

**Deka Group**  
Interim Report 2019

The logo features the word "Deka" in a white, bold, sans-serif font. To the left of the letter "D" are two vertical white bars of equal height, creating a stylized icon. The entire logo is set against a vibrant red background that has a subtle, draped fabric texture.

# Deka Group at a glance

BUSINESS DEVELOPMENT INDICATORS		30 Jun 2019	31 Dec 2018	Change (%)
Total assets	€m	108,752	100,444	8.3
Total customer assets	€m	297,667	275,878	7.9
thereof retail customers	€m	149,045	137,169	8.7
thereof institutional customers	€m	148,622	138,709	7.1
Number of securities accounts	thousand	4,688	4,654	0.7
		1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	
Net sales	€m	6,703	10,570	-36.6
thereof retail customers	€m	4,434	6,634	-33.2
thereof institutional customers	€m	2,269	3,936	-42.4
PERFORMANCE INDICATORS				
Total income	€m	771.4	737.8	4.6
thereof net interest income	€m	97.5	77.6	25.6
thereof net commission income	€m	591.4	563.9	4.9
Total expenses	€m	548.3	515.1	6.4
thereof administrative expenses (including depreciation)	€m	545.6	515.1	5.9
Economic result	€m	223.1	222.6	0.2
Total of profit or loss before tax	€m	259.7	238.3	9.0
KEY RATIOS				
Return on equity (before tax) <sup>1)</sup>	%	9.3	9.6	-0.3 %-Points
Cost/income ratio <sup>2)</sup>	%	69.7	71.3	-1.6 %-Points
KEY REGULATORY FIGURES (without transitional provisions – fully loaded)		30 Jun 2019	31 Dec 2018	
Own funds	€m	5,837	5,741	1.7
Risk-weighted assets	€m	30,191	29,021	4.0
Total capital ratio	%	19.3	19.8	-0.5 %-Points
Common Equity Tier 1 capital ratio	%	15.2	15.4	-0.2 %-Points
RISK RATIOS				
Risk capacity	€m	4,597	5,920	-22.3
Total risk	€m	2,691	2,492	8.0
Utilisation of risk capacity	%	58.5	42.1	16.4 %-Points
RATING LONG-TERM (SHORT-TERM)				
Moody's <sup>3)</sup>		Aa2 (P-1)	Aa2 (P-1)	
Standard & Poor's <sup>4)</sup>		A+ (A-1)	A+ (A-1)	
SUSTAINABILITY RATING				
MSCI		AA	AA	
ISS-oekom		C+ (Prime)	C+ (Prime)	
imug Rating		BB (positive)	B (positive)	
KEY EMPLOYEE FIGURES				
Number of employees		4,741	4,716	0.5
Number of active employees		4,123	4,179	-1.3

<sup>1)</sup> The return on equity (before tax) corresponds to the annualised economic result relative to the average balance sheet equity including atypical silent capital contributions, without additional Common Equity Tier 1 capital (AT1) and adjusted for intangible assets.

<sup>2)</sup> Calculation of the cost/income ratio does not take into account restructuring expenses or loan loss provisions and provisions for securities business.

<sup>3)</sup> Rating long-term: Preferred Senior Unsecured Debt & Issuer Rating (Moody's: Senior Unsecured Debt)

<sup>4)</sup> Rating long-term: Preferred Senior Unsecured Debt & Issuer Rating (S&P: Senior Unsecured Debt)

Due to rounding, numbers and percentages presented in this report may not add up precisely to the totals provided.

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Dear Shareholders and Investors,

DekaBank – the Wertpapierhaus for the savings banks – remains on a secure footing. In the first half of 2019, the Deka Group generated an economic result of €223.1m, on a par with the previous year's level (€222.6m). Being fit for the future means balancing growth and efficiency. This is the clear objective of our DekaPro strategic programme, which we launched in 2018. With numerous initiatives along the value chain, this is designed to give all processes in the Deka Group a more consistently customer-centric focus. Our aim is to steadily ingrain this customer centric orientation more deeply in our business model. We forged ahead with DekaPro over the first half of 2019, and many initiatives relating to sales, products and services are already being implemented.

DekaPro will also accelerate both the customer-facing and internal digital transformation. In terms of the multichannel sale of securities, for example, this means pushing ahead with the integration of the savings banks' "internet branches". Fully digitalised asset management by mobile app from bevestor GmbH and the extensive range of S Broker services round off our customer-centric multichannel strategy. In internal bank processes, robotic process automation (RPA) has made further advances at the Deka Group. Over 60 robots are currently in use. They include chatbots, which provide savings bank advisory staff with round-the-clock support via DekaNet.

Issuing of promissory note loans is also set to go digital. Four banks – DekaBank, dwpbank, DZ BANK and Helaba – have joined forces to create a new blockchain platform, finledger. Together, they have developed and implemented a common market standard for the digital processing of promissory note loans. The blockchain platform cuts the workload involved by over 50 % – a good example of how digitalisation can generate efficiency while also improving product quality.

Custody accounts are all about finding the right balance: between risks and returns, and between structure and timing. We have therefore steadily expanded our product portfolio to create an all-round product and sales strategy. In the retail business, this includes the new Deka-UnternehmerStrategie equity fund, new components of the ETF and certificates offering and three new open-ended real estate funds, which will follow over the rest of this year. In the institutional business, we have been busy working on platforms such as the Deka EasyAccess analysis, management and trading tool and the Deka Treasury-Kompass for savings banks.

The high quality of our asset management is also reflected in external ratings. For example, Deka received the “Fund Award 2019” at the beginning of the year and once again achieved the maximum five-star rating in the 2019 Fonds-Kompass awards organised by the business magazine Capital.

Meanwhile, Deka Immobilien was once more awarded the title of best asset manager in the “Retail Real Estate Europe” category of the Scope Alternative Investment Awards. For its certificates range, the Deka Group was crowned “Market leader for certificates in Germany”.

Deka actively supports the interests of its more than four million fund investors. A representative survey commissioned by Deka and performed by YouGov in May 2019 found that private investors increasingly value this active engagement by investment fund companies. Of the investors surveyed, 71 % find it important for fund companies to act as trustees for their investors and actively represent them at corporate AGMs. For 41 %, such support is a strong reason to choose funds from a particular investment fund company. The survey results reaffirm our view that such engagement is an important part of our sustainability strategy.

Sincerely,

A handwritten signature in blue ink, reading "Michael Rüdiger". The signature is fluid and cursive, with the first name "Michael" and the last name "Rüdiger" clearly distinguishable.

Michael Rüdiger  
CEO

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# Interim management report 2019

## At a glance

DekaBank – the *Wertpapierhaus* for the savings banks – remains on a stable footing. In the first half of 2019, the Deka Group generated an economic result of €223.1m, on a par with the previous year's level (€222.6m). Net interest income, net commission income and net financial income exceeded the values achieved in the same period of the previous year. The risk provisioning result developed in line with expectations. Actuarial losses affecting provisions for pensions, however, put considerable pressure on other operating profit (H1 2019: €–54.1m versus H1 2018: €–15.5m) due to interest rates that were at an all-time low. All in all, the Deka Group increased its income slightly to €771.4m (H1 2018: €737.8m). Expenses of €548.3m were moderately above the level seen in the first half of 2018 (€515.1m).

The Group forged ahead with the DekaPro strategic programme, initiated in 2018 in a quest to increase growth and efficiency through a more customer-centric orientation, in the first six months of 2019. Initiatives have been launched particularly in relation to sales and products and services.

In the first six months of 2019, the Deka Group achieved net sales of €6.7bn. This figure was down on the same period of the previous year due to slowing sales momentum (€10.6bn). In the retail business, the investment fund business lagged behind the first half of 2018. The certificates business for retail customers showed a moderate decline compared with the prior-year period. In the institutional business, both the investment fund and the certificates businesses lagged behind the prior-year figures. Retail and institutional customers adopted a generally cautious approach in the first half of 2019 in light of the high levels of market volatility seen in 2018.

Nevertheless, total customer assets were up by around 8% as against the end of 2018 to €297.7bn. In addition to sales, this was primarily attributable to the positive performance witnessed in the course of the year. This trend was partially offset by distributions to investors and maturing certificates.

The Deka Group's financial position remains robust. The fully loaded Common Equity Tier 1 capital ratio (calculated in accordance with CRR/CRD IV requirements) stood at 15.2% at the midpoint of 2019, compared with 15.4% at the end of 2018. The liquidity coverage ratio (LCR) was 137.9% at mid-year, well above the minimum requirement of 100%.

As was to be expected, the utilisation of risk capacity was up considerably compared with the end of 2018 (42.1%) to 58.5%, although it remains at a non-critical level. The increase can be traced back primarily to the fact that subordinated capital components now no longer count towards internal capital as a result of methodological adjustments to the risk-bearing capacity concept.

## Information about the Deka Group

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### Deka Group profile and strategy

DekaBank is the *Wertpapierhaus* for the savings banks. The Deka Group is made up of DekaBank and its subsidiaries. Through its asset management and banking activities, it acts as a service provider for the investment, administration and management of assets, supporting savings banks, their customers and institutional investors at every stage in the investment process. It also offers comprehensive advice and solutions both to the savings banks and to institutional customers outside the *Sparkassen-Finanzgruppe* on investing, liquidity and risk management, and financing.

