector's global presence offers market opportunities for the Deutsche Leasing Group which it accesses through its foreign network in 22 countries.

Within Sparkassen-Finanzgruppe, through its International business segment Deutsche Leasing serves as an international asset finance and asset service centre of excellence.

FACTORING

The factoring business continues to offer significant growth potential for the Deutsche Leasing Group. Factoring represents an indispensable component of the financing mix for a growing number of SMEs. The complementary nature of leasing and factoring gives rise to synergies that affect customer requirements, the customer structure as well as risk management.

Deutsche Factoring Bank exploits existing factoring potential through the following distribution channels: the savings banks, intermediaries and direct distribution. This is achieved through a modular package of services for financing, loss protection and debt management which undergoes systematic development.

INSURANCE

Deutsche Leasing sees additional revenue potential in the development of its activities in the field of insurance brokerage, which it offers as a supporting service in its business segments. In principle, in future each of Deutsche Leasing's solutions is to include an insurance component.

Risk report

Risk management supports the management of the Deutsche Leasing Group in the implementation of its business and risk strategy and considers all relevant risk types and all of the Group's German and foreign companies.

Centralised Risk Management coordinates holistic, company-wide risk management for all types of risk. This department has technical competence and responsibility for methods and models of risk measurement, control and aggregation, for calculation of risk-relevant parameters, for internal risk control and for internal and external reporting.

This department also performs the risk controlling function prescribed in the German Federal Financial Supervisory Authority's minimum requirements for risk management (Mindestanforderungen an das Risikomanagement, MaRisk). The head of the Central Risk Management department is responsible for the risk controlling function.

Risk reporting provides quarterly reporting on the development of risk-bearing capacity (RBC) and all key risks. In addition, an ad hoc reporting procedure has been established for information which is significant in terms of risk aspects. Action recommendations for risk control are also provided.

The management receives support and advice in its decision-making on risk-related issues through the central risk board of Deutsche Leasing. Information concerning the various risk types is jointly presented in this monthly committee.

Internal Audit regularly audits the Deutsche Leasing Group's risk management within the scope of its audit plan.

The goal of opportunities and risk management is to establish a balanced relationship between risk and opportunity/income at the level of the overall Group; adequate risk-bearing capacity is ensured in terms of the relationship between the level of capital available for risk coverage and overall risks. The risk-bearing capacity calculation provides the basis for the Deutsche Leasing Group's risk control strategy.

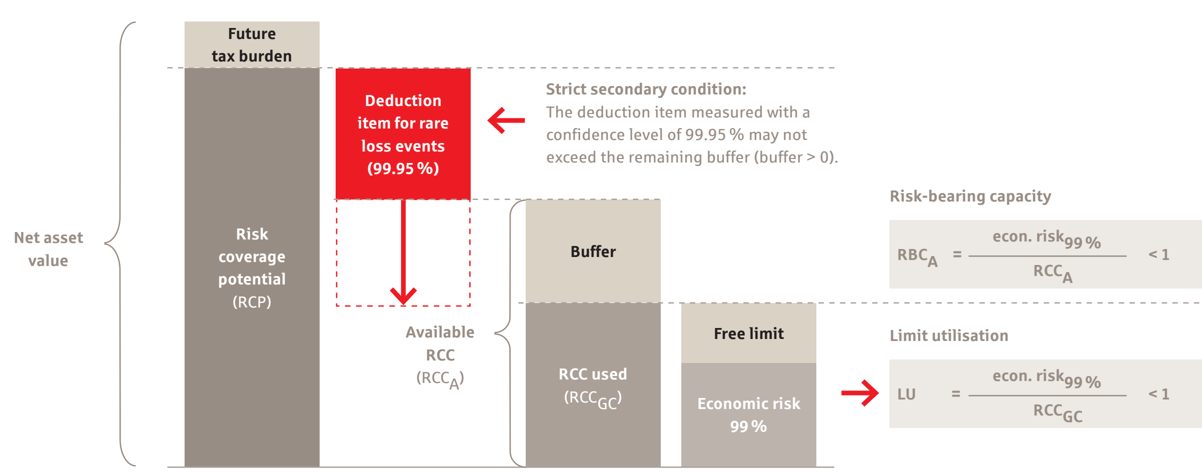
Deutsche Leasing endeavours to continuously develop its risk measurement methods, so as to comply with the requirements for modern risk management as well as current regulatory trends. In the financial year 2017/2018, the following risk type underwent changes: customers' credit risk. An adjustment made to the risk classification system for small foreign customers has further enhanced the level of selectivity of the scoring method used. An expanded "S rating" (DSGV rating) methodology has also been introduced.

RISK-BEARING CAPACITY

The risk-bearing capacity concept is based on the risk coverage potential calculated in line with the net asset value and a going-concern approach, with a confidence level of 99 per cent. In addition, a deduction item is maintained for coverage of rare loss categories. This is based on a risk calculated with a higher level of confidence (99.95 per cent). The Deutsche Leasing Group's risk-bearing capacity remained clearly intact in the financial year 2017/2018.

Limits apply for all relevant quantifiable risk types/categories within the framework of the risk-bearing capacity concept. Overall, the risk coverage capital remains sufficient so as to be able to cover further risks in future.

Risk-bearing capacity concept of Deutsche Leasing



LA = limit utilisation; RCC = risk coverage capital; RCC_A= available risk coverage capital; RCC_{GC} = risk coverage capital used; RBC = risk-bearing capacity; RBC_A = risk-bearing capacity as of cut-off date; GC = going concern. The buffer varies in accordance with the development of the net asset value and the level of risk exposure.

The risk types credit and asset risk, market price risk, operational risk, business risk and translation risk are determined on the basis of value-at-risk methods. The risks determined through a historical stress test and a serious hypothetical stress test were covered by the available risk coverage capital. Risk-bearing capacity was thus intact in all stress scenarios. The historical stress test is a macroeconomic stress test covering multiple risk types. This is based on the historical scenario of the situation in the financial year 2008/2009 and reflects a serious economic downturn, as required by the minimum requirements for risk management.

In the financial year 2017/2018, risk-bearing capacity and capital requirements planning once again formed a component of the planning process of Deutsche Leasing, which involved *inter alia* a review of the VaR limits. These limits were adjusted for subsequent years; in overall terms, the total VaR limits assigned have decreased.

RISK INVENTORY

Within the scope of the regular risk inventory, materiality analyses have been performed for all of the risks identified, enabling clear categorisation of risks as material and non-material. All risk categories/types continued to be classified as material and non-material risks. All quantifiable risks which may be usefully limited by means of the available risk coverage capital (RCC) are included in the RBC calculation.

Risks at Deutsche Leasing

Credit risk	Asset risk	Market price risk	Liquidity risk	Operational risks	Equity investment risk	Business risk	Other risks
Customers' credit risk	Residual value risk - cars	Interest rate risk	Insolvency risk	Risks resulting from internal procedures, people or systems as well as external factors (including legal and validity risk)	Equity investment risk	Business risk	Translation risk
Counterparty risk	Residual value risk - EQUIP	Currency risk	Funding-spread risk				Strategic risk
Country risk	Residual value risk - ITK						Reputation risk
Lessor risk							Liability risk

material risk · material risk which cannot be usefully limited through RCC · non-material risk

Credit risk

Credit risk is the risk of non-fulfilment of agreed payments or services under contracts concluded, resulting in a loss for Deutsche Leasing. The credit risk comprises the following risk categories:

- **Customers' credit risk:** Customers' credit risk refers to the risk of the customer failing to make the payments agreed under the leasing, hire-purchase, rental and loan agreements or related service contracts concluded with it on account of its default.
- **Counterparty risk:** Counterparty risk refers to the risk of the default of a professional market participant (counterparty) in relation to investments, credit balances, foreign exchange transactions and derivatives (with the replacement risk and the fulfilment risk considered separately).
- **Country risk:** Country risk refers to the risk of losses arising on account of crisis situations for individual countries which result due to political or economic events. Country risk applies in the form of transfer and sovereign risk.
- **Lessor risk:** Lessor risk refers to the risk of suffering losses due to the customer asserting rights under rental agreements upon non-fulfilment of service providers' contractually agreed services.

Asset risk

Asset risk (also referred to as residual value risk) applies for contracts with open residual values. In such contracts, the historical costs for the asset are not fully amortised through the lessee's agreed instalments. Residual value risk refers to the risk of a loss in the event of the selling price realised on the asset at the end of the period negatively deviating from the previously calculated and anticipated selling price, the residual value.

Market price risk

Market price risk refers to the general risk of unexpected losses due to a change in market parameters (interest rates, share prices, exchange rates, commodity prices and resulting variables). At Deutsche Leasing, market price risk is limited to interest rate risk and currency risk.

Liquidity risk

Liquidity risk at Deutsche Leasing covers the following risk categories: insolvency risk and funding-spread risk. Insolvency risk is the risk of Deutsche Leasing no longer being able to fulfil its current and future payment obligations in full or no longer being able to do so in good time. Funding-spread risk is the risk of an unanticipated loss resulting from changes in Deutsche Leasing's refinancing curve because new borrowing is only possible at refinancing levels which are significantly higher than expected. Increased funding spreads result from a deterioration in Deutsche Leasing's credit rating or a general worsening of borrowing terms, on grounds relating to the market itself.

Operational risks

Operational risks comprise the risk of losses due to the inadequacy or failure of internal procedures and systems as well as people or external events. This definition includes legal risk and validity risk.

Equity investment risk

Equity investment risk is the risk of unanticipated losses in the event of the market value of an investment falling below its book value.

Business risk

Business risk describes the risk of business development yielding lower income and/or higher costs than envisaged and in this respect the depletion of the net asset value at the end of the monitoring period by comparison with the current risk coverage potential as of the reporting date.

Other risks

Other risks cover the risk of an unanticipated loss which cannot be allocated to credit risk, asset risk, market price risk, liquidity risk, operational risk, equity investment risk or business risk. Other risks include the following risk types:

- **Translation risk:** Translation risk refers to the risk of the foreign-currency net asset value of the foreign companies leading to unanticipated losses due to exchange-rate fluctuations.
- **Strategic risk:** Strategic risk refers to the risk of unanticipated losses resulting from poor management decisions in relation to the business-policy positioning of the Deutsche Leasing Group.
- **Reputation risk:** Reputation risk refers to the risk of losses in the event that the reputation of the Deutsche Leasing Group suffers harm or deteriorates. Such losses may also result, directly or indirectly, from other risk types which have materialised or may amplify these other risk types.
- **Liability risk:** Deutsche Leasing is exposed to a liability risk in terms of the risk of losses resulting from its position as an owner or importer of assets.

RISK MANAGEMENT FOR RELEVANT RISKS

Credit risks

Customers' credit risk

Deutsche Leasing calculates the VaR for customers' credit risk on the basis of a credit portfolio model in the 99% quantile.

The credit worthiness structure of Deutsche Leasing's own-risk exposure continued to improve in the financial year 2017/2018. As well as the generally positive economic situation and new business with strong credit ratings, improvements in the rating process also contributed to this.

As of 30 September 2018, the Group's portfolio by sector remains characterised by a high level of granularity and thus no specific risk concentration. No sector exceeds the limits laid down in the risk strategy.

Following a decrease in the incidence of default in the previous year by comparison with the calculated risk costs, this trend of a declining default volume remained intact in the financial year 2017/2018, partly due to the positive economic environment.