### Organisational structure and corporate governance

At 30 June 2019, the fundamental legal and organisational structure and the business model of the Deka Group were essentially as described in the Group Management Report for 2018. Activities are divided into five business divisions:

- Asset Management Securities
- Asset Management Real Estate
- Asset Management Services
- Capital Markets
- Financing

The CEO of DekaBank, Michael Rüdiger, will step down from his post at the end of 2019 at his own request and leave the Bank. The Administrative Board has decided to appoint the deputy CEO, Dr Georg Stocker, as the new CEO with effect from 1 January 2020. The Administrative Board also appointed Daniel Kapffer as member of the Administrative Board effective 1 May 2019.

At the beginning of July 2019, Manuela Better informed the Administrative Board that she would not be extending her contract as an Administrative Board member, which is set to expire at the end of May 2020. She will continue to hold the position of Chief Risk Officer up until this time. The Administrative Board will address succession arrangements in due course.

DekaBank is jointly managed by the Board of Management, which comprises six members as of 1 May 2019. The individual members are assigned the following responsibilities:

- CEO & Asset Management Securities: Michael Rüdiger
- Deputy CEO, Sales: Dr Georg Stocker
- Risk (CRO): Manuela Better
- Finance (CFO) & Asset Management Real Estate: Dr Matthias Danne
- Operations (COO): Daniel Kapffer
- Banking business: Martin K. Müller

### Strategic objectives

The Group forged ahead with the DekaPro strategic programme, initiated in 2018 in a quest to increase growth and efficiency through a more customer-centric orientation, in the first six months of 2019. Initiatives have been launched in relation to sales and products and services.



### ***Focal points in the first half of 2019***

The Deka Group helps savings banks to achieve their objective of expanding the whole of their securities business and leveraging potential in securities business with retail customers. One key component of this strategy involves promoting regular investment using fund savings plans. The growth in fund savings plans continued in the first half of 2019, with around 200,000 additional savings plans being concluded during this period.

With *Deka-UnternehmerStrategie Europa*, Deka has launched an equity fund focusing on family-run and family-controlled companies. Deka Immobilien is planning new open-ended real estate funds in response to the sustained high demand for real estate products among private investors. Another fund, launched exclusively for Deka by a cooperation partner, is investing in the residential asset class for the first time. The ETF product portfolio is also being developed further in line with an all-round product and sales strategy, including enhancement products, such as ETF funds of funds and ETF asset management in the retail business. The range of certificates has been expanded further to strengthen the universe of products and underlyings.

To boost the institutional business, platform solutions, such as the Deka Easy Access (DEA) analysis, management and trading tool, have been expanded. This involved a number of measures including the expansion of the information, management and trading dashboard for the savings banks' proprietary investments. DEA can now also be used for money market trading and to simulate interest option transactions. Around 200 savings banks were using the platform as of June 2019. Savings banks and other institutional customers can also limit the outlay involved in implementing regulatory requirements by accessing centrally provided services that offer considerable value added, such as the Deka Treasury Kompass (DTK). Further improvements have been achieved thanks to the attractive user interface, continuity in terms of the media used and synergy effects between DTK and DEA.

The digital transformation process is concentrated, firstly, on interfaces with savings banks and retail and institutional customers along with the products and services available for these groups. Deka is also concentrating on digitalising its internal processes and the corresponding digital transformation.

The products and services developed and provided by Deka for the multichannel sale of securities had already been integrated into the "internet branches" of more than 300 savings banks by the middle of the year, depending on the solution used. Ongoing development resulted in additional solutions, such as the integration of bevestor securities accounts into the internet branch financial status or the provision of a securities dashboard.

In order to forge ahead with digital transformation within Deka, the Open Digital Factory (ODF) was launched at the end of 2018 as a cross-divisional driver for digital topics, agile working methods and new key technologies. The technologies on which Deka is focusing include robotic process automation (RPA), artificial intelligence and blockchain applications. A new innovation process was also established in cooperation with bevestor GmbH in the first half of 2019.

A cross-institutional team comprising DekaBank, dwpbank, DZ BANK and Helaba employees succeeded for the first time in issuing a promissory note loan using nothing but digital technology. In a pilot project, the team successfully processed the issue of a promissory note loan via finledger – a newly launched blockchain platform.

At the beginning of the year, DekaBank acquired a 12% stake in Architrave, a platform provider for digital asset management. Architrave's digital offering simplifies document-related processes in the real estate business. This investment is DekaBank's way of supporting Architrave's cooperative approach to establishing an industry-wide data standard for documents and records relating to real estate properties.

The efficiency aspect mainly includes optimisation and consolidation measures to boost efficiency and reduce costs. The Deka Group is using various measures to ensure it performs its services efficiently and thus with lasting competitiveness. Efficiency measures forming part of DekaPro are designed to handle a growing volume of business and to manage challenging regulatory requirements with an appropriate level of expenditure.

### Awards and sustainability

During the reporting period, confirmation of the high quality of Deka's asset management came, among other things, in the form of the "Euro Fund Award 2019" and the maximum five-star rating in the 2019 Fonds-Kompass awards organised by the business magazine Capital. What is more, Deka Immobilien was once again awarded the title of best asset manager in the "Retail Real Estate Europe" category of the Scope Alternative Investment Awards. The high quality of the Deka Group's certificates was confirmed with the "Market leader for certificates in Germany" award.



See also:  
[www.deka.de/deka-group/sustainability](http://www.deka.de/deka-group/sustainability)

The sustainability strategy, which forms part of the overall business strategy, is being developed on an ongoing basis to reflect the EU action plan on financing sustainable growth. Deka once expanded its sustainability reporting for the 2018 reporting year and issued the non-financial statement required under the German CSR Directive Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz*) as part of its detailed Sustainability Report for 2018. The annual sustainability report, including the non-financial statement, does not form part of the Group management report. In accordance with the statutory publication deadlines, the 2018 sustainability report was published on time at the end of April 2019 on the Deka Group website (<https://www.deka.de/deka-group/sustainability>), where it will remain accessible for at least ten years.

The Deka Group continues to be rated as "very good" by sustainability rating agencies. In the first half of the year, MSCI maintained our AA rating and ISS-oekom our C+(Prime) rating in spite of new, stricter requirements. As far as the ratings awarded by the rating agency "imug rating" are concerned, Deka was also able to improve its issuer rating and the rating for the public sector *Pfandbriefe* by one notch to BB and BBB respectively.

## Economic report

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### Economic environment

Compared with 2018, the economic environment for asset management improved considerably over the reporting period. The first few months of 2019 were characterised by a strong recovery on the global stock markets. This was driven by two factors in the main: first of all, the fears of a trade war and of a marked economic slump in China, which had put the stock markets under pressure at the end of 2018, eased considerably. The postponement of the United Kingdom's planned exit from the EU from the end of March to the end of October also helped to reduce the risk perceived on the financial markets, as concerns that political decisions could lead to a disorderly Brexit were alleviated significantly. Second, the major central banks took a much more moderate stance throughout the first half of 2019.

The prospect of a less pronounced tightening of monetary policy boosted confidence among many market participants that the global upswing could continue for some years to come. With risks perceived to be lower and stock markets rising, there was a general drop in yields on long-dated government bonds. China loosened both its monetary and fiscal policy. The impression that there remains considerable leeway for infrastructure spending and tax cuts put into perspective the fear that China could trigger a major slowdown in the global economy.

The banking business was once again hit by the continuation of expansionary monetary policy in the eurozone. The European Central Bank increasingly pointed to the weak inflation trend, expressing concern about the economic outlook. From May onwards, the picture on the capital markets deteriorated considerably. This trend was triggered, yet again, by US trade policy. While the majority of investors were expecting constructive talks between the US and China, President Trump took them by surprise by increasing protective tariffs from 10% to 25%. China reacted immediately with retaliatory measures. The conflict is now no longer limited to the issue of customs duties. Action against individual technology companies and supply boycotts for key raw materials have also been threatened, meaning that the impact on the global economy is unpredictable. The fiscal policy conflict between the Italian government and the European Commission was also a source of renewed unrest. A global slowdown in growth due to the political uncertainty would present central banks with serious challenges. After all, they are already struggling with low inflation rates and flagging inflation expectations. This has prompted market participants to revise their expectations regarding the monetary policy stance. They now expect both the Fed and the ECB to cut their key rates. This pushed the yield on ten-year German government bonds down to new all-time lows in June.

#### **Macroeconomic conditions**

In the first half of 2019, the global economic growth rate of around 3% was down on the 3.7% full-year growth rate for 2018. The marked differences between the manufacturing sector and other sectors of the economy were striking. The industrial sector has been hit particularly hard by the global trade conflicts. It is not only feeling the direct impact of the trade policy measures that have actually been implemented. Rather, fears of an even greater wave of protectionism are also weighing on corporate sentiment and hampering investment activity in the corporate sector. The resulting drop in demand is also affecting industry to a considerable extent. On the other hand, those sectors that are more focused on domestic demand have proved resilient so far. This has been helped first and foremost by the positive development on the labour markets, which has provided an important basis for consumer spending. In both Germany and the US, unemployment rates have fallen to levels that have not been seen for some time (since 1969 in the case of the US).

Despite the marked drop in unemployment, however, wage growth has so far remained subdued during this upswing. This, among a number of other factors, contributed to the low inflation level. As a result, the central banks' inflation targets are gradually losing credibility. Investors are therefore not only expecting key rate cuts over the next few years, but are also preparing for lower interest rate levels longer term. This was one of the reasons why yields on long-dated government bonds fell further in the period under review.

### **Economic environment for asset management**

The global capital markets showed a marked recovery in the first half of 2019. The MSCI World Index gained around 16%, with the S&P 500 touching on new all-time highs. With an increase of around 17%, the German share index DAX achieved the second-highest gain ever seen for a January – June period. In the key bond segments, too, the prices of government and corporate bonds were on an upward trajectory, resulting in performance of between 4% and 8%.

The positive market performance seen in 2019 to date was also reflected in the investment statistics of the German Investment Funds Association BVI. Total net assets increased by 9% in the first six months of 2019. Net assets in open-ended mutual funds amounted to €1,053.0bn as at 30 June 2019 (year-end 2018: €973.6bn). At €-1.8bn, net inflows into open-ended mutual funds fell considerably short of the figure seen in the same period of the previous year (€11.4bn). Equity funds once again posted a positive result with net inflows of €0.7bn. However, this did not come close to the previous year's €1.8bn. Bond funds, in particular, saw significant net outflows. In contrast to retail funds, open-ended special funds for institutional investors almost reached the sales figure seen in the same period of the previous year. Demand for open-ended mutual property funds showed significantly positive development in the first six months of 2019, with net sales of €6.1bn as against €2.8bn in the same period of the previous year.

Real estate funds still offer an attractive risk/reward ratio in the current interest rate environment. Given high real estate prices and limited availability of suitable properties, however, the investment opportunities open to real estate funds remain limited. This is restricting their ability to attract new investor funds, particularly given that it is not possible to generate positive margins from liquidity investments. Even though the overall economic picture deteriorated in the first half of 2019, the robust labour market continued to provide important support. Demand for office properties remains high, but is limited by the inadequate supply of available space in many locations. Declining vacancy rates pushed rents up further. Yields continued to decline slightly in European markets. The global transaction volume was slightly below the previous year's level in the first half of 2019. While less was invested in Europe and North America, the Asia/Pacific region saw an increase in investment turnover.

### **Economic environment for the banking business**

The banking business continued to be characterised by negative money market rates and dwindling yields on long-dated German government bonds. As announced well in advance, the ECB discontinued its net asset purchases at the end of 2018. As the ECB/Deutsche Bundesbank has to reinvest proceeds from maturing bonds until further notice and the budget surpluses of the German federal government are resulting in lower gross supply, the relative scarcity of German government bonds, in particular, continues to increase over time. In addition, the anticipated further easing of monetary policy has increased the demand for longer-dated Bunds with what are still comparatively higher yields. Consequently, mounting economic downside risks and falling long-term inflation expectations led to a further flattening of the Bund curve.

Government bonds issued by peripheral eurozone countries generally reaped the benefits of the low interest rates and the resulting intensive search for yields. Italian bonds were an exception to the rule. Due to its budgetary policy, the populist government has the threat of an EU excessive deficit procedure hanging over it, possibly also involving downgrades by the rating agencies. This caused the risk premiums of Italian sovereign bonds over German government bonds (spreads) to fluctuate, with their yields only charting a clear downward course towards the end of the first half of the year.

Fixed-income securities issued by private banks and the corporate sector have been showing very positive performance since the beginning of the year. Concerns that the missing ECB purchases would have a negative impact on the market had already been priced in in the fourth quarter of 2018 and have now been replaced by hopes of renewed monetary policy support. Corporate bonds, as well as covered bank bonds, recovered from the significant widening of spreads in the previous year. With the prospect of a prolonged period of extremely low interest rates, even low risk premiums became increasingly appealing. As Bund yields and swap rates also fell at the same time, many yields on corporate bonds with short maturities and covered bonds with short to medium maturities slipped into negative territory. New issues, particularly with comparatively attractive risk premiums, continued nevertheless to attract high demand.

There were no significant changes in the market environment for the financing business compared to 2018. The overall conditions for aircraft and infrastructure financing were stable on the whole. A slight reduction in structural excess capacity is emerging on the shipping markets. Potential in terms of margins remained limited, however, as strong competition from banks and institutional investors for attractive credit assets meant that borrowers could continue to negotiate favourable and borrower-friendly terms. With a large number of competitors from the banking and non-banking sectors alike, the market for real estate financing remained extremely competitive in the first six months of 2019. With the exception of the markets for retail properties, the real estate markets in the relevant regions, such as Europe, the US and Canada, developed positively and offered attractive financing opportunities.

### **Regulatory environment**

The regulatory environment changed only slightly compared with the situation presented in the 2018 Group management report. Higher capital requirements for banks could emerge from the results of the annual Supervisory Review and Evaluation Process (SREP), including in the context of the supervisory review of the internal models under Pillar 1 of the Basel capital framework, for example. Information on the main regulatory issues relevant to the Deka Group is set out below.

In the EU, the reform of the Capital Requirements Regulation II (CRR II) and Capital Requirements Directive V (CRD V) was completed in the six months under review. The final legislative texts were published in June 2019. The reform of the CRR primarily implements the proposals put forward by the Basel Committee (BCBS) on the leverage ratio (LR), the net stable funding ratio (NSFR), the standardised approach for counterparty credit risk exposure (SA-CCR), the revised requirements that apply to large exposures, the trading book and the treatment of credit risks resulting from guarantee funds and Riester products. These regulations will generally be applied for the first time in June 2021.

The Fundamental Review of the Trading Book (FRTB) planned to accompany the implementation of CRR II contains amended rules on market risk, which are likely to lead to an increase in risk-weighted assets (RWAs) when using the standardised approach in future. On 14 January 2019, the Basel Committee published the final standard with slightly reduced risk weightings in the standardised approach compared with under the 2016 Basel standard. This will reduce the increase in risk-weighted assets overall.

The European capital and liquidity requirements were revised to tighten up the rules on large exposures, forcing more restrictive handling of large exposure risks. The large exposure limit will no longer be set according to the level of total own funds but instead according to the level of Tier 1 capital. The calculation of the exposure values and the provisions governing the application of credit risk mitigation techniques have also been revised. In addition, when collateral is accepted, the collateral provider or issuer of the financial collateral is required to take the loan into account in their large exposure limit. This could have an impact on repo lending business activities. First-time application is scheduled for the end of June 2021.

The provisions of the Basel III regulations finalised in December 2017 (also known as “Basel IV”), which contain, among other things, rules on the output floor and Credit Risk Standardised Approach (CRSA), are not included in CRR II. The Basel Committee intends these rules to be introduced as from 1 January 2022. A timetable for implementation at EU level is not yet known. More specifically, the gradual introduction of an output floor is planned. This will stand at 50% upon introduction at the beginning of 2022 and increase to its final level of 72.5% in 2027. The output floor will limit the benefit of internal models as compared to the standardised approach. DekaBank currently uses the IRB approach for the majority of its lending. For the general components of interest rate and share price risk, it uses an up-to-date internal model for market price risk. It will therefore be particularly affected by the new output floor rules, which may lead to a significant rise in RWAs going forward. In addition, and also with first-time application starting in 2022, new rules for calculating the RWA for the CVA (credit valuation adjustment) risk and operational risk have been adopted; these could also increase RWAs. Alongside the EU Capital Requirements Regulation, the EU Council also agreed on amendments to the Bank Recovery and Resolution Directive (BRRD II) and the Single Resolution Mechanism Regulation (SRMR II). These primarily concern the transposition of international standards on loss-absorbing capacity into European law (TLAC) and their harmonisation with the minimum requirements for own funds and eligible liabilities for loss absorption and recapitalisation in the event of resolution (MREL). Within this context, the trilogue negotiation partners reached an agreement on the treatment of MREL-eligible liabilities issued prior to the change in legislation until maturity. As the Single Supervisory Mechanism (SSM) applies to the Deka Group, DekaBank again supported the work on a resolution plan for the Deka Group during 2019, which will ultimately be the basis for determining MREL.

In March 2018, the ECB published an addendum to the ECB guidance to banks on non-performing loans, detailing its expectations regarding the level of prudential provisioning for all loans classified as non-performing exposures (NPEs) for the first time after 1 April 2018. The expectations set out in the document will serve as the basis for an annual supervisory dialogue. Specifically, the addendum provides for full risk coverage for unsecured (secured) NPEs after two (seven) years from the time of NPE classification. In the event of a shortfall in cover, the banks are required either to make a deduction from their Common Equity Tier 1 capital on their own initiative or to provide the supervisory authorities with adequate justification of their divergence from the prudential provisioning expectations. If the ECB does not accept the justification, this could result in higher capital requirements. The amendment to the CRR concerning the minimum loss cover for non-performing exposures was published in the EU Official Journal on 25 April 2019, thereby entering into force. This provides for a mandatory deduction from the Common Equity Tier 1 capital if the actual risk provisions set up by the institutions fall short of the regulatory minimum requirements for the level of risk provisioning.

Between early March and the end of May 2019, the ECB conducted an EU-wide stress test focusing on liquidity risks at major institutions, including DekaBank. The institutions were later provided with information on the results, which will be included in the calculation of the relevant capital and liquidity ratios for 2020 as prescribed by the regulator as part of the Supervisory Review and Evaluation Process (SREP).

## Business development and profit performance in the Deka Group

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

In the first half of 2019, the Deka Group generated an economic result of €223.1m, on a par with the previous year's level (€222.6m). Net interest income, net commission income and net financial income exceeded the values achieved in the same period of the previous year. The risk provisioning result developed in line with expectations. Actuarial losses affecting provisions for pensions, however, put considerable pressure on other operating profit due to interest rates that were at an all-time low. All in all, the Deka Group increased its income by 4.6% to €771.4m (H1 2018: €737.8m). Expenses of €548.3m were 6.4% above the level seen in the first half of 2018 (€515.1m).