Counterparty risk

The value at risk (VaR) for counterparty risk is determined on the basis of the same credit portfolio model which is applied for customers' credit risk.

As a rule, Deutsche Leasing only accepts banks as counterparties, as business partners whose credit risk is low or close to zero. In accordance with the risk principles for transactions with banks, the risk volume for credit balances, investments, foreign exchange transactions and derivatives is limited through maximum limits and maturity periods in accordance with the credit rating and size of the counterparties. A balanced credit rating structure focusing on the upper to medium investment-grade segment and a strongly diversified portfolio have thus been safeguarded.

Country risk

Deutsche Leasing calculates the value at risk for the country risk on the basis of an expert-based scenario approach for the assessment of losses in the 99 % quantile.

The potential losses upon realisation of a specific country risk event – such as a foreign exchange transfer restriction – are determined for selected countries. For quantification of the risk potential, the determined losses are included for those countries which are of particular relevance for Deutsche Leasing on account of current or persistently negative trends and their risk relevance in its country portfolio. The individual countries are assigned limits and these limits are monitored for operational management of country risks.

Asset risks

Asset risk is calculated for the automotive portfolio (passenger cars and vans) by means of a portfolio model, on the basis of the 99% quantile. On the other hand, the loss potential in the equip portfolio is determined by means of an expert assessment.

The **road vehicles** business segment continues to consistently utilise conservative residual value assessments in line with market norms and transfers residual value risks to solvent third-party guarantors in some cases. A high proportion of premium brands in the contract portfolio is ensured. Diversification of makes, models and resale channels and continuous support for contract management have a significant impact on the level of success in reselling vehicles.

Ongoing monitoring of the leasing and second-hand car market, stringent use and optimisation of all available asset management instruments, professional development of sales and organisational structures and processes at AutoExpo and resale analyses which differ in terms of vehicle types and sales channels provide a solid basis for sound residual value management. The residual value assessment is regularly reviewed by means of external asset-based validation (incl. Schwacke GmbH). Positive resale results were once again achieved in the financial year 2017/2018, on the basis of the conservative residual value calculation for new business in previous years, even though the continuing diesel issue resulted in a decline in additional revenues by comparison with previous years. In the financial year 2017/2018, on grounds of caution Deutsche Leasing reduced the residual values for new business in order to avoid future burdens. Future developments in relation to diesel vehicles in particular are being closely monitored. The development of new drive technologies and mobility concepts are being analysed and corresponding measures initiated in this respect.

With adequate valuation methods in its **machinery and equipment** business segment, Deutsche Leasing has solid foundations for control and management of the risk resulting from open residual values. Residual value quotations are exclusively handled by specialised employees in Deutsche Leasing's intensive care & asset management department.

The results of expiring contracts featuring open residual values were once again positive in the financial year 2017/2018. The agreement of terms and conditions of use and return on a case-by-case basis has had a positive effect on the technical condition of assets leased under operating leasing contracts. Due to the continuing positive economic situation, demand for second-hand assets in good condition remained strong in all market segments.

In its **information and communication technology** business segment, Deutsche Leasing handles operating leasing contracts in particular with larger SME customers and major customers. Within the scope of the calculation of residual values on the basis of conservative benchmarks, contract extensions or sales enabled additional revenues which clearly exceeded the calculated values. The contribution margins realised show that the Group has succeeded in exploiting the income opportunities available from entering into risks associated with residual values and follow-up business expectations. This is largely attributable to professional and focused asset management.

Market price risks

In line with the basic principle that financing activities provide for congruent interest-rate-optimised financing of customer business, the Deutsche Leasing Group does not pursue any own-account trading of money and capital market products.

To a limited extent, interest rate risks are entered into in order to realise additional income resulting from market trends, within the scope of original financing requirements, and are managed by means of a stringent limit system.

In terms of currency risks, customer transactions always have same-currency financing. Currency risks therefore apply only temporarily (if at all) during operational execution of transactions or through margin components of customer receivables which are not secured through same-currency financing.

The applicable rules for control of market price risks are based on the above-mentioned principles and consistently limit the scope of the risk position which is permissible for optimisation of financing costs through interest rate and currency risk limits in line with the economic risk. This limit is linked with sensitivity limits for operational control of interest rate risk.

a) Interest rate risk
Interest rate risks are subject to operational monitoring and control on the basis of sensitivities (basis point value concept), with corresponding limitations of the permitted interest-rate-induced changes in present values in line with the control guidelines. For calculation of the economic risk and for operational management purposes, value-at-risk calculations are performed for open interest rate positions. These calculations are based on the variance/co-variance method and apply differentiating assumptions concerning the holding period of the open interest rate position and the inclusion of equity as a component of the financing portfolio.

b) Currency risk
In Germany, foreign currency risks are limited to a few transactions mainly executed in US dollars and (in a small number of cases) in British pounds, all of which have same-currency financing. The foreign subsidiaries' operating business is likewise financed in the same currency in principle. Transactions not denominated in the euro or in the respective national currency are also mainly denominated in US dollars. The risks of exchange-rate fluctuations which are inherently associated with such transactions generally apply in relation to those margin components included in receivables from customers that are not used for financing provided, as a rule, in the same currency. These currency risks are measured by means of the value-at-risk method, using the variance/co-variance method.

Liquidity risk
The business activities and the continuing growth of the Deutsche Leasing Group are based on permanent availability of liquidity and financing through optimised interest rates. Deutsche Leasing thus adheres to the principle of financing its business at matching maturities.

The guidelines applicable for liquidity control reflect this basic conservative orientation and limit the scope of the risk position which is permissible for optimisation of financing costs. In relation to insolvency risk, the limits defined for the liquidity risk refer to nominal minimum requirements for free liquidity. In regard to the funding-spread risk, the limits are based on the economic risk resulting from liquidity mismatches and are broken down into nominal position and sensitivity limits at the operational level.

In concrete terms, as a reflection of insolvency risk liquidity risk is controlled and monitored through liquidity planning which distinguishes between various planning periods.

Overall, in the past financial year (and also due to the ECB's continuing expansionary monetary policy) a high volume of liquidity remained available on the financing markets. In this market environment, Deutsche Leasing continued to expand its relationships with savings banks and with other credit institutions (including business development banks) and increased the scope of available financing lines. At the end of the financial year, following coverage of the increased financing requirement due to new business growth these free lines amounted to approx. EUR 3.9 billion and thus exceeded their target levels.

Economic risk resulting from funding-spread risk is quantified on the basis of scenario analyses. This is implemented according to sensitivity calculations (liquidity basis point value concept) on the basis of the extension requirements for borrowed funds resulting from the maturity structure for future liquidity inflows and outflows.

Operational risks

In principle, operational risks may result from any commercial activities and are thus inherent in the business activities of the Deutsche Leasing Group and are particularly dependent on the complexity of products and processes. Systematic risk management enables early identification of these risks and implementation of suitable control measures to avoid or limit them.

The risk management process encompasses regular risk identification and quantification in all departments of the company and an analysis of loss events actually arising. Moreover, an annual “risk analysis” is conducted to prevent other criminal acts which might jeopardise the Deutsche Leasing Group’s net asset situation. This identifies, analyses and evaluates potential gateways for internal and external criminal activities. Deutsche Leasing focuses in particular on the early identification of new types of fraud and on how to prevent them.

Deutsche Leasing has outsourced selected corporate functions to other companies in accordance with § 25b KWG. A regular risk analysis is performed in case of outsourced activities. This assesses the nature, scope, complexity and risk content of outsourced processes. A risk analysis is performed prior to the conclusion of a new outsourcing agreement or in case of changes to an existing outsourcing agreement. This risk assessment is used to determine whether outsourcing is material or immaterial from the point of view of risk. The assessment method applied for this purpose includes risk-sensitive assessment criteria and distinguishes between the materiality assessment and the evaluation of the service provider.

Equity investment risk, business risk, translation risk

The equity investment risk is determined using risk weightings prescribed according to regulatory requirements for equity investment exposures. The business risk is estimated on the basis of historical deviations in the actual values of relevant components of the company’s business performance in relation to their target values. The translation risk is measured by means of a VaR approach. These risks are likewise restricted by specifying limits within the scope of the RBC concept and are monitored and controlled by means of internally prescribed processes.

Other risks (litigation and legal risks)

The potential risks for the Deutsche Leasing Group arising from current litigation are fully covered through provisions.

In summary, subject to unchanged conservative valuation benchmarks Deutsche Leasing has made appropriate provision for all discernible risks in its consolidated financial statements. Non-scheduled depreciation, provisions and valuation adjustments remain adequate and are calculated according to conservative benchmarks. In addition, Deutsche Leasing has established reserves in line with §§ 340f and 340g

HGB; it has also established significant hidden risk provisions due to advance expenses typical of the leasing business.

Overall, no special business-model-related risks exceeding the normal level of risk and jeopardising going-concern status are discernible for the Deutsche Leasing Group.

Forecast report for the Deutsche Leasing Group

The uncertainty over the trend for the **global economy** increased over the course of the autumn of 2018. Global output expanded up to the summer of 2018, but the outlook has recently weakened considerably. On the one hand, the financial outline conditions for the emerging markets have now deteriorated due to the withdrawal of international investors; this trend has given rise to crises in countries such as Turkey and Argentina. On the other hand, trade conflicts are overshadowing the outlook. All in all, the German research institutes providing a joint economic forecast (DIW, ifo Institut, IfW, IWH and RWI) expect that overall economic output will increase by 3.3 per cent in 2018, by 3.0 per cent in 2019 and by 2.9 per cent in 2020, i.e. the economy will continue to grow.

Following its growth in the previous year, the **Eurozone's** economy weakened in the first half of 2018. This mainly reflected the loss of impetus suffered by exports, following very strong growth in the previous year. On the other hand, private consumption and investments increased overall in the first half of the year. While most of the Eurozone's member states only experienced a mild economic slowdown, a more pronounced decline was apparent in France. Besides weaker exports, this was attributable to a significantly reduced level of consumption growth back in the spring. The United Kingdom's withdrawal from the European Union ("Brexit") continues to pose a risk for growth within the EU and might result in considerable political and economic upheavals. The same is true of the Italian government's fiscal plans.

According to the predictions provided in the joint economic forecast, in the current year gross domestic product growth is expected to amount to 2.0 per cent, followed by 1.8 per cent next year and 1.6 per cent in 2020. The upturn in the Eurozone will thus continue, albeit at a weaker pace. The domestic economy remains the key factor driving this economic growth.

The upturn in **Germany** is set to continue for a sixth consecutive year. However, the economic research institutes do not expect the German economy to maintain its current high rate of growth in the medium term. One limiting factor is the fact that the development of the supply of labour is expected to provide hardly any positive momentum for potential growth, on account of the process of demographic change.

The domestic economy is a mainstay of current growth and is being stimulated by the strong rise in the level of employment as well as the low interest rates. However, the downside risks have increased since the spring of 2018. The global economic environment in particular poses risks. For instance, tariffs imposed on the movement of goods between the USA and the EU, a disorderly "Brexit" and worsening economic crises in the emerging markets might have a negative impact on the economic trend. The German council of economic experts expects economic output in Germany to increase by an average annual rate of 1.6 per cent in 2018. For 2019 and 2020, the council of economic experts and the Kiel Institute for the World Economy (IfW) envisage growth levels of around 1.5 per cent and 1.6 per cent, respectively.

In the period from 2018 to 2020, investment activities are likewise expected to remain very strong due to the level of capacity utilisation, which is currently already very high, as well as the favourable financing terms. Gradually weakening economic growth and labour market shortages are likely to have a dampening impact. In this context, the authors of the joint economic forecast assume a growth rate of 4.3 per cent for plant and equipment expenditures in 2018 and of 2.9 per cent in 2019 and 3.8 per cent in 2020.

In the coming financial year 2018/2019, **Deutsche Leasing** will continue to face challenging outline conditions. As well as the continuing low interest-rate phase and strong competitive and margin pressure, these outline conditions include negative political developments, the requirements ensuing from the process of digitalisation as well as the regulatory system. Attractive growth fields remain open to Deutsche Leasing in the asset finance and asset services market, particularly in the area of small-ticket business, where currently unexploited intragroup potential with the savings banks can be leveraged and also in the field of international business, where China and North America, for instance, can be expected to provide further growth contributions. Factoring business and income-boosting insurance business offer market opportunities, and the same is true of other services offered by the Deutsche Leasing Group. However, the uncertainties which all companies face in view of the current protectionist tendencies, the unresolved Brexit issues, the difficult situation for car manufacturers as well as the Italian government's risky fiscal plans cannot currently be conclusively evaluated; what is certain, however, is that the associated risks of setbacks which cannot be ruled out will not help to boost investment momentum, due to their adverse impact on companies' planning security. If these risks are realised, they will also have a considerable negative effect on the development of the Deutsche Leasing Group.

In view of these challenges, the Deutsche Leasing Group is continuing to rigorously pursue its long-term growth and income goals while adhering to its conservative risk policy. Deutsche Leasing aims to achieve a volume of new business growth slightly in excess of the overall economic trend and a continuous, moderate increase in its net asset value. The Group will continue to strengthen its equity and its provisions in accordance with §§ 340f and 340g HGB.

Deutsche Leasing would like to thank its customers, its partners and Sparkassen-Finanzgruppe for this positive and successful relationship in the financial year 2017/2018. Thanks are also due to all of the employees of Deutsche Leasing worldwide who have provided the foundations for another successful financial year on the strength of their performance and their commitment.

Deutsche Sparkassen Leasing AG & Co. KG

Basic information regarding Deutsche Sparkassen Leasing AG & Co. KG

Deutsche Sparkassen Leasing AG & Co. KG is the parent company of the Deutsche Leasing Group. Deutsche Sparkassen Leasing AG & Co. KG essentially pursues the same type of business, in the same operating environment, as the Deutsche Leasing Group. Please refer to the › "Basic information regarding the Deutsche Leasing Group" chapter for further details.

In the year under review, it had one branch office in Berlin. This handled risk decision-making and processing of a portion of new and existing business. On 30 September 2018, it had 24 (previous year: 29) employees.

Economic report

The overall economic and industry-specific environment presented in the › "Economic report" chapter and business performance are largely consistent with those of Deutsche Sparkassen Leasing AG & Co. KG.

Earnings position

In the financial year 2017/2018, **net income for the year** amounted to EUR 50.4 million (previous year: EUR 45.3 million), with a further increase in the equity base.

Leasing income resulting from leasing and hire-purchase business and from the sale of second-hand leasing assets increased by EUR 192 million, from EUR 4,556 million to EUR 4,748 million, in the financial year 2017/2018 and was thus 4 per cent higher than in the previous year. This increase reflected an expansion of the portfolio which was recognised in current income. Some of the adverse margin-related effects directly correspond to the lower refinancing costs for interest expenses, due to interest rate levels, which are among the key factors in the gross performance for leasing business.

Overall, the development of **leasing expenses** which are associated with leasing income and of **interest income** is comparable with the income trend.

Related **depreciation on leasing assets** increased by 1 per cent or EUR 28 million, from EUR 2,208 million to EUR 2,236 million. In principle, scheduled depreciation on newly acquired leasing assets included in this amount in the period remains in line with the term of the underlying leasing contracts.

The continuing low interest-rate phase and the associated lower interest-rate level for borrowed funds resulted in a significant decline in interest expenses which was associated with the outlined margin trend. **Interest income** improved from EUR -48 million to EUR -43 million.

The low interest-rate level remained a key factor shaping the result for the financial year. It adversely affected the rate of interest for interest-free liabilities tied up in lending business and the liquid capital base as well as the net interest margin contributions achievable on the market.

General administrative expenses decreased by 3 per cent to EUR 198 million in the financial year 2017/2018. The decline in personnel expenses – which is mainly attributable to the integration of the old Information Technology business segment within DAL as of 1 October 2017 – more than made up for the increase in other administrative expenses.

Equity increased by EUR 15 million, from EUR 637 million to EUR 652 million. Deutsche Leasing is continuing to pursue its strategy of strengthening its equity and has stabilised its provisions for general banking risks in accordance with §§ 340f and 340g HGB.

Financial position

The financial position outlined in the › "Financial position" chapter is largely consistent with the financial position of Deutsche Sparkassen Leasing AG & Co. KG.

Net asset situation

The **total assets** of Deutsche Leasing increased by EUR 1,001 million by comparison with the previous year and amount to EUR 12.7 billion.

The net asset situation remains mainly shaped by leasing assets as well as receivables from customers. At EUR 14.8 billion, leasing assets, measured at initial values, were higher than in the previous year (EUR 14.3 billion).

General statement by the Management Board on the economic situation

Deutsche Sparkassen Leasing AG & Co. KG reported a net income for the year of EUR 50.4 million. This income provides the basis for the proposal to distribute a dividend to the shareholders in the amount of EUR 40.0 million (previous year: EUR 35.0 million). Deutsche Leasing thus continues to adhere to its sustainable dividend policy of the past few years, while complying with its adopted equity strategy.

The net asset, financial and earnings situation of Deutsche Sparkassen Leasing AG & Co. KG remains in good order.

The economic situation outlined in the › "General statement by the Management Board on the economic situation" chapter is largely consistent with the economic situation of Deutsche Sparkassen Leasing AG & Co. KG.

Financial and non-financial performance indicators

The performance indicators outlined in the › "Financial and non-financial performance indicators" chapter are largely consistent with the performance indicators of Deutsche Sparkassen Leasing AG & Co. KG.

On the balance-sheet date, Deutsche Sparkassen Leasing AG & Co. KG had a total of 1,294 (previous year: 1,358) employees. For further information, please refer to the › "Employees" chapter.

Report on risks and opportunities and forecast report

Report on risks and opportunities

Risks and opportunities and the processes for handling risks and opportunities at Deutsche Sparkassen Leasing AG & Co. KG are largely analogous to those applicable for the Deutsche Leasing Group. Please refer to the › "Report on risks and opportunities and forecast report" chapter.

Forecast report

In general, Deutsche Sparkassen Leasing AG & Co. KG is subject to the same factors as the Deutsche Leasing Group in relation to its envisaged business development. Please refer to the › "Report on risks and opportunities and forecast report" chapter for further information and figures.

Bad Homburg v. d. Höhe, 18 December 2018

Deutsche Sparkassen Leasing AG & Co. KG

represented by its general partner

Deutsche Sparkassen Leasing
Verwaltungs-Aktiengesellschaft

Ostermann Kardorf Laukin Weis

Consolidated financial statements

Consolidated balance sheet as of 30 September 2018

Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe

Assets

			As of 30/9/2018	As of 30/9/2017
		EUR	EUR	TEUR
1. Cash reserves				
a) Cash in hand		37,544.93		36
b) Central bank balances		104,960,734.03	104,998,278.96	0
2. Receivables from credit institutions				
a) Due daily		226,155,167.99		182,034
b) Other receivables		14,944,296.90	241,099,464.89	44,473
3. Receivables from customers			9,088,141,557.77	8,272,342
4. Equities and other non-fixed-interest securities			4,036,689.02	3,809
5. Investments of which: in credit institutions EUR 184,290,248.20 (previous year: TEUR 166,517)			212,799,453.89	188,007
6. Shares in affiliated companies			13,990,889.49	13,289
7. Leasing assets			10,600,883,766.69	10,187,305
8. Intangible assets				
a) Concessions, industrial property rights acquired for consideration and similar rights and assets and licenses for such rights and assets		31,069,163.16		22,067
b) Goodwill		52,420,996.73		54,628
c) Advanced payments		7,359,174.22	90,849,334.11	7,047
9. Property, plant and equipment			125,412,508.99	131,563
10. Other assets			290,737,345.80	236,570
11. Prepayments			11,367,800.03	11,483
12. Surplus resulting from offsetting of assets			164,661.01	185
Total assets			**20,784,481,750.65**	**19,354,838**

Equity and liabilities

			As of 30/9/2018	As of 30/9/2017
		EUR	EUR	TEUR
1. Liabilities owed to credit institutions				
a) Due daily		803,676,177.16		883,434
b) With agreed maturity or notice period		12,031,231,649.27	12,834,907,826.43	10,847,362
2. Liabilities owed to customers				
a) Other liabilities				
aa) Due daily		491,977,562.60		525,901
ab) With agreed maturity or notice period		1,190,745,228.77	1,682,722,791.37	771,594
3. Liabilities evidenced by certificates				
a) Issued bonds			333,000,000.00	527,500
4. Other liabilities			313,735,012.41	302,188
5. Deferred income			4,252,658,945.44	4,217,347
6. Provisions				
a) Provisions for pensions and similar obligations		130,128,341.84		116,944
b) Provisions for taxation		4,993,781.65		6,643
c) Other provisions		107,712,988.60	242,835,112.09	118,983
7. Subordinate liabilities			17,371,143.80	13,238
8. Fund for general banking risks			250,000,000.00	225,000
9. Equity				
a) Called-up capital Subscribed capital/ equity shares of limited partners		240,000,000.00		240,000
b) Reserves		421,789,069.09		376,283
c) Differences from currency translation		8,205,833.97		10,686
d) Non-controlling interests		110,071,911.71		99,770
e) Net profit for the year		77,184,104.34	857,250,919.11	71,965
Total equity and liabilities			**20,784,481,750.65**	**19,354,838**

1. Contingent liabilities Liabilities under suretyships and guarantee agreements			380,332,627.33	255,615
2. Other obligations Irrevocable loan commitments			219,720,631.27	177,192

Consolidated profit and loss account for the period from 1 October 2017 to 30 September 2018

Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe

			2017/2018	2016/2017
	EUR	EUR	EUR	TEUR
1. Leasing income		7,138,640,280.26		6,866,998
2. Leasing expenses		-4,165,469,119.91	2,973,171,160.35	-3,914,625
3. Interest income from a) Credit and money market transactions of which: Negative interest income EUR 7,494,749.56 (previous year: TEUR 3,062)		136,280,558.38		144,871
4. Interest expenses of which: Negative interest expenses EUR 1,206,683.34 (previous year: TEUR 1,044)		-139,880,546.35	-3,599,987.97	-149,739
5. Current income from				
a) Investments		19,435,947.00		10,614
b) Shares in affiliated companies		680,388.76	20,116,335.76	826
6. Income from profit and loss transfer agreements			2,209,640.28	3,601
7. Commission income		25,967,484.62		21,832
8. Commission expenses		-29,156,576.77	-3,189,092.15	-24,844
9. Other operating income			295,792,508.00	304,269
10. General administrative expenses a) Personnel expenses				
aa) Wages and salaries	-199,063,138.23			-197,043
ab) Social security contributions and expenses for retirement pensions and other benefits of which: for retirement pensions EUR 3,874,659.84 (previous year: TEUR 1,429)	-32,836,909.89	-231,900,048.12		-30,878
b) Other administrative expenses		-114,436,471.26	-346,336,519.38	-122,900