In the first six months of 2019, the Deka Group achieved net sales of €6.7bn. This figure was down on the same period of the previous year due to slowing sales momentum (€10.6bn). In retail banking, the investment fund business fell short of the figure for the first half of 2018 (€3.6m) at €1.6bn. Customers adopted a more cautious approach in light of the high levels of market volatility seen in 2018. This was also reflected in the sale of bond funds and mixed funds, as well as in fund-based asset management. Equity funds and mutual property funds made gains compared with the same period of the previous year. At €1.5bn, net sales in the institutional investment fund business lagged behind the figure for the same period of the previous year (€2.7bn). Net sales of certificates amounted to €3.6bn (H1 2018: €4.2bn). At just shy of €2.8bn, retail customers accounted for the lion's share of demand (H1 2018: €3.0bn). Net sales to institutional customers came to €0.8bn (first half of 2018: €1.2bn).

Total customer assets were up by around 8% as against the end of 2018 to €297.7bn. In addition to sales, this was primarily attributable to the positive performance witnessed in the course of the year. This trend was partially offset by distributions to investors and maturing certificates.

### Deka Group total customer assets in €m (Fig. 1)

	30 Jun 2019	31 Dec 2018	Change	
<b>Total customer assets</b>	<b>297,667</b>	<b>275,878</b>	21,789	7.9%
<b>by customer segment</b>				
Retail customers	149,045	137,169	11,876	8.7%
Institutional customers	148,622	138,709	9,913	7.1%
<b>by product category</b>				
Mutual funds and fund-based asset management	146,717	137,249	9,468	6.9%
Special funds and mandates	119,435	109,585	9,850	9.0%
Certificates	22,339	20,443	1,896	9.3%
ETFs	9,175	8,602	573	6.7%



See also:  
Overall risk  
position for  
the first half  
of 2019:  
pages 32, ff

Utilisation of risk appetite rose by 4.4 percentage points to 71.7% at the end of the first half of 2019 as a result of the moderate increase in total risk. Utilisation of risk capacity was also noticeably below the level seen at the end of 2018 (42.1%), coming in at 58.5%. This was due primarily to a significant drop in risk capacity to €4,597m as at 30 June 2019 (year-end 2018: €5,920m). This development can be traced back primarily to the fact that subordinated capital components are no longer eligible as a result of the further development of the risk-bearing capacity concept in methodological terms. Economic risk-bearing capacity was at a non-critical level overall as at 30 June 2019.

The Deka Group's financial position remains robust. The fully loaded Common Equity Tier 1 capital ratio (calculated in accordance with CRR/CRD IV requirements) stood at 15.2% at the midpoint of 2019, compared with 15.4% at the end of 2018. The slight increase in Common Equity Tier 1 capital by around 3% to €4,575m was due to effects resulting from the 2018 annual financial statements, especially reinvestments. At the same time, risk-weighted assets showed a moderate increase of around 4% to €30,191m.



The fully loaded leverage ratio stood at 4.5% at 30 June 2019, above the minimum ratio of 3.0% to be observed from June 2021.

Taking account of the requirements of the SREP (Supervisory Review and Evaluation Process), DekaBank had to comply at Group level with a phase-in Common Equity Tier 1 capital ratio of at least 8.94% as at 30 June 2019. This capital requirement is made up of the Pillar 1 minimum requirement (4.5%) plus the Pillar 2 requirement (1.25%), the capital conservation buffer (2.50%), the countercyclical capital buffer (approximately 0.19% at 30 June 2019) and the capital buffer for other systemically important banks (0.50%). The capital requirement for the total capital ratio with transitional provisions (phase-in) was 12.44%. Both requirements were clearly exceeded at all times.

The liquidity coverage ratio (LCR) was 137.9% at mid-year, well above the minimum requirement of 100%.

### **Profit performance of the Deka Group**

The economic result stood at €223.1m, on a par with the level achieved in the first half of 2018 (€222.6m). Total income rose by 4.6% to €771.4m (H1 2018: €737.8m). At €548.3m, total expenses were up by 6.4% on the level seen in the first half of 2018 (€515.1m).

Net interest income of €97.5m was considerably higher than in the first half of 2018 (€77.6m). Key components of net interest income were earnings from specialised and real estate financing in the Financing business division, as well as earnings from the Strategic Investments unit in the Capital Markets business division. These earnings were above the level for the same period of 2018.

Risk provisions in the lending and securities business amounted to €-11.4m in the first half of 2019, in line with expectations (H1 2018: €15.4m). Of this, €-10.0m (H1 2018: €5.9m) was attributable to lending business and €-1.5m (H1 2018: €9.5m) to securities.

Net commission income came to €591.4m (H1 2018: €563.9m) and thus made up almost 80% of total income. Commission from investment fund business rose primarily due to an increase in portfolio-based commissions in the first half of 2019. Commission income from banking was down slightly on the first half of 2018. Commission income from custody account business was on a par with the previous year's level.

Net financial income was €148.0m, substantially above the figure for the first half of 2018 (€96.5m). This figure includes all income and expense items from the trading book as well as the valuation and sale results from the banking book portfolios.

At €120.9m, net financial income from trading book portfolios was lower than in the same period of the previous year (€139.4m). A key component was income from the Trading & Structuring unit, which was, however, moderately down on the comparative figure for 2018. Collateral Trading & Currency also made a smaller contribution to earnings.

Net financial income from banking book portfolios was €27.2m (H1 2018: €-43.0m). This was essentially due to positive valuation effects on securities in the wake of spread movements in the first half of 2019. In the first half of 2018, spread developments still had a negative impact on earnings. The figure for the previous year reflects the fact that an amount of €30m was released from the general provision for potential risks. Additions to or releases from the general provision are reflected in the economic result, but do not form part of the IFRS profit or loss and are not allocated to specific business divisions.

Other operating profit amounted to €-54.1m (H1 2018: €-15.5m). Actuarial losses of €-57.4m on pension provisions owing to a market-induced fall in the actuarial interest rate to 1.15% (year-end 2018: 1.90%) had a negative impact. This effect was only partially offset by the increase in plan assets. In the same period of the previous year, actuarial losses of €-12.2m were recognised on provisions for pensions. Actuarial effects are not included in the IFRS profit or loss as they are posted directly to equity (revaluation reserve). However, they are reported in the economic result as part of the profit or loss for the period.



Personnel expenses showed a moderate increase to €269.1m (H1 2018: €260.3m). Compared to the same period of the previous year, expenses were pushed up by an increase in the workforce and wage and salary increases as a result of the collective bargaining rounds.

Other administrative expenses, which are presented inclusive of depreciation in connection with the application of IFRS 16 from 2019 onwards, amounted to €218.9m (H1 2018: €214.3m). While marketing and sales expenses, among other things, were below the comparable figure for the first half of the previous year, expenses for consultancy, computer equipment and machinery, as well as postage/telephone/office supplies were higher than in the previous year. At €26.4m, depreciation and amortisation charges were up considerably on the figure for the same period of 2018 (€9.2m), as was expected. This increase was due to depreciation reported in this item from 2019 onwards due to the recognition of leases in accordance with IFRS 16 (mainly for buildings).

The full annual contribution to the deposit protection reserve of the *Landesbanken* and *Girozentralen* amounted to €17.2m (H1 2018: €11.0m). The annual charge in relation to the European bank levy was also recognised in full and came to €40.4m (H1 2018: €29.6m).

#### Deka Group profit performance in €m (Fig. 2)

	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change	
Net interest income	97.5	77.6	19.9	25.6%
Risk provisions in the lending and securities business	-11.4	15.4	-26.8	-174.0%
Net commission income	591.4	563.9	27.5	4.9%
Net financial income	148.0	96.5	51.5	53.4%
Other operating profit	-54.1	-15.5	-38.6	-249.0%
<b>Total income</b>	<b>771.4</b>	<b>737.8</b>	<b>33.6</b>	<b>4.6%</b>
Administrative expenses (including depreciation)	545.6	515.1	30.5	5.9%
Restructuring expenses	2.7	-	2.7	n/a
<b>Total expenses</b>	<b>548.3</b>	<b>515.1</b>	<b>33.2</b>	<b>6.4%</b>
<b>Economic result</b>	<b>223.1</b>	<b>222.6</b>	<b>0.5</b>	<b>0.2%</b>

The cost/income ratio, i.e. the ratio of total expenses (excluding restructuring expenses) to total income (before risk provisions in the lending and securities business), came to 69.7%, a slight improvement on the previous year due to income-related factors (H1 2018: 71.3%). Return on equity (before tax) was 9.3% (H1 2018: 9.6%).

#### Ratings

In 2019, DekaBank's ratings remain among the best in its peer group of German commercial banks. Our issuer rating from Standard & Poor's (S&P) is unchanged at A+ with a stable outlook, with a short-term rating of A-1. S&P gives us ratings of A+ for preferred senior unsecured debt ("Senior Unsecured Debt") and A for non-preferred senior unsecured debt ("Senior Subordinated Debt").

Moody's rates DekaBank's preferred senior unsecured debt issues (Moody's: "Senior Unsecured Debt") at Aa2 with a stable outlook. Non-preferred senior unsecured debt issues (Moody's: "Junior Senior Unsecured Debt") is rated A1. The short-term rating is unchanged at P-1. Moody's awarded an Aaa rating to DekaBank's *Pfandbrief* bonds.

The ratings awarded by both agencies reflect the high strategic importance of the Deka Group to the savings bank sector as well as the adequate capital and liquidity base for its business model.