			2017/2018	2016/2017
	EUR	EUR	EUR	TEUR
11. Depreciation and valuation adjustments on a) Leasing assets b) Intangible assets and property, plant and equipment		-2,524,800,526.18 -21,583,512.76	-2,546,384,038.94	-2,489,759 -22,286
12. Other operating expenses			-228,517,428.72	-228,676
13. Depreciation and valuation adjustments on receivables and specific securities and allocations to provisions for leasing and loan business of which: Expenses for allocation to the fund for general banking risks pursuant to § 340g HGB EUR 25,000,000.00 (previous year: TEUR 30,000)			-43,257,080.26	-62,777
14. Income from write-ups on investments, shares in affiliated companies and securities treated as non-current assets			1,024,959.21	343
15. Expenses from profit and loss transfer agreements			-911,611.50	-751
16. Profit on ordinary activities			**120,118,844.68**	**109,076**
17. Taxes on income and profit			-28,169,564.95	-23,369
18. Other taxes, not included under Item 12			-854,837.70	-1,716
19. Net income for the year			**91,094,442.03**	**83,991**
20. Non-controlling interests in profit			-14,040,347.13	-12,427
21. Non-controlling interests in loss			130,009.44	401
22. Net profit for the year			**77,184,104.34**	**71,965**

Notes to the consolidated financial statements for the financial year 2017/2018

Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe

General disclosures

As a financial services provider, Deutsche Sparkassen Leasing AG & Co. KG (registration court: Bad Homburg v. d. Höhe, commercial register no.: HRA 3330) has prepared its consolidated financial statements for the financial year ending 30 September 2018 in accordance with commercial law provisions (§§ 290 ff. of the German Commercial Code (Handelsgesetzbuch, HGB)), the supplementary provisions for credit institutions and financial services providers (§§ 340 ff. HGB) as well as the provisions of the German Accounting Ordinance for Banks and Financial Services Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV). The company makes use of RechKredV forms 1 (balance sheet) and 3 (vertical-format profit and loss account).

Due to the parent company's legal form, equity is presented in deviation from the requirements stipulated in the RechKredV forms. The components of the company's reserves are not disclosed separately.

Where disclosures may be provided either in the consolidated balance sheet or in the notes to the consolidated financial statements, as a rule they are provided in the notes to the consolidated financial statements.

Group of consolidated companies

As well as Deutsche Sparkassen Leasing AG & Co. KG, a total of 95 subsidiaries have been incorporated in the consolidated financial statements. By comparison with the previous year, two subsidiaries were deconsolidated. This has not had any adverse impact on comparability with the previous year.

The subsidiaries which are of minor significance for an assessment of the net asset, financial and profit situation – even collectively – have not been consolidated and have not been valued according to the equity method.

A total of 12 associated companies have been valued using the equity method.

The parent company has the following key investments:

Name of the company	Registered office of the company	Equity share in per cent
Germany		
Deutsche Leasing AG	Bad Homburg v. d. Höhe	100.0
Deutsche Leasing Finance GmbH	Bad Homburg v. d. Höhe	100.0
Deutsche Leasing Fleet GmbH	Bad Homburg v. d. Höhe	100.0
Deutsche Leasing für Sparkassen und Mittelstand GmbH	Bad Homburg v. d. Höhe	100.0
Deutsche Leasing Information Technology GmbH	Bad Homburg v. d. Höhe	100.0
Deutsche Leasing International GmbH	Bad Homburg v. d. Höhe	100.0
DAL Deutsche Anlagen-Leasing GmbH & Co. KG	Mainz	99.8
AutoExpo Deutsche Auto-Markt GmbH	Fernwald	100.0
Bad Homburger Inkasso GmbH	Bad Vilbel	47.4
BHS Bad Homburger Servicegesellschaft mbH	Bad Vilbel	100.0
Deutsche Mobilien Leasing GmbH	Bad Homburg v. d. Höhe	100.0
Deutsche Objekt-Leasing GmbH	Bad Homburg v. d. Höhe	100.0
S-Kreditpartner GmbH	Berlin	33.3
Deutsche Factoring Bank GmbH & Co. KG	Bremen	53.0

Name of the company	Registered office of the company	Equity share in per cent
Other countries		
Deutsche Leasing Austria GmbH	Vienna	100.0
Deutsche Leasing Benelux N.V.	Antwerp (Berchem)	100.0
Deutsche Leasing Bulgaria EAD	Sofia	100.0
Deutsche Leasing Canada (Del.), Inc.	Wilmington	100.0
Deutsche Leasing Canada, Corp.	Halifax	100.0
Deutsche Leasing (China) Co., Ltd.	Shanghai	100.0
Deutsche Leasing ČR, spol. s r.o.	Prague	100.0
Deutsche Leasing France Operating S.A.S.	Rueil Malmaison	100.0
Deutsche Leasing France S.A.S.	Rueil Malmaison	100.0
Deutsche Leasing Funding B.V.	Amsterdam	100.0
Deutsche Leasing Hungária Zrt.	Budapest	100.0
Deutsche Leasing Hungária Kft.	Budapest	100.0
Deutsche Leasing Ibérica E.F.C., S.A.	Barcelona	100.0
DL Ibérica EquipRent S.A.	Barcelona	100.0
Deutsche Leasing (Ireland) D.A.C.	Dublin	100.0
Deutsche Leasing Italia S.p.A.	Milan	100.0
Deutsche Leasing Operativo S.r.l.	Milan	100.0
Deutsche Leasing Nederland B.V.	Amsterdam	100.0
Deutsche Leasing North America Inc.	Wilmington	100.0
Deutsche Leasing USA Inc.	Wilmington	100.0
Deutsche Leasing Polska S.A.	Warsaw	100.0
Deutsche Leasing Romania IFN S.A.	Bucharest	100.0
Deutsche Leasing Romania Operational SRL	Bucharest	100.0
Deutsche Leasing Slovakia spol. s r.o.	Bratislava	100.0
Deutsche Leasing Sverige AB	Stockholm	100.0
Deutsche Leasing (UK) Ltd.	London	100.0
Deutsche Leasing Vostok AG	Moscow	100.0
Deutsche Sparkassen Leasing do Brasil S.A.	São Paulo	100.0
Locadora DL do Brasil Ltda.	São Paulo	100.0

Please refer to the appendix to the notes to the consolidated financial statements (§ 313 (2) HGB) for full **disclosures concerning shareholdings.**[1]

[1] The appendices to the notes to the consolidated financial statements are not printed in the annual report. They may be viewed in the electronic version of the German Federal Official Gazette as disclosed.

Consolidation methods

For subsidiaries newly incorporated in the group of consolidated companies, capital consolidation is performed according to the revaluation method. The historical costs of the shares in subsidiaries are offset against their share of equity as of the date on which this company became a subsidiary.

The profits brought forward of consolidated subsidiaries are allocated to the reserves.

Loans, receivables and liabilities between consolidated companies are offset.

Trade receivables and other income realised between consolidated companies are offset against corresponding expenses.

Future receivables resulting from intra-Group purchases of receivables – which are reported in the consolidated financial statements at their present value – are consolidated with the deferred income item from sales of receivables under leasing contracts. Any remaining amount is reported in the profit and loss account.

The value of the investments reported at equity has been calculated by means of the book value method as of the date on which the company became an associated company.

Currency translation

Currency translation for foreign financial statements is based on the modified closing rate method. Assets and liabilities are translated at mean spot exchange rates on the balance-sheet date, expenses and income at average annual rates and equity at historical rates. Differences resulting from currency translation are not recognised in income and are separately reported in equity.

Accounting policies

Currency translation for assets and liabilities is in accordance with the rules laid down in § 340h HGB and §§ 300 (2) in conjunction with 256a HGB.

Cash reserves and receivables from credit institutions are reported at nominal value.

In principle, receivables are reported at their historical costs. Claims under hire-purchase contracts and sales of receivables are reported at their present value. Discernible risks are taken into account by means of depreciation to the lower fair value. According to §§ 253 (5) in conjunction with 298, 300 (2) HGB, write-ups are implemented where the grounds for depreciation are no longer applicable.

As a rule, scheduled depreciation on newly acquired leasing assets is in line with the term of the leasing contracts.

The straight-line depreciation method is used instead of the declining-balance depreciation method if this results in an increase in depreciation.

Intangible assets are reported at their historical costs less scheduled amortisation. Goodwill is subject to straight-line amortisation over the average residual terms of the respective company's portfolio of contracts, over a period of 7.5 years or 15 years.

Property, plant and equipment is valued at historical costs less scheduled depreciation.

Leasing goods, intangible assets and property, plant and equipment are subject to non-scheduled depreciation in case of permanent impairment. Leasing goods are subject to non-scheduled depreciation in case of possible risks associated with violations of leasing contracts.

In principle, other assets are reported at their historical costs. Where this includes assets resulting from terminated leasing contracts, these are valued at amortised historical costs.

The surplus resulting from the offsetting of assets has been calculated pursuant to § 246 (2) HGB.

Liabilities are valued at their settlement amounts.

Deferred income mainly consists of the selling prices resulting from the sale of leasing receivables. Where these result from the sale of non-straight-line leasing instalments they are reversed in proportion to the capital, and otherwise on a straight-line basis. In case of non-monthly leasing instalments, deferred income includes income to guarantee realisation of revenues in accordance with the performance period.

Provisions for pensions have been valued using the projected unit credit method and their reported amounts are based on an actuarial calculation. The provision amount has been calculated in accordance with §§ 253 (2) in conjunction with 298, 300 (2) HGB and in conjunction with the German Provisions Discounting Ordinance (Rückstellungsabzinsungsverordnung, RückAbzinsV), subject to the interest rates for accounting purposes fixed by the German Bundesbank and on the basis of an average market interest rate for the past ten financial years of between 3.21 and 3.68 per cent This calculation is based on the current Heubeck 2018 G guideline tables and an index-linked pension increase of between 1.00 and 2.00 per cent. An index-linked salary increase of 2.00 per cent has been assumed for a portion of the provisions for pensions. For calculation of the rate of fluctuation, age- and gender-specific fluctuation probabilities of 2.00 to 4.50 per cent have been applied.

Provisions for anniversary bonuses have been calculated according to the projected unit credit method, with discounting rates from 2.44 to 2.80 per cent and an index-linked salary increase of 2.00 per cent. For calculation of the rate of fluctuation, age- and gender-specific fluctuation probabilities of 4.50 per cent have been applied.

Old-age part-time working obligations are calculated by means of a discounting rate of 1.02 per cent and an index-linked salary increase of 2.00 per cent.

Provisions for taxation and other provisions are reported in the value of the settlement amount which is deemed necessary according to a prudent commercial assessment.

Financial statements of foreign companies have been included on the basis of the uniform valuation methods for the consolidated financial statements, while considering peculiarities in individual countries and complying with the principle of materiality.

Within the scope of the loss-free valuation of interest-related business in the banking book, a progress review has been prepared for financial assets as well as interest-bearing deposit operations, including carefully calculated risk and administrative expenses. The surpluses expected to result from this have been identified. This has not given rise to a need to establish provisions for contingent losses.

In cases where liabilities (underlying transactions) are pooled (valuation units) to equalise opposite cash flows or changes in value resulting from similar risks entered into through financial instruments (hedging instruments), the general valuation principles laid down in § 254 HGB will not apply insofar as and for as long as opposite cash flows or changes in value equalise one another. For the effective portion, changes in the values of underlying transactions and hedging instruments are calculated according to the “net hedge presentation method” for interest and the “gross hedge presentation method” for currencies.

Deferred taxes are calculated for time differences between the commercial and tax balance-sheet valuations of assets, liabilities and accruals and deferrals, in principle encompassing includable tax loss carryforwards. Timing differences resulting from the company’s own balance-sheet items are included as well as those applicable for subsidiary companies. Domestic and foreign subsidiaries which are not included in the tax group are also considered. Tax loss carryforwards are included in the valuation of deferred tax assets if they are expected to be offsettable against taxable income within a period of five years. Deferred taxes are calculated on the basis of the income tax rate for the respective member company of the consolidated group of between 9.00 per cent and 35.00 per cent. Deferred tax assets and liabilities are offset. Due to the overall assessment – including the deferred taxes from the annual financial statements of the incorporated companies – in case of tax relief, balance-sheet reporting is waived in line with the capitalisation option. In the reporting year, no deferred taxes are reportable in the consolidated financial statements of Deutsche Sparkassen Leasing AG & Co. KG, since this option has not been used.

Notes on the consolidated balance sheet

Please see the fixed-asset movement schedule for disclosures concerning equities and other non-fixed-interest securities, investments, shares in affiliated companies, leasing assets, intangible assets and property, plant and equipment.

Please see below for the disclosures concerning receivables from credit institutions and customers as well as the liabilities owed to credit institutions and customers and liabilities evidenced by certificates.

Fixed-asset movement schedule

	Historical costs				Write-ups
	1/10/2017	Additions	Disposals	Reclassifications	in financial year
	EUR	EUR	EUR	EUR	EUR
1. Equities and other non-fixed interest securities	3,836,517.51	243,545.53	15,500.00	0.00	0.00
2. Investments					
Investments in associated companies	179,803,720.99	0.00	65,616.37	0.00	0.00
Other investments	8,256,118.78	25,252,817.30	394,965.22	0.00	0.00
	188,059,839.77	25,252,817.30	460,581.59	0.00	0.00
3. Shares in affiliated companies	13,824,814.82	1,339,455.00	637,722.95	0.00	0.00
4. Leasing assets					
Leasing goods	16,766,554,307.37	3,420,321,836.61	3,223,509,147.80	+324,452,646.13	884,000.00
Advanced payments	324,452,646.13	475,388,332.52	0.00	-324,452,646.13	0.00
	17,091,006,953.50	3,895,710,169.13	3,223,509,147.80	0.00	884,000.00
5. Intangible assets					
Industrial rights	111,236,480.78	15,128,597.46	806,525.24	+2,070,400.59	0.00
Goodwill	66,279,066.91	2,016,192.12	0.00	0.00	0.00
Advanced payments	7,046,594.51	2,382,980.30	0.00	-2,070,400.59	0.00
	184,562,142.20	19,527,769.88	806,525.24	0.00	0.00
6. Property, plant and equipment					
Buildings on leasehold properties	121,434,558.90	1,067,409.78	1,517,330.04	0.00	0.00
Fittings, tools and equipment	68,300,622.76	8,268,799.70	9,435,950.29	+18,117.00	0.00
Advanced payments	1,151,466.79	0.00	0.00	-18,117.00	0.00
	190,886,648.45	9,336,209.48	10,953,280.33	0.00	0.00
	17,672,176,916.25	**3,951,409,966.32**	**3,236,382,757.91**	**0.00**	**884,000.00**

Depreciation/amortisation				Carrying amounts	
1/10/2017	in financial year	Disposals	30/9/2018	30/9/2018	30/9/2017
EUR	EUR	EUR	EUR	EUR	EUR
27,874.02	0.00	0.00	27,874.02	4,036,689.02	3,808,643.49
0.00	0.00	0.00	0.00	179,738,104.62	179,803,720.99
52,621.59	0.00	0.00	52,621.59	33,061,349.27	8,203,497.19
52,621.59	0.00	0.00	52,621.59	212,799,453.89	188,007,218.18
535,657.38	0.00	0.00	535,657.38	13,990,889.49	13,289,157.44
6,903,701,812.83	2,525,684,526.18	2,266,178,130.87	7,163,208,208.14	10,125,495,434.17	9,862,852,494.54
0.00	0.00	0.00	0.00	475,388,332.52	324,452,646.13
6,903,701,812.83	2,525,684,526.18	2,266,178,130.87	7,163,208,208.14	10,600,883,766.69	10,187,305,140.67
89,168,918.65	7,914,182.55	523,310.77	96,559,790.43	31,069,163.16	22,067,562.13
11,650,739.32	4,223,522.98	0.00	15,874,262.30	52,420,996.73	54,628,327.59
0.00	0.00	0.00	0.00	7,359,174.22	7,046,594.51
100,819,657.97	12,137,705.53	523,310.77	112,434,052.73	90,849,334.11	83,742,484.23
17,393,391.20	3,394,299.47	1,497.62	20,786,193.05	100,198,445.59	104,041,167.70
41,930,316.73	6,051,507.76	4,910,948.93	43,070,875.56	24,080,713.61	26,370,306.03
0.00	0.00	0.00	0.00	1,133,349.79	1,151,466.79
59,323,707.93	9,445,807.23	4,912,446.55	63,857,068.61	125,412,508.99	131,562,940.52
7,064,461,331.72	**2,547,268,038.94**	**2,271,613,888.19**	**7,340,115,482.47**	**11,047,972,642.19**	**10,607,715,584.53**

	30/9/2018	30/9/2017
	EUR	TEUR
Receivables from credit institutions	**241,099,464.89**	**226,507**
a) Due daily	226,155,167.99	182,034
b) With agreed maturity or notice period	14,944,296.90	44,473
ba) up to three months	12,234,717.77	41,755
bb) more than three months and up to one year	0.00	–
bc) more than one year and up to five years	0.00	–
bd) more than five years	2,709,579.13	2,718
Receivables from customers	**9,088,141,557.77**	**8,272,342**
a) up to three months	2,194,392,806.12	1,559,729
b) more than three months and up to one year	1,179,884,921.15	1,178,292
c) more than one year and up to five years	3,793,444,244.52	3,766,211
d) more than five years	1,603,602,629.03	1,571,661
e) with an indefinite term	316,816,956.95	196,449

	30/9/2018	30/9/2017
	EUR	TEUR
Liabilities owed to credit institutions	**12,834,907,826.43**	**11,730,796**
a) Due daily	803,676,177.16	883,434
b) With agreed maturity or notice period	12,031,231,649.27	10,847,362
ba) up to three months	4,092,730,833.97	3,713,577
bb) more than three months and up to one year	1,728,577,693.10	2,017,553
bc) more than one year and up to five years	5,049,711,545.08	4,299,736
bd) more than five years	1,160,211,577.11	816,496
Liabilities owed to customers	**1,682,722,791.37**	**1,297,495**
a) Due daily	491,977,562.60	525,901
b) With agreed maturity or notice period	1,190,745,228.77	771,594
ba) up to three months	335,399,271.06	81,186
bb) more than three months and up to one year	261,454,215.11	214,016
bc) more than one year and up to five years	580,730,319.07	466,900
bd) more than five years	13,161,423.52	9,492
Liabilities evidenced by certificates	**333,000,000.00**	**527,500**
a) up to three months	163,000,000.00	440,000
b) more than three months and up to one year	170,000,000.00	87,500
c) more than one year and up to five years	0.00	–
d) more than five years	0.00	–

Receivables from credit institutions include sales of receivables to savings banks and credit institutions which have not yet been settled up. Receivables from shareholders amount to EUR 2.1 million (previous year: EUR 3.5 million).

Of the **receivables from customers**, EUR 7,145.6 million (previous year: EUR 6,301.1 million) relates to leasing, hire-purchase, rental and factoring business. Foreign-currency receivables amount to EUR 2,279.6 million (previous year: EUR 2,103.8 million). Receivables from shareholders amount to EUR 0.1 million (previous year: EUR 0.0 million).

Of the **property, plant and equipment**, EUR 66.3 million (previous year: EUR 68.8 million) relates to the main administrative headquarters of the Deutsche Leasing Group, which it uses for its own purposes, and EUR 24.1 million (previous year: EUR 26.4 million) to fittings, tools and equipment.

The **other assets** item includes loans to affiliated companies in the amount of EUR 154.6 million (previous year: EUR 99.8 million) and tax receivables in the amount of EUR 61.7 million (previous year: EUR 75.5 million). Foreign-currency amounts total EUR 23.7 million (previous year: EUR 52.0 million). There are subordinated loans in the amount of EUR 51.8 million (previous year: none).

The **prepayments item** includes prepaid premiums for credit and property insurance in the amount of EUR 1.5 million (previous year: EUR 1.9 million).

In relation to the **surplus resulting from the offsetting of assets**, the reinsurance policies are exclusively for fulfilment of the obligations resulting from pension provisions and are not available to other creditors. They have been offset against the underlying obligations pursuant to § 246 (2) Clause 2 HGB. The fair values of the plan assets correspond to the cover funds documented by the insurer and thus match the historical costs in the amount of EUR 1.1 million. The fair value of the plan provisions which exceeds the relevant pension obligation has been reported as EUR 0.2 million in accordance with § 246 (2) Clause 3 HGB. Expenses and income are offset.

Liabilities owed to credit institutions mainly relate to loans and time deposits and include foreign-currency items in the amount of EUR 1,515.9 million (previous year: EUR 1,292.4 million). In addition, liabilities owed to shareholders amount to EUR 794.5 million (previous year: EUR 142.5 million). Of the total amount, EUR 386.7 million (previous year: EUR 365.8 million) is secured by means of the transfer of title of leasing goods for security purposes. This is associated with the sale of claims resulting from residual values and leasing instalments.

Of the **liabilities owed to customers**, EUR 1,010.1 million (previous year: EUR 1,051.5 million) is secured by means of the transfer of title of leasing goods for security purposes. This is associated with the sale of claims resulting from leasing instalments. Of the total amount, liabilities in foreign currency amount to EUR 12.2 million (previous year: EUR 13.5 million).

Of the **other liabilities**, liabilities owed to suppliers amount to EUR 224.2 million (previous year: EUR 211.1 million).

Provisions for pensions and similar obligations have been established for employees and former Management Board members. Of the reinsurance asset item in the amount of EUR 3.7 million – reported at its fair value in accordance with §§ 255 (4) Clause 4 in conjunction with 298, 300 (2) HGB – TEUR 156 has been offset against the pension provisions. The difference in accordance with § 253 (6) HGB amounts to EUR 22.7 million.

The **other provisions** relate to outstanding payments for the personnel segment and provisions for old-age part-time working and anniversary bonuses and also, in the amount of EUR 15.3 million (previous year: EUR 14.8 million), for leasing business.

The **subordinate liabilities** relate to Deutsche Factoring Bank GmbH & Co. KG.

Notes on contingent liabilities

As of the balance-sheet date, **contingent liabilities** amount to EUR 380.3 million (previous year: EUR 255.6 million) and **other obligations** to EUR 219.7 million (previous year: EUR 177.2 million).