## Business development and profit performance by business division

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

The Asset Management Securities business division achieved an economic result of €172.0m in the first half of 2019 (H1 2018: €126.3m). Net sales were down on the high prior-year figure. Thanks to positive performance, total customer assets increased to €234.8bn (year-end 2018: €217.3bn).

#### Net sales and total customer assets

Net sales in the Securities division came to €1.2bn at the end of the first half of 2019 (H1 2018: €5.1bn). Net sales in relation to mutual securities funds (including fund-based asset management) were €-0.4bn (H1 2018: €2.4bn). Sales of equity funds improved compared with the first half of 2018. On the other hand, the reluctance among investors particularly in fund-based asset management was noticeable where bond funds and mixed funds were concerned. With net sales totalling €-0.3bn, ETFs fell short of the previous year's figures for both ETF equity and ETF bond funds.

Net sales of special funds and mandates (including master funds) declined to €1.9bn (H1 2018: €2.4bn). In particular, advisory/management mandates showed positive development compared with the same period of the previous year.

#### Net sales in the Asset Management Securities business division in €m (Fig. 3)

	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018
<b>Net sales</b>	<b>1,228</b>	<b>5,129</b>
<b>by customer segment</b>		
Retail customers	127	2,610
Institutional customers	1,101	2,518
<b>by product category</b>		
Mutual funds and fund-based asset management	-369	2,353
ETFs	-302	370
Special funds and mandates	1,899	2,406

In the first six months of 2019, the division's total customer assets rose by €17.5bn to €234.8bn, mainly due to performance that was clearly in positive territory.

#### Total customer assets in the Asset Management Securities business division in €m (Fig. 4)

	30 Jun 2019	31 Dec 2018	Change	
<b>Total customer assets</b>	<b>234,849</b>	<b>217,337</b>	17,512	8.1%
<b>by customer segment</b>				
Retail customers	105,230	97,384	7,846	8.1%
Institutional customers	129,619	119,952	9,667	8.1%
<b>by product category</b>				
Mutual funds and fund-based asset management	113,989	106,315	7,674	7.2%
thereof: equity funds	33,855	28,443	5,412	19.0%
thereof: bond funds	30,831	31,426	-595	-1.9%
thereof: mixed funds	16,784	15,467	1,317	8.5%
ETFs	9,175	8,602	573	6.7%
Special funds and mandates	111,684	102,420	9,264	9.0%

### Profit performance in the Asset Management Securities business division

At €172.0m, the division's economic result was higher than the comparative figure for the previous year (€126.3m). This was primarily due to the increase in net commission income as a major income component. At €182.2m, expenses were slightly down on the comparative figure for the first half of 2018 (€186.2m).

#### Profit performance in the Asset Management Securities business division in €m (Fig. 5)

	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change	
Net commission income	347.3	326.8	20.5	6.3%
Other income	12.3	-4.2	16.5	(> 300%)
<b>Total income</b>	<b>359.5</b>	<b>322.5</b>	<b>37.0</b>	<b>11.5%</b>
Administrative expenses (including depreciation)	179.5	186.3	-6.8	-3.7%
Restructuring expenses	2.7	-0.0	2.7	(> 300%)
<b>Total expenses</b>	<b>182.2</b>	<b>186.2</b>	<b>-4.0</b>	<b>-2.1%</b>
<b>Economic result without Treasury function</b>	<b>177.3</b>	<b>136.3</b>	<b>41.0</b>	<b>30.1%</b>
Treasury function	-5.4	-9.9	4.5	45.5%
<b>Economic result</b>	<b>172.0</b>	<b>126.3</b>	<b>45.7</b>	<b>36.2%</b>

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

The Asset Management Real Estate business division once again boosted its net sales compared with the first half of 2018. This and a solid performance meant that total customer assets surpassed the €40bn mark. The economic result of €44.7m fell short of the mid-year figure for 2018 (€50.8m).

#### Net sales and total customer assets

At €1.9m, net sales significantly exceeded the comparable prior-year figure of €1.3bn. As in previous years, the tried-and-tested quota system for sales to retail customers was maintained. This allows the inflow of funds into the products to be managed efficiently, even in the face of high demand. What is more, the funds' liquidity resources can be limited in the current low-interest rate environment. This also helps to prevent excessive investment pressure arising in view of the high real estate prices.

Mutual funds accounted for 84% of the division's net sales. There was particularly high demand for products focused on Europe, such as *Deka-ImmobilienEuropa* and *WestInvest InterSelect*.

The net inflow into special funds, individual property funds and credit funds and mandates was €0.1bn, which represented an increase over last year.

#### Net sales in the Asset Management Real Estate business division in €m (Fig. 6)

	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018
<b>Net sales</b>	<b>1,910</b>	<b>1,263</b>
<b>by customer segment</b>		
Retail customers	1,500	1,035
Institutional customers	409	228
<b>by product category</b>		
Mutual property funds	1,608	1,092
Special funds and individual property funds and mandates	302	171

Despite distributions in excess of €0.4bn, total customer assets in the Asset Management Real Estate division rose by 6.2% to €40.5bn (year-end 2018: €38.1bn), of which €30.1bn related to products for retail customers. A yield-focused cash management policy again contributed to the rise in total customer assets. Euro-denominated mutual property funds achieved an average volume-weighted return of 3.5% (year-end 2018: 3.4%).

Transaction volume, i.e. purchases and sales of property, declined to €1.1bn (H1 2018: €1.2bn). Around 59% of the overall transaction volume concerned a total of nine contractually secured property purchases. There were twelve disposals. Business activities continue to centre on properties in the office, shopping, hotel and logistics asset classes.

#### Total customer assets in the Asset Management Real Estate business division in €m (Fig. 7)

	30 Jun 2019	31 Dec 2018	Change	
<b>Total customer assets</b>	<b>40,479</b>	<b>38,099</b>	2,380	6.2%
<b>by customer segment</b>				
Retail customers	30,073	28,477	1,596	5.6%
Institutional customers	10,405	9,622	783	8.1%
<b>by product category</b>				
Mutual property funds	32,728	30,934	1,794	5.8%
Special funds and individual property funds and mandates	7,751	7,166	585	8.2%

#### Profit performance in the Asset Management Real Estate business division

The economic result of the Asset Management Real Estate business division stood at €44.7m in the first half of 2019 compared with €50.8m in the prior-year period. The decline compared with the first half of 2018 was due primarily to lower net commission income. This was attributable in particular to commission income from purchasing and construction fees, which was significantly lower than in the previous year. The expenses showed a slight increase compared to the first half of the previous year due to higher personnel expenses as a result of an increased real estate portfolio.

#### Profit performance in the Asset Management Real Estate business division in €m (Fig. 8)

	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change	
Net interest income	-0.2	0.2	-0.4	-200.0%
Net commission income	113.9	119.0	-5.1	-4.3%
Net financial income	0.8	-1.2	2.0	166.7%
Other operating profit	0.1	0.5	-0.4	-80.0%
<b>Total income</b>	<b>114.6</b>	<b>118.6</b>	<b>-4.0</b>	<b>-3.4%</b>
Administrative expenses (including depreciation)	68.3	65.8	2.5	3.8%
<b>Total expenses</b>	<b>68.3</b>	<b>65.8</b>	<b>2.5</b>	<b>3.8%</b>
<b>Economic result without Treasury function</b>	<b>46.3</b>	<b>52.8</b>	<b>-6.5</b>	<b>-12.3%</b>
Treasury function	-1.6	-2.0	0.4	20.0%
<b>Economic result</b>	<b>44.7</b>	<b>50.8</b>	<b>-6.1</b>	<b>-12.0%</b>

### Business development and profit performance in the Asset Management Services business division

In the first half of 2019, the Asset Management Services division increased the number of securities accounts and the amount of assets under custody, as well as expanding its digital multichannel management offering. The economic result was €8.8m (H1 2018: €11.6m).

#### Business development in the Asset Management Services business division

Supported by market developments in the first half of 2019, assets under custody in the Digital Multichannel Management subdivision rose to €129.1bn (year-end 2018: €118.6bn). At 36.3 million, the number of securities transactions fell slightly in a year-on-year comparison (H1 2018: 40.7 million). The 2018 figure was influenced by a one-off effect relating to the introduction of the Investment Tax Reform Act (*Investmentsteuerreformgesetz*). By the middle of 2019, around 250 savings banks (year-end 2018: 140) had used the broker model to integrate the digital asset management system developed by bevestor into the product offering of their “internet branches”.

Assets under custody showed a marked increase to €211.6bn (year-end 2018: €194.6bn). This was attributable to both mutual funds and special funds. The number of custody accounts for which the division is the legal provider rose increased by 34.2 thousand to 4.7 million in the first half of 2019.

#### Profit performance in the Asset Management Services business division

The economic result for the Asset Management Services division was €8.8m in the first half of 2019 (H1 2018: €11.6m). The largest income component was net commission income of €88.2m (H1 2018: €92.6m). Against this, expenses came to €86.5m (H1 2018: €81.8m). The increase was primarily the result of expenses for regulatory affairs and for the further development and expansion of Digital Multichannel Management.