The parent company has issued letters of comfort and loan guarantees for the following foreign subsidiaries to their financing banks:

Name of the company	Registered office of the company
Deutsche Leasing Austria GmbH	Vienna
Deutsche Leasing Benelux N.V.	Antwerp (Berchem)
Deutsche Leasing Bulgaria EAD	Sofia
Deutsche Leasing (China) Co., Ltd.	Shanghai
Deutsche Leasing ČR, spol. s r.o.	Prague
Deutsche Leasing France Operating S.A.S.	Rueil Malmaison
Deutsche Leasing France S.A.S.	Rueil Malmaison
Deutsche Leasing Funding B.V.	Amsterdam
Deutsche Leasing Hungária Zrt.	Budapest
Deutsche Leasing Hungária Kft.	Budapest
Deutsche Leasing Ibérica, E.F.C., S.A.	Barcelona
DL Ibérica EquipRent S.A.	Barcelona
Deutsche Leasing (Ireland) Limited	Dublin
Deutsche Leasing Italia S.p.A.	Milan
Deutsche Leasing Operativo S.r.l.	Milan
Deutsche Leasing Nederland B.V.	Amsterdam
Deutsche Leasing Polska S.A.	Warsaw
Deutsche Leasing Romania IFN S.A.	Bucharest
Deutsche Leasing Romania Operational SRL	Bucharest
Deutsche Leasing Slovakia spol. s r.o.	Bratislava
Deutsche Leasing Sverige AB	Stockholm
Deutsche Leasing (UK) Ltd.	London
Deutsche Leasing Vostok AG	Moscow
Deutsche Sparkassen Leasing do Brasil S.A.	São Paulo
Locadora DL do Brasil Ltda.	São Paulo

The parent company provides the following confirmation within the scope of the letters of comfort:

> *With the exception of a political risk scenario, Deutsche Sparkassen Leasing AG & Co. KG hereby undertakes to provide its subsidiary with funding so that it is able to fulfil its liabilities.*

Through a loan-guarantee-based commitment in relation to the financing banks, the political risk is regularly also assumed. This is particularly applicable in relation to the subsidiaries Deutsche Leasing (China) Co., Ltd., Shanghai, Deutsche Leasing Vostok AG, Moscow, and Deutsche Leasing ČR, spol. s r.o., Prague. In principle, Deutsche Sparkassen Leasing AG & Co. KG also assumes the political risk for its financing company Deutsche Leasing Funding B.V., Amsterdam, in relation to the financing banks, within the scope of a guarantee or a letter of comfort.

In view of current forecasts, the parent company considers that the risk of recourse under these letters of comfort, guarantees and letters of commitment is highly improbable.

The **liabilities under suretyships and guarantee agreements** reported under contingent liabilities are mainly associated with investment loans granted by Deutsche Leasing Finance GmbH.

The **irrevocable loan commitments** reported under the other liabilities are mainly associated with investment loans granted by Deutsche Leasing Finance GmbH. Irrevocable loan commitments to an associated company amount to EUR 6.6 million.

Notes on the consolidated profit and loss account

The disclosures concerning the classification of income by geographic market are based on the structure selected by the parent company for control and reporting purposes.

Leasing income comprises revenues from leasing instalments and hire-purchase contracts as well as revenues from the resale of leasing goods and was mainly realised in Germany.

Leasing expenses comprise expenses resulting from the acquisition of hire-purchase assets and the disposal of leasing goods.

Interest income includes income from affiliated companies in the amount of EUR 0.1 million (previous year: EUR 1.4 million). Of the interest income, EUR 127.4 million (previous year: EUR 122.4 million) relates to Germany and EUR 8.9 million (previous year: EUR 22.5 million) to other countries. Interest expenses for liabilities resulting from retirement pension commitments, in the amount of TEUR 35, have been offset against interest income on the plan assets, in the amount of TEUR 40, in accordance with § 246 (2) Clause 2 HGB. Interest income includes negative interest income in the amount of EUR 7.5 million (previous year: EUR 3.1 million).

The **interest expenses** include expenses in accordance with §§ 277 (5) in conjunction with 298, 300 (2) HGB in the amount of EUR 14.1 million (previous year: EUR 10.0 million). The interest expenses include negative interest expenses in the amount of EUR 1.2 million. Interest expenses include EUR 1.1 million (previous year: EUR 0.7 million) in expenses for subordinated loans.

Of the **commission income**, EUR 25.1 million is attributable to Germany and EUR 0.9 million to other countries.

The **other operating income** mainly comprises services income. This item includes income not related to the period in the amount of EUR 9.8 million (previous year: EUR 17.9 million). Of the other operating income, EUR 267.5 million is attributable to Germany and EUR 28.3 million to other countries. Of the total amount, currency translation income totals EUR 23.8 million (previous year: EUR 38.4 million).

Depreciation of leasing assets includes write-ups in the amount of EUR 0.1 million (previous year: none) as well as non-scheduled depreciation in the amount of EUR 17.8 million (previous year: EUR 18.1 million).

The **other operating expenses** mainly comprise services expenses. This item includes expenses not related to the period in the amount of EUR 3.1 million (previous year: EUR 2.4 million). Currency translation expenses total EUR 27.1 million (previous year: EUR 38.3 million).

Taxes on income and profit include tax expenses not related to the period in the amount of EUR 0.1 million (previous year: tax income not related to the period in the amount of EUR 0.1 million).

Other disclosures

On the balance-sheet date, other financial obligations amounted to EUR 11.3 million under service and lease agreements, mainly for branch offices. These lease agreements have a remaining term expiring in 2024 at the latest.

A second-hand car guarantee for a period of twelve months is provided for motor vehicles sold to end-consumers. On the balance-sheet date, this has resulted in contingent liabilities due to warranties. An insurance policy has been taken out to cover this risk.

On the balance-sheet date, order commitments under leasing and hire-purchase contracts amount to EUR 2,328.1 million (previous year: EUR 2,308.8 million).

Derivatives (interest-rate swaps, currency swaps, interest-rate/currency swaps, forward exchange transactions) are exclusively entered into for hedging of interest-rate fluctuation/currency risks.

Deutsche Leasing deals with interest rate risks, in particular, through the use of interest rate swaps. Within the scope of its risk management system, as a rule fixed- and variable-interest cash flows are combined for the relevant currencies and jointly considered in interest-rate gap analyses. This enables a holistic assessment of all of the relevant cash flows resulting from lending business and deposit operations. The overhang of fixed cash flows which give rise to a risk position in case of a change in the interest-rate level is indicated through interest-rate gap analyses which can be prepared at the level of the individual company and also at Group level. This risk position is continuously analysed by means of detailed maturity bands and is reduced by means of conventional loans and derivatives (macro hedge). In some cases, hedges (interest rate swaps) are entered into as cover against interest rate risks for specific underlying transactions (variable-interest loans), subject to identical conditions for the underlying transaction and the hedging transaction (micro hedge). Currency risks are reduced through the use of currency swaps in particular.

The effectiveness of the macro hedge ("interest exposure book management") is measured by comparing the interest-rate gap analysis with and without derivatives. The effectiveness of micro hedges is prospectively measured by means of a comparison of the relevant parameters for the underlying transactions and hedging instruments in both qualitative and quantitative terms. A documented, appropriate and functional risk management system is also used for these transactions.

As of 30 September 2018, the nominal value of the derivatives amounted to EUR 2,678.5 million. The total derivatives with negative fair values as of the balance-sheet date amount to EUR 18.1 million (determined by means of the mark-to-market method). Due to the effectiveness of the macro hedge (interest exposure book), no provisions are established. The derivatives have a maximum remaining term of 9.7 years.

In the past financial year the total fee for the auditor amounted to TEUR 2,279 (previous year: TEUR 3,620). This includes auditing services in the amount of TEUR 1,916 (previous year: TEUR 1,855), other assurance services in the amount of TEUR 131 (previous year: TEUR 155) and other services in the amount of TEUR 232 (previous year: TEUR 1,610).

Cash and cash equivalents in the statement of cash flows consist of the cash reserves balance-sheet item. The change in cash flow from current business activities is determined on the basis of the net income for the year; the reconciliation results from the consolidated profit and loss account.

On average, the company had 1,244 female and 1,282 male employees in the past financial year.

The **Supervisory Board** of the parent company has the following members:

Alexander Wüerst
Chairman
Chief Executive Officer
Kreissparkasse Köln, Cologne

Dr Walter Eschle
Deputy Chairman
Deputy Chief Executive Officer
Stadtsparkasse Augsburg, Augsburg

Marina Barth
Member of the Management Board
Sparkasse Hannover, Hanover

Andreas Bartsch
Chief Executive Officer
Sparkasse Marburg-Biedenkopf, Marburg

Ulrich Boike (since July 2018)
Deputy Chief Executive Officer
Förde Sparkasse, Kiel

Dr Joachim Bonn
Chief Executive Officer
Sparkasse Duisburg, Duisburg

Frank Brockmann
Deputy Board Spokesman
Hamburger Sparkasse AG, Hamburg

Roland Burgis
Deputy Chief Executive Officer
Sparkasse Nürnberg, Nuremberg

Barbara Degenkolb
Team Leader
Deutsche Sparkassen Leasing AG & Co. KG,
Bad Homburg v. d. Höhe

Georg Fahrenschon (to November 2017)
President (to November 2017)
Deutscher Sparkassen- und Giroverband e.V., Berlin

Michael Fröhlich
Chief Executive Officer
Sparkasse Bielefeld, Bielefeld

Hans-Michael Heitmüller
Retired Chief Executive Officer
Deutsche Leasing AG, Bad Homburg v. d. Höhe

Horst Herrmann
Chief Executive Officer
Kreissparkasse Saarlouis, Saarlouis

Michael Huber
Chief Executive Officer
Sparkasse Karlsruhe, Karlsruhe

Hans Jürgen Kulartz
Member of the Management Board
Landesbank Berlin AG, Berlin

Ulrich Lepsch
Chief Executive Officer
Sparkasse Spree-Neiße, Cottbus

Dr Martin Lüdiger (to June 2018)
Chief Executive Officer
Sparkasse Holstein, Bad Oldesloe and Eutin

Günther Passek
Chief Executive Officer
Sparkasse Trier, Trier

Matthäus Reiser (since October 2017)
Chief Executive Officer
Kreissparkasse Rottweil, Rottweil

Robert Restani
Chief Executive Officer
Frankfurter Sparkasse, Frankfurt am Main

Helmut Schleweis (since December 2017)
President
Deutscher Sparkassen- und Giroverband e.V., Berlin

Rainer Schwab
Works Council Chairman
Deutsche Sparkassen Leasing AG & Co. KG,
Bad Homburg v. d. Höhe

Total remuneration of the members of the Supervisory Board of the parent company amounted to EUR 0.3 million (previous year: EUR 0.3 million). Pension provisions for the former members of the Management Board amount to EUR 2.7 million (previous year: EUR 3.1 million). EUR 1.0 million (previous year: EUR 1.0 million) was paid out in the form of pensions for former members of the Management Board in the current financial year.

The personally liable and managing shareholder of the parent company is Deutsche Sparkassen Leasing Verwaltungs-Aktiengesellschaft, Bad Homburg v. d. Höhe, with subscribed capital amounting to EUR 50,000.00.

The **Management Board** of the managing shareholder of the parent company consists of the following persons:

Kai Ostermann, Chief Executive Officer
Friedrich Jüngling (to September 2018)
Sonja Kardorf (since October 2018)
Matthias Laukin
Rainer Weis

The Management Board receives EUR 3.4 million (previous year: EUR 3.3 million) for the performance of its tasks.

The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger).