#### Profit performance in the Asset Management Services business division in €m (Fig. 9)

	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change	
Net interest income	1.7	2.1	-0.4	-19.0%
Risk provisions in the lending and securities business	-	-0.1	0.1	100.0%
Net commission income	88.2	92.6	-4.4	-4.8%
Net financial income	3.6	-2.2	5.8	263.6%
Other operating profit	2.7	2.0	0.7	35.0%
<b>Total income</b>	<b>96.1</b>	<b>94.4</b>	<b>1.7</b>	<b>1.8%</b>
Administrative expenses (including depreciation)	86.5	81.8	4.7	5.7%
<b>Total expenses</b>	<b>86.5</b>	<b>81.8</b>	<b>4.7</b>	<b>5.7%</b>
<b>Economic result without Treasury function</b>	<b>9.6</b>	<b>12.5</b>	<b>-2.9</b>	<b>-23.2%</b>
Treasury function	-0.8	-1.0	0.2	20.0%
<b>Economic result</b>	<b>8.8</b>	<b>11.6</b>	<b>-2.8</b>	<b>-24.1%</b>

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

The Capital Markets business division has continued consistently to develop its products and expand infrastructure services, thus enhancing its positioning as a central provider of products and solutions within the *Sparkassen-Finanzgruppe*. Customer needs and future regulatory requirements have been taken into account as part of this process. The division's economic result showed a year-on-year increase from €34.5m in the first half of 2018 to €96.0m.

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

The Collateral Trading & Currency unit fell short of the comparable figure for the previous year due to the persistent environment of low interest rates and the high level of market liquidity, despite its solid position in the lending business and collateral management, among other areas. Business developments in the Commission Business unit were stable. The Trading & Structuring unit benefited from positive spread developments as well as sustained high demand in the third-party issues and certificates business. Net sales of certificates amounted to €3.6bn (H1 2018: €4.2bn). At just shy of €2.8bn, retail customers accounted for the lion's share of demand (H1 2018: €3.0bn). Net sales to institutional customers came to €0.8bn (H1 2018: €1.2bn).

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

At €96.0m, the division's economic result was up on the comparative figure for the previous year (€34.5m). This was mainly due to very high customer activity at the beginning of the year and valuation effects relating to banking book portfolios. Lower negative contributions from the Treasury function also had a positive effect in the first half of 2019, again due to valuation effects. Expenses of €84.5m were slightly above the previous year's level.

#### Profit performance in the Capital Markets business division in €m (Fig. 10)

	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change	
Net interest income	32.0	18.8	13.2	70.2%
Risk provisions in the lending and securities business	-0.9	9.2	-10.1	-109.8%
Net commission income	29.3	11.3	18.0	159.3%
Net financial income	136.1	112.1	24.0	21.4%
Other operating profit	1.1	1.3	-0.2	-15.4%
<b>Total income</b>	<b>197.5</b>	<b>152.7</b>	<b>44.8</b>	<b>29.3%</b>
Administrative expenses (including depreciation)	84.5	82.4	2.1	2.5%
<b>Total expenses</b>	<b>84.5</b>	<b>82.4</b>	<b>2.1</b>	<b>2.5%</b>
<b>Economic result without Treasury function</b>	<b>113.0</b>	<b>70.3</b>	<b>42.7</b>	<b>60.7%</b>
Treasury function	-17.0	-35.8	18.8	52.5%
<b>Economic result</b>	<b>96.0</b>	<b>34.5</b>	<b>61.5</b>	<b>178.3%</b>

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

In the first half of 2019, the Financing business division achieved an economic result of €35.4m (H1 2018: €37.7m). Gross loan volume in the division increased by around 5% to reach €25.2bn at mid-year. Both Specialised Financing and Real Estate Financing exceeded the figures for year-end 2018.

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

Gross loan volume in the Specialised Financing subdivision rose slightly to €15.1bn (year-end 2018: €14.2bn). Infrastructure financing accounted for €3.5bn (year-end 2018: €3.1bn), export financing for €1.4bn (year-end 2018: €1.5bn) and public sector financing for €1.6bn (year-end 2018: €1.2bn). The transport financing also included in this figure in the total amount of €4.8bn (year-end 2018: €4.5bn) comprised ship financing of €1.2bn and aircraft financing of €3.6bn. Gross loan volume for savings bank financing fell by €0.1bn as against the end of 2018 to €3.5bn.

The legacy portfolio, which primarily contains ship financing loans that were made before the lending risk strategy was changed in 2010, was reduced further to €0.2bn as planned (year-end 2018: €0.3bn).

Gross loan volume in the Real Estate Financing subdivision also rose slightly during the first half of 2019 to €10.1bn (year-end 2018: €9.8bn). The volume of commercial property loans showed a moderate increase to €8.1bn (year-end 2018: €7.8bn). Financing volume in open-ended real estate funds remained stable at €1.9bn (year-end 2018: €1.9bn).

Compared to year-end 2018, the average rating for the loan portfolio according to the DSGV master scale improved by one notch to 5. This corresponds to a rating of BBB– on S&P's external rating scale. The average rating for Specialised Financing improved from 7 to 6 over the same period (S&P: BB to BB+). The rating for Real Estate Financing changed by one notch from 4 to 5 (S&P: both BBB–). Taking account of collateralised assets, the average rating for Real Estate Financing deteriorated from AAA on the DSGV master scale (S&P: AAA) to AA– (S&P: A+).

At €3.6bn, the volume of new business in the Financing division showed positive development in the first half of 2019 compared with the previous year's figure of €3.3bn. New business in the Specialised Financing subdivision increased to €2.2bn (H1 2018: €2.1bn), as did new business in the Real Estate Financing subdivision, which rose to €1.4bn (H1 2018: €1.3bn). Savings bank financing accounted for around 3% of total new business (H1 2018: 10%).

The volume of placements fell as against the figure seen at the end of the first six months of 2018 to around €0.5bn, in line with expectations. The lion's share of this amount was placed directly with the *Sparkassen-Finanzgruppe*.

### Profit performance in the Financing business division

In the first half of 2019, the Financing business division achieved an economic result of €35.4m (H1 2018: €37.7m). Net interest income was slightly higher than in the previous year, while net commission income was moderately lower. Risk provisions amounted to €–10.6m in the first half of 2019, in line with expectations. In the first half of 2018, there was a positive risk provisioning result of €6.2m due to the reversal of provisions that were no longer required and income on written-down receivables. At €28.0m, expenses were stable at the same level as in the previous year.

#### Profit performance in the Financing business division in €m (Fig. 11)

	30 Jun 2019	31 Dec 2018	Change	
Net interest income	64.8	59.1	5.7	9.6%
Risk provisions in the lending and securities business	–10.6	6.2	–16.8	–271.0%
Net commission income	13.7	14.2	–0.5	–3.5%
Net financial income	–0.9	2.6	–3.5	–134.6%
Other operating profit	5.5	0.9	4.6	(> 300%)
<b>Total income</b>	<b>72.6</b>	<b>83.1</b>	<b>–10.5</b>	<b>–12.6%</b>
Administrative expenses (including depreciation)	28.0	27.8	0.2	0.7%
<b>Total expenses</b>	<b>28.0</b>	<b>27.8</b>	<b>0.2</b>	<b>0.7%</b>
<b>Economic result without Treasury function</b>	<b>44.6</b>	<b>55.3</b>	<b>–10.7</b>	<b>–19.3%</b>
Treasury function	–9.2	–17.6	8.4	47.7%
<b>Economic result</b>	<b>35.4</b>	<b>37.7</b>	<b>–2.3</b>	<b>–6.1%</b>

### Financial position of the Deka Group

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

The Deka Group's total assets rose by around 8% relative to the end of 2018 to reach €108.8bn as at 30 June 2019.

Amounts due from banks and customers rose as against the end of 2018 by €1.8bn to €50.1bn and accounted for around half of total assets. This movement resulted mainly from new reverse repo activities and the expansion of lending. Financial assets measured at fair value increased to around €30bn (year-end 2018: €25.0bn), due in particular to an increase in the volume of interest rate derivatives, the development of interest rates in the first half of 2019 and the volume-related increase in bonds in the context of synthetic lending transactions. At €11.2bn, financial investments were slightly (€0.4bn) higher than at the end of the previous year.

Amounts due to banks and customers increased by €4.4bn in the first six months of 2019 to €53.1bn as at 30 June 2019, corresponding to around 49% of total assets. The reason for the increase in amounts due to banks was – in line with developments on the assets side – an increase in repo transactions, while amounts due to customers increased largely due to short-term time deposits in the context of liquidity management. The issue of commercial paper was also used to manage the Deka Group's liquidity. This resulted in securitised liabilities that were up by €1.8bn (€16.6bn). At €31.2bn, financial liabilities at fair value were moderately (€1.9bn) higher than at the end of 2018. As with financial instruments measured at fair value on the assets side, they were influenced by an increase in the volume of interest rate swaps, the development of interest rates in the first half of 2019 and the increase in trading issues in the context of the certificates business.



**Changes in the Deka Group balance sheet** in €m (Fig. 12)

	30 Jun 2019	31 Dec 2018	Change	
<b>Total assets</b>	<b>108,752</b>	<b>100,444</b>	8,308	8.3%
<b>Selected asset items</b>				
Due from banks and customers	50,147	48,393	1,754	3.6%
Financial assets at fair value	30,050	25,045	5,005	20.0%
Financial investments	11,188	10,795	393	3.6%
<b>Selected liability items</b>				
Due to banks and customers	53,080	48,673	4,407	9.1%
Securitised liabilities	16,629	14,791	1,838	12.4%
Financial liabilities at fair value	31,167	29,307	1,860	6.3%

**Changes in regulatory capital (own funds)**

Capital adequacy is determined in accordance with the CRR/CRD IV. Alongside credit risk, market risk and operational risk, the credit valuation adjustment (CVA) risk is also taken into account. Regulatory own funds requirements were met at all times during the reporting period.

In addition, capital adequacy is also considered from a normative perspective on this basis. This involves defining internal threshold values, compliance with which is ensured by means of an ongoing monitoring process. This includes monthly plan/actual comparisons, as well as a forecast process. The internal thresholds were well above the regulatory minimum requirements.

The fully loaded Common Equity Tier 1 capital ratio (calculated in accordance with CRR/CRD IV requirements) stood at 15.2% at the midpoint of 2019, compared with 15.4% at the end of 2018.

The slight increase in Common Equity Tier 1 capital by around 3% to €4,575m was due to effects resulting from the 2018 annual financial statements, especially reinvestments. At the same time, risk-weighted assets showed a moderate increase of around 4% to €30,191m. In terms of market risk, the €736m change to €7,084m was mainly attributable to an increase in the interest rate-induced business volume and increased spread risks in the internal market risk model. Credit risk increased by €512m to €19,256m against the backdrop of the expansion of business in the Financing business division. Operational risk fell by €120m to €3,245m in the first half of the year. The CVA risk amounted to €606m, up slightly on the level seen at the end of 2018.

The total capital ratio (fully loaded) stood at 19.3% at mid-year (year-end 2018: 19.8%).

The leverage ratio determined in accordance with the Delegated Regulation of 17 January 2015, i.e. the ratio of Tier 1 capital to total assets, adjusted in line with regulatory requirements, stood at 4.5% as at 30 June 2019 (year-end 2018: 4.6%). Taking account of the phase-in provisions, the leverage ratio for the Deka Group was also 4.5% (year-end 2018: 4.6%). This was substantially above the minimum leverage ratio of 3.0% to be adhered to from June 2021 onwards.

**Deka Group own funds in €m (Fig. 13)**

	30 Jun 2019		31 Dec 2018	
	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 (CET 1) capital	4,575	4,575	4,460	4,460
Additional Tier 1 (AT 1) capital	474	489	474	495
<b>Tier 1 capital</b>	<b>5,048</b>	<b>5,064</b>	<b>4,933</b>	<b>4,954</b>
Tier 2 (T2) capital	789	789	807	807
<b>Own funds</b>	<b>5,837</b>	<b>5,852</b>	<b>5,741</b>	<b>5,762</b>
Credit risk	19,256	19,256	18,744	18,744
Market risk	7,084	7,084	6,348	6,348
Operational risk	3,245	3,245	3,365	3,365
CVA risk	606	606	565	565
<b>Risk-weighted assets</b>	<b>30,191</b>	<b>30,191</b>	<b>29,021</b>	<b>29,021</b>
%				
<b>Common Equity Tier 1 capital ratio</b>	<b>15.2</b>	<b>15.2</b>	<b>15.4</b>	<b>15.4</b>
<b>Tier 1 capital ratio</b>	<b>16.7</b>	<b>16.8</b>	<b>17.0</b>	<b>17.1</b>
<b>Total capital ratio</b>	<b>19.3</b>	<b>19.4</b>	<b>19.8</b>	<b>19.9</b>

**Liquidity and refinancing**

The liquidity management requirements set out under the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement* – MaRisk) were met during the first six months of 2019. The requirements of the German Liquidity Regulation (*Liquiditätsverordnung*) were likewise fully complied with. The liquidity coverage ratio (LCR) stood at 137.9% at mid-year (year-end 2018: 149.8%). More detailed information regarding the Deka Group's liquidity situation can be found in the risk report.

Refinancing is carried out in a diversified manner using domestic and international money market and capital market instruments. This includes issues of *Pfandbriefe*, short-term bearer bonds based on the commercial paper (CP) programme, and medium to long-term bearer bonds based on the debt issuance programme and the programmes for structured issues and certificates. These activities are supplemented by placements of registered debt securities and promissory note loans. DekaBank also uses the repo and lending markets, call money and time deposits to raise and invest liquidity.

**Human resources report**

The total number of people employed by the Deka Group remained virtually unchanged in the first six months of 2019 at 4,741 (year-end 2018: 4,716). The number of employees is determined by counting the number of employment contracts (temporary and permanent) in existence at the reporting date, including inactive employees, trainees and interns. The number of earnings-relevant full-time equivalents dropped slightly compared with the end of 2018 from 4,179 to 4,123. The total includes part-time employees actively involved in work processes in the Deka Group, who are counted *pro rata* on the basis of their working hours.



See also:  
Liquidity risk:  
pages 37, ff

## Forecast report

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### Forward-looking statements

The Deka Group's planning is based on the assumptions about future economic development that appear the most probable from a current standpoint. Statements about the expected development in the second half of 2019 are nevertheless subject to uncertainty.

Actual trends in the international capital, money and property markets or in the Deka Group's business divisions may diverge significantly from our assumptions, which are partly based on expert estimates. The Deka Group's risk position is summarised in the risk report. If the risk scenarios referred to in the risk report should materialise, for example as a result of stress situations or counterparty default, this may result in negative differences from the forecast during the remaining months of the 2019 financial year. Conversely, opportunities may result in expectations being exceeded.

### Expected macroeconomic trends

Looking ahead to the second half of the year, DekaBank expects the moderate economic growth witnessed of late to continue. Global expansion of 3.0% is predicted for 2019 as a whole. No serious slowdown is expected in any region of the global economy. Nevertheless, economic downside risks emanating primarily from the political arena are likely to dominate the capital markets. After US President Trump raised tariffs for Chinese products again in the spring and threatened to impose new tariffs against Mexico, his behaviour seems to be even less predictable. Trust between the US and China, in particular, is likely to have been destroyed to such an extent that any rapprochement is unlikely for the time being. In addition, relations between the US and the EU could move further into the spotlight again as a result of the imminent decision on protective tariffs on car imports. Even if the trade conflict does not escalate, the ongoing uncertainty is likely to weigh on the overall mood on the financial markets and in the real economy.

In terms of economic growth, this has so far been offset by buoyant domestic demand and flourishing labour markets. Given that unemployment rates in most of the world's industrialised nations are already very low, however, consumer spending will, for the foreseeable future, no longer be able to prop up growth to the extent witnessed to date. Even if the trade disputes do not intensify any further, the economic damage is therefore likely to gradually increase.

What is more, political uncertainties are also creating an uncertain environment for the financial markets and the real economy. The UK's withdrawal from the EU is likely to become a more prominent topic again in the near future. It is unlikely that the new prime minister and parliament will reach an agreement on the terms of the UK's departure by the end of October. A second referendum or early election may be required to break this deadlock. This makes the spectrum of possible scenarios very broad, ranging from a hard Brexit to a decision to remain in the EU. Within the EU, the rise of populist forces has led to mounting political risks. In the European Parliament, the majority held by the pro-European parties is thinner than it once was. In the European Council, too, there are individual governments that are not in favour of further integration. This lack of unity is making it difficult for the EU to adopt a common stance on key issues, including how to deal with Italy's increased budget deficits, global trade disputes and Brexit.

**Expected environment for asset management**

Perceived risks, as well as low inflation rates and the possibility of a further drop in inflation expectations, mean that all eyes are on the world's major central banks. DekaBank expects the Fed and the ECB to cut their key interest rates in the second half of 2019, a move that will have a significant impact on the capital markets. This will generally have a dampening effect on yields on safe-haven government bonds and provide support for riskier assets.

Real estate asset management remains an appealing asset class. However, investment opportunities for real estate funds remain limited, meaning that restraint is still called for when attracting new inflows. Higher completions and fewer space conversion projects are likely to translate into a significant slowdown in rental growth in Europe from 2020 onwards. In the ongoing low interest rate environment, yields will remain low for the foreseeable future, presenting fund management with particular challenges.

**Expected environment for the banking business**

In view of the only moderate pace of economic growth and persistently low inflation, the ECB believes that it has to continue with a highly expansionary monetary policy. Alongside expansionary measures, its most important tool remains its forward guidance, in which it has underscored its intention to keep key interest rates at a very low level for some time to come.

This means that the excess liquidity on the money market is likely to persist for the time being, pushing EONIA and EURIBOR rates towards the current deposit rate of  $-0.40\%$ . Consequently, the short end of the Bund curve will also remain stuck well below zero. The prospect of very expansionary monetary policy for years to come is, however, exerting downward pressure on yields in the longer maturity ranges, too. As a result, while the yield on ten-year German government bonds is expected to rise somewhat, it will remain in negative territory until well into next year.

Corporate bonds, as well as uncovered and covered bank bonds (*Pfandbriefe*), have reaped considerable benefits from the turnaround in guidance from the ECB and other major central banks. With the prospect of a prolonged period of extremely low interest rates, even low risk premiums are becoming increasingly appealing. While the economic outlook has clouded over due to the trade dispute, expansion as opposed to recession is still on the cards both in Germany and at global level, offering companies a strong foundation for their business. Since the major central banks are also signalling that they will provide continuing, or even additional, monetary support if setbacks appear on the horizon, rising spreads will soon be interpreted as an entry signal again on the capital market. The weaker economic outlook, however, leaves little more scope for price gains from spread narrowing in the near future.

In the individual market segments of its capital markets business, the Deka Group still expects only moderate changes compared to 2018. In the financing business, the continuing high level of market liquidity and investment pressure among institutional investors will put heavy pressure on margins, which may be reflected in the terms and conditions offered.

**Expected business development and profit performance**

In the forecast report included in the 2018 Group management report, the economic result for 2019 as a whole was predicted to be roughly on a par with 2018, i.e. at around €450m. Developments in the first half of the year generally confirm this forecast. In view of the current capital market situation and the persistently low interest rates, however, it is impossible, from today's perspective, to rule out the prospect of negative effects particularly on the business activities of companies in Deka's equity investment portfolio, resulting in negative earnings effects for the Deka Group in the second half of the year. This would push the economic result for 2019 down to well below the previous year's figure.