Subsequent events

Deutsche Sparkassen Leasing AG & Co. KG has submitted a letter of commitment within the scope of the entry of S-Kreditpartner GmbH, Berlin, into the institutional protection scheme established by Deutscher Sparkassen- und Giroverband e.V., Berlin. This letter of commitment was signed on 12 December 2018. Deutsche Sparkassen Leasing AG & Co. KG thus provides Deutscher Sparkassen- und Giroverband e.V., Berlin, with an undertaking that, in the event of these companies receiving assistance under this protection scheme, it will reimburse these expenses in accordance with its equity share. In view of current forecasts, Deutsche Sparkassen Leasing AG & Co. KG considers that the risk of recourse under this letter of commitment is highly improbable.

Bad Homburg v. d. Höhe, 18 December 2018

Deutsche Sparkassen Leasing AG & Co. KG

represented by its general partner

Deutsche Sparkassen Leasing
Verwaltungs-Aktiengesellschaft

Ostermann Kardorf Laukin Weis

Statement of changes in equity

Deutsche Sparkassen Leasing AG & Co. KG Group

	Equity of the parent company				
	Equity shares		Reserves		
	Equity shares	Total	Reserves according to shareholders' agreement	Other reserves	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
As of 30/9/2016	240,000	240,000	341,480	8,203	349,683
Increase/decrease in equity shares					
Amounts credited to shareholder accounts for debt capital			-35,000		-35,000
Amounts contributed to/withdrawn from reserves			45,284	16,315	61,599
Currency translation					
Other changes					
Changes to group of consolidated companies					
Consolidated net income/loss for the year					
As of 30/9/2017	**240,000**	**240,000**	**351,764**	**24,518**	**376,282**

	Equity of the parent company				
	Equity shares		Reserves		
	Equity shares	Total	Reserves according to shareholders' agreement	Other reserves	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
As of 30/9/2017	240,000	240,000	351,764	24,518	376,282
Increase/decrease in equity shares					
Amounts credited to shareholder accounts for debt capital			-35,000		-35,000
Amounts contributed to/withdrawn from reserves			50,404	30,103	80,507
Currency translation					
Other changes					
Changes to group of consolidated companies					
Consolidated net income/loss for the year					
As of 30/9/2018	**240,000**	**240,000**	**367,168**	**54,621**	**421,789**

			Non-controlling interests			Group equity
Change in equity from currency translation	Consolidated net income/loss for the year which is attributable to the parent company	Total	Non-controlling interests before change in equity from currency translation and profit for the year	Profit/loss attributable to non-controlling interests	Total	Total
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
15,475	68,771	673,929	87,240	3,716	90,956	764,885
		-35,000		-2,194	-2,194	-37,194
	-68,771	-7,172	505	-1,522	-1,017	-8,189
-4,789		-4,789				-4,789
	71,965	71,965		12,026	12,026	83,991
10,686	**71,965**	**698,933**	**87,745**	**12,026**	**99,771**	**798,704**

			Non-controlling interests			Group equity
Change in equity from currency translation	Consolidated net income/loss for the year which is attributable to the parent company	Total	Non-controlling interests before change in equity from currency translation and profit for the year	Profit/loss attributable to non-controlling interests	Total	Total
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
10,686	71,965	698,933	87,745	12,026	99,771	798,704
		-35,000		-2,853	-2,853	-37,853
	-71,965	8,542	8,417	-9,173	-756	7,786
-2,480		-2,480				-2,480
	77,184	77,184		13,910	13,910	91,094
8,206	**77,184**	**747,179**	**96,162**	**13,910**	**110,072**	**857,251**

Statement of cash flows

Deutsche Sparkassen Leasing AG & Co. KG Group[2]

	2017/2018	2016/2017
	TEUR	TEUR
1. Consolidated net income for the year	**91,094**	**83,991**
2. + Depreciation on leasing assets	2,525,685	2,489,759
3. - Write-ups on leasing assets	-884	–
4. - Additions to leasing assets	-3,895,710	-3,512,015
5. + Residual carrying amounts from disposal of leasing assets	957,331	781,241
6. + Increase in accrued leasing instalments	3,132	2,990
7. Depreciation on and changes to leasing assets	**-410,446**	**-238,025**
8. - Increase in hire-purchase receivables	-514,221	-421,090
9. -/+ Increase/decrease in receivables from credit institutions	-14,593	221,339
10. - Increase in receivables from customers (excl. hire-purchase)	-301,579	-184,617
11. - Increase in other assets	-79,754	-16,595
12. + Amortisation of intangible assets and depreciation of property, plant and equipment	21,584	22,286
13. + Interest payments received	136,281	144,871
14. Change in hire-purchase and other assets	**-752,282**	**-233,806**
15. + Increase in liabilities owed to credit institutions	1,104,112	324,764
16. + Increase in liabilities owed to customers	385,228	344,260
17. -/+ Decrease/increase in liabilities evidenced by certificates	-194,500	61,800
18. +/- Increase/decrease in deferred income from sales of receivables	32,180	-119,733
19. + Interest expenses less income	3,600	4,868
20. - Interest paid	-139,881	-149,739
21. Changes in refinancing leasing and hire-purchase	**1,190,739**	**466,220**
22. + Increase in provisions	265	6,400
23. + Increase in other liabilities and other items	44,938	1,254
24. + Income tax expenses less income	28,170	23,369
25. - Income tax payments	-27,123	-18,981
26. Change in other liabilities and other items	**46,250**	**12,042**
27. Cash inflow from current business activities	**165,355**	**90,422**
28. + Cash inflow from the sale of intangible assets	283	2,678
29. - Payments for acquisition of intangible assets	-19,528	-13,200
30. + Cash inflow from the sale of property, plant and equipment	6,041	307
31. - Payments for acquisition of property, plant and equipment	-9,336	-43,028
32. Cash outflow from investing activities	**-22,540**	**-53,243**
33. - Cash outflow to the parent company's shareholders	-35,000	-35,000
34. - Cash outflow to other shareholders	-2,853	-2,194
35. Cash outflow from financing activities	**-37,853**	**-37,194**
Changes in cash and cash equivalents: items no. (27) + (32) + (35)	**104,962**	**-15**
Cash and cash equivalents at the beginning of the period	**36**	**51**
Cash and cash equivalents at the end of the period	**104,998**	**36**

[2] The structure of the statement of cash flows reflects the specific characteristics of the leasing sector.

Group information

Auditor's report[3]

KPMG AG Wirtschaftsprüfungsgesellschaft has issued the following unqualified auditor's report for the consolidated financial statements as of 30 September 2018 and the related combined management report:

Audit opinions

We have audited the financial statements[4] of Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe – comprising the balance sheet as of 30 September 2018, the profit and loss account for the financial year from 1 October 2017 to 30 September 2018 and the notes to the financial statements for the financial year 2017/2018, including the presentation of the accounting policies – and the consolidated financial statements of Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe, and its subsidiaries (the Group) – comprising the consolidated balance sheet as of 30 September 2018, the consolidated profit and loss account for the period from 1 October 2017 to 30 September 2018, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 October 2017 to 30 September 2018 and the notes to the consolidated financial statements for the financial year 2017/2018, including the presentation of the accounting policies. In addition, we have audited the combined management report of Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe, and the Group for the financial year from 1 October 2017 to 30 September 2018 (the combined management report).

In our opinion based on the findings of our audit,

- the attached financial statements comply in all material respects with the requirements of German commercial law applicable for institutions and give a true and fair view of the company's net asset and financial position as of 30 September 2018 and of its earnings position for the financial year from 1 October 2017 to 30 September 2018, in compliance with the German principles of orderly accounting,
- the attached consolidated financial statements comply in all material respects with the requirements of German commercial law and give a true and fair view of the Group's net asset and financial position as of 30 September 2018, and of its earnings position for the financial year from 1 October 2017 to 30 September 2018, in compliance with the German principles of orderly accounting, and
- the attached combined management report as a whole presents an accurate view of the company's and the Group's position. In all material respects, this combined management report is consistent with the financial statements and consolidated financial statements, complies with the requirements of German law and suitably presents the risks and opportunities associated with future development.

Pursuant to § 322 (3) Clause 1 HGB, we state that our audit has not led to any reservations with regard to the orderliness of the financial statements and consolidated financial statements or the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the financial statements and consolidated financial statements and the combined management report in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Our responsibility according

[3] The reproduction of the auditor's report is printed in the annual report without the signatures and seal of KPMG AG Wirtschaftsprüfungsgesellschaft.
[4] The financial statements are not printed in the annual report. The financial statements can be viewed in the electronic version of the German Federal Gazette (Bundesanzeiger) in the context of disclosure.

to these regulations and standards is described in further detail in the "Responsibility of the Auditor for the Audit of the Financial Statements and Consolidated Financial Statements and the Combined Management Report" section of our auditor's report. We are independent of the company and its subsidiaries in compliance with the provisions of German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions regarding the financial statements and consolidated financial statements and the combined management report.

OTHER INFORMATION

The legal representatives are responsible for the other information.

This other information comprises the other parts of the annual report, with the exception of the audited financial statements and consolidated financial statements and the combined management report as well as our auditor's report.

Our audit opinions regarding the financial statements and consolidated financial statements and the combined management report do not extend to this other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit, we have a responsibility to read this other information and to evaluate whether it

- exhibits material discrepancies in relation to the financial statements or the consolidated financial statements, the combined management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The legal representatives are responsible for preparing the financial statements and consolidated financial statements, which in all material respects comply with the requirements of German commercial law for institutions, and for the financial statements and consolidated financial statements giving a true and fair view of the net asset, financial and earnings position of the company and the Group in compliance with the German principles of orderly accounting. Furthermore, the legal representatives are responsible for the internal controls that, in accordance with the German principles of orderly accounting, they deemed necessary to enable the preparation of financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the financial statements and consolidated financial statements, the legal representatives are responsible for assessing the company's and the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless prevented by actual or legal circumstances.

Moreover, the legal representatives are responsible for preparing the combined management report, which as a whole provides an accurate view of the company's and the Group's position and is consistent with the financial statements and consolidated financial statements in all material respects, complies with the requirements of German law and suitably presents the risks and opportunities associated with future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a combined management report in compliance with the applicable requirements of German law and to allow sufficient, suitable evidence to be provided for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the company's accounting process for the preparation of the financial statements and consolidated financial statements and the combined management report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Our objective is to obtain reasonable assurance as to whether the financial statements and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an accurate view of the company's and the Group's position and is in all material respects consistent with the financial statements and consolidated financial statements and with the findings of the audit, complies with the requirements of German law and suitably presents the risks and opportunities associated with future development, and to issue an auditor's report containing our audit opinions regarding the financial statements and consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of these financial statements and consolidated financial statements as well as the combined management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risks of material misstatements, whether due to fraud or error, in the financial statements and consolidated financial statements and the combined management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the financial statements and consolidated financial statements and of the arrangements and measures relevant for the audit of the combined management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems of the company.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evi-

dence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the company's and the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the financial statements and consolidated financial statements and in the combined management report in our auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the company or the Group is no longer a going concern.

- we evaluate the overall presentation, the structure and the content of the financial statements and consolidated financial statements, including the disclosures, and whether the financial statements and consolidated financial statements present the underlying transactions and events such that the financial statements and consolidated financial statements give a true and fair view of the net asset, financial and earnings position of the company and the Group in compliance with the German principles of orderly accounting.
- we obtain sufficient appropriate audit evidence for the accounting information of the company and its subsidiaries or business activities within the Group to provide a basis for our audit opinions regarding the financial statements and consolidated financial statements and the combined management report. We are responsible for the direction, supervision and performance of the audit of the financial statements and consolidated financial statements. We remain solely responsible for our opinions.
- we evaluate the consistency of the combined management report with the financial statements and consolidated financial statements, its legality and the view it gives of the position of the company and the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

Frankfurt am Main, 19 December 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bauer	Horn
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Shareholders
Deutsche Sparkassen Leasing AG & Co. KG

Association of savings banks

Rheinischer Sparkassen- und Giroverband	20.02 per cent
Sparkassenverband Baden-Württemberg	18.80 per cent
Sparkassenverband Bayern	12.54 per cent
Sparkassen- und Giroverband Hessen-Thüringen	10.67 per cent
Sparkassenverband Westfalen-Lippe	9.61 per cent
Sparkassenverband Niedersachsen	6.27 per cent
Ostdeutscher Sparkassenverband	5.70 per cent
Hanseatischer Sparkassen- und Giroverband	4.22 per cent
Landesbank Berlin AG	3.86 per cent
Sparkassen- und Giroverband Schleswig-Holstein	3.68 per cent
Sparkassenverband Rheinland-Pfalz	3.56 per cent
Sparkassenverband Saar	1.07 per cent

As of March 2019

Supervisory Board
Deutsche Sparkassen Leasing Verwaltungs-Aktiengesellschaft

Alexander Wüerst, Chairman	Chief Executive Officer, Kreissparkasse Köln, Cologne
Frank Brockmann, Deputy Chairman	Deputy Board Spokesman, Hamburger Sparkasse AG, Hamburg
Helmut Schleweis	President, Deutscher Sparkassen- und Giroverband e.V., Berlin

Supervisory Board
Deutsche Leasing AG

Alexander Wüerst, Chairman	Chief Executive Officer, Kreissparkasse Köln, Cologne
Frank Brockmann, Deputy Chairman	Deputy Board Spokesman, Hamburger Sparkasse AG, Hamburg
Helmut Schleweis	President, Deutscher Sparkassen- und Giroverband e.V., Berlin

As of March 2019

Supervisory Board
Deutsche Sparkassen Leasing AG & Co. KG

Alexander Wüerst, Chairman	Chief Executive Officer, Kreissparkasse Köln, Cologne
Dr Walter Eschle, Deputy Chairman	Deputy Chairman Stadtsparkasse Augsburg, Augsburg
Marina Barth	Member of the Management Board, Sparkasse Hannover, Hanover
Andreas Bartsch	Chief Executive Officer, Sparkasse Marburg-Biedenkopf, Marburg
Ulrich Boike	Chief Executive Officer, Förde Sparkasse, Kiel
Dr Joachim Bonn	Chief Executive Officer, Sparkasse Duisburg, Duisburg
Frank Brockmann	Deputy Board Spokesman, Hamburger Sparkasse AG, Hamburg
Roland Burgis	Deputy Chief Executive Officer, Sparkasse Nürnberg, Nuremberg
Michael Fröhlich	Chief Executive Officer, Sparkasse Bielefeld, Bielefeld
Hans-Michael Heitmüller	Retired Chief Executive Officer, Deutsche Leasing AG, Bad Homburg v. d. Höhe
Horst Herrmann	Chief Executive Officer, Kreissparkasse Saarlouis, Saarlouis
Michael Huber	Chief Executive Officer, Sparkasse Karlsruhe Ettlingen, Karlsruhe
Hans Jürgen Kulartz	Member of the Management Board, Landesbank Berlin AG, Berlin
Ulrich Lepsch	Chief Executive Officer, Sparkasse Spree-Neiße, Cottbus
Günther Passek	Chief Executive Officer, Sparkasse Trier, Trier
Matthäus Reiser	Chief Executive Officer, Kreissparkasse Rottweil, Rottweil
Robert Restani	Chief Executive Officer, Frankfurter Sparkasse, Frankfurt am Main
Helmut Schleweis	President, Deutscher Sparkassen- und Giroverband e. V., Berlin
Rainer Schwab	Works Council Chairman, Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe
Anke Tiedge	Savings Banks Advisor, Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe

As of March 2019

Management Board
Deutsche Sparkassen Leasing Verwaltungs-Aktiengesellschaft
(managing shareholder of Deutsche Sparkassen Leasing AG & Co. KG)
Deutsche Leasing AG

Kai Ostermann	Chief Executive Officer
Sonja Kardorf	Management Board member
Matthias Laukin	Management Board member
Rainer Weis	Management Board member

Executive Managers and Members of the Management Team

Heinz-Hermann Hellen	Finance
Nicolaus Newiger	Organisation/Services

Directors of Business Units/Market Units

Frank Hägele, Dr Hubertus Mersmann	Fleet
Georg Hansjürgens, Norbert Schmidt, Thomas Stahl	International
Dieter Behrens, Frank Speckmann	Savings Banks and SMEs

Directors of Divisions

Tobias Bergmann	Balance Sheet & Management
Klaus-Günther Rasch	Intensive Care & Asset Management
Axel Brinkmann	Group Audit
Michael Orth	Middle Office I
Christoph Khodja	Organisation/Information Technology
Otto Schmitz	Organisation/Information Technology International
Andreas Kaffka	Human Resources
Michael Felde	Legal Department
Maik Mittelberg	Domestic Risk Management
Bernd Schröck	International Risk Management
Helmut Meier-Tanski	Treasury
Ansgar Wagner	Corporate Development
Birgit Probst	Central Risk Management

As of March 2019

Managing Directors of Subsidiaries/Investments[5]
Germany

Dieter Behrens, Frank Speckmann	Deutsche Leasing für Sparkassen und Mittelstand GmbH
Frank Hägele, Dr Hubertus Mersmann	Deutsche Leasing Fleet GmbH
Sonja Kardorf, Rainer Weis, Andreas Geue, Maik Mittelberg, Frank Speckmann	Deutsche Leasing Finance GmbH
Michael Hellmann, Ulrich Kühler, Michael Orth, Paulina Rymanowska-Lukosz	Deutsche Leasing Information Technology GmbH
Volker Bohn, Bo Liedtke	Deutsche Leasing Insurance Services GmbH
Georg Hansjürgens, Norbert Schmidt, Thomas Stahl	Deutsche Leasing International GmbH
Christoph Naumann, Holger Würk	DAL Bautec Baumanagement und Beratung GmbH
Markus Strehle (Chairman), Kai A. Eberhard, Andreas Geue	DAL Deutsche Anlagen-Leasing GmbH & Co. KG
Dr Hubertus Mersmann, Michael Velte	AutoExpo Deutsche Auto-Markt GmbH
Karsten Schneider, Dr Thomas Schneider	Bad Homburger Inkasso GmbH
Heinz-Günter Scheer, Jan Welsch	S-Kreditpartner GmbH
Christian Eymery (Spokesman), Fedor Krüger	Deutsche Factoring Bank GmbH & Co. KG

As of March 2019

[5] selected investments

Managing Directors of Subsidiaries/Investments[5]
Other countries

Ursula Leutl, Heinz Scheibenpflug	Deutsche Leasing Austria GmbH
Marc Andries, Nora Vermin	Deutsche Leasing Benelux N.V. Deutsche Leasing Nederland B.V.
Rosen Mishev, Neno Stanev	Deutsche Leasing Bulgaria EAD
Fabien Léon Leduc, Cheryl Johnson	Deutsche Leasing Canada, Corp. Deutsche Leasing Canada (Del), Inc.
Anika Christophe, Olive Xu	Deutsche Leasing (China) Co., Ltd.
Radan Havelka, Uta Reichel	Deutsche Leasing ČR, spol. s r.o.
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Nicklas Karlbom, Jari Poutiainen	Deutsche Leasing Sverige AB
Neil Douglas, Simon Dufton	Deutsche Leasing (UK) Ltd.
Fabien Léon Leduc, Cheryl Johnson	Deutsche Leasing USA Inc. Deutsche Leasing North America, Inc.
Jonas Roever	Deutsche Leasing Vostok AG
Renato Di Chiara, Matheus Canhoto Gera	Locadora DL do Brasil Ltda. Deutsche Sparkassen Leasing do Brasil S.A.

As of March 2019

Deutsche Leasing Group – The solution experts

Deutsche Sparkassen Leasing AG & Co. KG
Owners: around 400 savings banks, directly or through associated companies

Mobile Equipment/Real Estate Leasing

Deutsche Leasing AG[6]	100 per cent
Deutsche Leasing für Sparkassen und Mittelstand GmbH[6]	100 per cent
Deutsche Leasing Fleet GmbH[6]	100 per cent
Deutsche Leasing Information Technology GmbH[6]	100 per cent
Deutsche Leasing International GmbH[6]	100 per cent
DAL Deutsche Anlagen-Leasing GmbH & Co. KG	99.8 per cent

International Business

Deutsche Leasing Austria GmbH (Vienna)	100 per cent
Deutsche Leasing Benelux N.V. (Antwerp)	100 per cent
Deutsche Leasing Bulgaria EAD (Sofia)	100 per cent
Deutsche Leasing Canada, Corp. (Halifax)	100 per cent
Deutsche Leasing (China) Co., Ltd. (Shanghai)	100 per cent
Deutsche Leasing ČR, spol. s r.o. (Prague)	100 per cent
Deutsche Leasing Ibérica, E.F.C., S.A. **DL Ibérica EquipRent, S.A.** (Barcelona)	100 per cent
Deutsche Leasing France S.A.S. **Deutsche Leasing France Operating S.A.S.** (Paris)	100 per cent
Deutsche Leasing Funding B. V. (Amsterdam)	100 per cent
Deutsche Leasing Hungária Kft. **Deutsche Leasing Hungária Zrt.** (Budapest)	100 per cent
Deutsche Leasing (Ireland) D.A.C. (Dublin)	100 per cent

As of March 2019

[6] profit and loss transfer agreement

Deutsche Leasing Italia S.p.A. **Deutsche Leasing Operativo S.r.l.** (Milan)	100 per cent
Deutsche Leasing Nederland B. V. (Amsterdam)	100 per cent
Deutsche Leasing Polska S.A. (Warsaw)	100 per cent
Deutsche Leasing Romania IFN S.A. **Deutsche Leasing Romania Operational SRL** (Bucharest)	100 per cent
Deutsche Leasing Slovakia, spol. s r.o. (Bratislava)	100 per cent
Deutsche Leasing Sverige AB (Stockholm)	100 per cent
Deutsche Leasing (UK) Ltd. (London)	100 per cent
Deutsche Leasing USA, Inc. (Chicago)	100 per cent
Deutsche Leasing Vostok AG (Moscow)	100 per cent
Locadora DL do Brasil Ltda. **Deutsche Sparkassen Leasing do Brasil S.A.** (São Paulo)	100 per cent

Banking

Deutsche Leasing Finance GmbH[6]	100 per cent
S-Kreditpartner GmbH	33.3 per cent

Factoring

Deutsche Factoring Bank GmbH & Co. KG	53 per cent

Debt Management

BHS Bad Homburger Servicegesellschaft mbH[6]	100 per cent
Bad Homburger Inkasso GmbH	47.4 per cent

Remarketing

AutoExpo Deutsche Auto-Markt GmbH[6]	100 per cent

Insurance

Deutsche Leasing Insurance Services GmbH[6]	100 per cent

Deutsche Sparkassen Leasing AG & Co. KG

Mobile Equipment/Real Estate Leasing

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As of March 2019

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