The analysis of the potential impact from the leveraging and implementation of efficiency measures under the DekaPro strategic programme has not yet been completed. It was therefore not yet possible to include the resulting effects on earnings in the forecast for the interim report.

With a continued focus on investment fund business that maintains lasting value, including regular securities saving, net sales are expected to by far exceed the previous year's level.

The Asset Management Securities business division is still aiming for higher net sales as against the end of 2018, and therefore an increase in total customer assets. This is to be supported by the optimisation of the product offering for lump-sum investments, investment fund savings and fund-based asset management concepts across all distribution channels. A rise in net sales is expected for the institutional business, driven primarily by sales of special funds and mandates.

Risks will come from the political arena (US foreign and trade policy), the escalation of latent armed conflicts, Brexit and nationalist currents in Europe. These could put pressure on the stock markets and dampen investors' risk appetite, or trigger fund outflows. In addition, a pronounced stock market correction could negatively affect total customer assets.

The Asset Management Real Estate business division aims to improve net sales in the institutional business again – without changing sales quotas for mutual real estate funds – and achieve an overall increase in total customer assets. New open-ended real estate funds are being planned for the retail business, which will enable the business division to respond to the sustained high demand for its real estate products among private investors. Potential in the institutional sector is to be tapped through new products and intensified sales activities, among other things. The strategic focus on core real estate along with strong commitments regarding quality and stability make the division the first-choice partner for savings banks and customers when investing in commercial property. Moreover, the division plans to reinforce its attractiveness to sustainability-oriented investors by consistently taking into account sustainability criteria in portfolio management and when purchasing property.

Risks to performance arise from fierce competition in the transaction markets, which makes transaction planning difficult. While the interest-driven boom improves sale prospects, it also puts increased requirements on the structuring of property purchases. There is also the risk of cyclical changes in value in the event of a downturn on property markets.

The Asset Management Services business division expects assets under custody to have increased by the end of 2019 in line with the targeted growth in asset management, consolidating its competitive standing in the *Sparkassen-Finanzgruppe*. The Digital Multichannel Management subdivision will put a special focus on enhancing the "internet branch" and integrating it with sales channels based on physical branches and other media. The Deka Group will strengthen the position of the Depository subdivision through growth in the Deka Group investment companies' mutual funds and by obtaining third-party mandates.

Risks to future performance include rising pressure on margins for depositaries as well as market-induced outflows of funds. In Digital Multichannel Management, rising expenses could result from additional regulatory requirements imposed by the supervisory authorities.

The Capital Markets business division will continue its existing strategic direction as a customer-centric product and solution provider focused on the development of suitable structured products and the derivatives, issuance and trading businesses as 2019 progresses. In certificates business, the focus will remain on retail products. The Deka Group will remain committed to positioning itself as an infrastructure provider with global capital market access.

Risks arise particularly from a drop in customer activity prompted by political or market/economic events, regulatory intervention in the design of products and definition of terms and conditions, further increased market pressure on fees and greater competition among brokers.

The Financing business division aims to increase new business in 2019 in its defined core segments in specialised and real estate financing. The planned expansion of the lending portfolio will serve as a basis for sustainable contributions to the division's results. The focus will remain on quality leadership in existing asset classes while maintaining a stability-oriented and risk-aware strategic focus.

Risks include political crises, which could adversely affect the economic outlook for lending segments in which we operate. This could lead to a need for higher loan loss provisions, or to increased capital adequacy requirements as a result of a downgrading of our credit ratings. The long acquisition periods and intense competitive pressure for credit assets may also mean that the planned new business volume cannot be achieved.

#### **Expected financial and risk position**

For the remaining months of the current year, the Deka Group is anticipating a continued sound financial position with largely stable total assets. While a volume increase is planned in the financing business, a reduction in volume is expected in the Capital Markets business division. Balance sheet management will be geared towards ensuring compliance with an appropriate leverage ratio.

The Group's liquidity position is expected to remain at a comfortable level. The Deka Group can thus fulfil its role as the liquidity, risk and collateral platform for the savings banks and other institutional customers without restriction.

The Common Equity Tier 1 capital ratio (fully loaded) is expected to be below the level reached at the midpoint of 2019, but above the strategic target of 13%. This is due, in particular, to the planned volume expansion in the Financing business division.

Following developments in the first half of the year and an expected further slight increase, risk appetite utilisation will remain at a non-critical level for the remaining six months. Utilisation of risk capacity (risk capacity has fallen significantly, as was to be expected now that subordinated capital components now no longer count towards internal capital) will also remain at a non-critical level, as described in the forecast report published in the 2018 Group management report. In view of the current capital market situation and the continuing low interest rates, it is impossible, from today's perspective, to rule out the possibility of negative earnings effects in the second half of the year. These effects would reduce risk capacity, particularly in DekaBank's equity investment portfolio. Capacity utilisation would not, however, rise to a critical level even if potential negative earnings effects were taken into account.

## Risk report

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### Risk policy and strategy

The basic principles underlying the Deka Group's risk policy and strategy remain largely unchanged from those described in the Group Management Report for 2018. In order to achieve its commercial objectives, the Deka Group accepts certain risks in line with strategic requirements. These risks are limited by a comprehensive risk management system that covers all types of risk and all business divisions, sales and corporate centres in order to ensure the success of the Deka Group as a business. The framework for business and risk management is provided by the general concept of risk appetite (Risk Appetite Framework – RAF), which forms the main basis for assessing the adequacy of internal capital and liquidity (Internal Capital Adequacy Assessment Process (ICAAP)/Internal Liquidity Adequacy Assessment Process (ILAAP)) and is an integral part of the Deka Group's strategy system.

Risk management and risk control, both in organisational terms and in relation to risk modelling, will continue to be reviewed and updated as necessary, taking account of regulatory requirements.

In November 2018, the European Central Bank (ECB) published two guides setting out its expectations on how to ensure capital adequacy (ICAAP) and liquidity adequacy (ILAAP) in internal bank processes. In particular, the requirements for a normative perspective within ICAAP and ILAAP led to a corresponding adjustment to the RAF in the first quarter of 2019. In this context, methodological changes were also made to the risk-bearing capacity concept for the economic perspective of the ICAAP. Given the requirement to apply a going concern approach on the capital side, the definition of internal capital and, in connection with this, the management concept were adjusted. Subordinated capital components are generally no longer included in internal capital, resulting in increased utilisation of risk capacity. To ensure risk-bearing capacity in the current situation, the Deka Group monitors risk capacity, as a formal total risk limit, risk appetite, which is relevant primarily for risk management purposes, and capital allocation; the previous control parameter of maximum risk appetite is no longer used. As a result of the adjustments made to the management concept for macroeconomic stress testing, the Deka Group now takes an even closer look at the impact of the (stress) scenarios, their probability of occurrence and lead time, as well as examining the possible mitigation measures available if necessary. The capital requirement depends on the results of this assessment.

In the first half of 2019, the Deka Group continued to implement the extended requirements set out in the Minimum Requirements for Risk Management (MaRisk), which provide the regulatory basis for risk management at German level. This particularly involved the requirements governing architecture and the quality management of risk data, as well as the reporting system based on this data. The establishment of a central data management unit for risk data marked another important milestone in line implementation during the reporting period. This unit is supported by a network of local data managers, who have now been appointed in all major core areas and work together with central data management towards ensuring the ongoing review and thus continuous improvement of the quality of risk data.

With regard to the management of non-financial risks, further organisational changes took effect on 1 August 2019. The central functions for managing selected non-financial risks are being consolidated in an independent department that reports directly to the Board of Management, while the overarching controlling of operational risks have been transferred from the Compliance corporate centre back to the Risk Control corporate centre.

The potential economic impact of changes to the Credit Risk Standardised Approach (CRSA) and the Internal Ratings Based Approach (IRBA) that are currently planned as part of the finalisation of Basel III (Basel IV) continues to be monitored. The same applies with regard to the Fundamental Review of the Trading Book (FRTB), the Guidelines on identification and management of step-in risk and the scheduled introduction of the new Standardised Measurement Approach (SMA) for calculating operational risk capital, both of which could also affect Pillar II of the Basel framework under certain circumstances.

With regard to the calculation of counterparty risk, the changes to the presentation of counterparty risk and money market lending, along with the methodological adjustment to bring the determination of loss ratios into line with the IFRS 9 approach, had the overall effect of mitigating total risk. Methodological changes were also made to the calculation of business risk, although these slightly increased the risk at Group level. Overall, the extended deduction for risks resulting from pension obligations to include risks from unfunded pension obligations and similar obligations, as well as the related provisions, had only a minor impact on internal capital.

### Overall risk position for the first half of 2019



See also:  
Financial  
position of the  
Deka Group:  
pages 24, ff

The risk position presented in the risk report relates to the Deka Group's risk position overall, and therefore corresponds to the definition used as the basis for presentation of the Deka Group's business development and profit performance in the economic report. With regard to capital resources, the report focuses on the risks from the economic perspective that are relevant from the point of view of the Group. Details on, and key figures for, the normative perspective can be found in the economic report in the section entitled "Financial position of the Deka Group".

Utilisation of risk appetite remained at non-critical levels throughout the six-month reporting period. The Deka Group also maintained ample liquidity throughout.

During the first half of the year, monetary policy focused increasingly on economic risks. In addition to the trade conflict between the US and China, the fiscal policy dispute between the Italian government and the European Commission was one of the main risk drivers. In light of these risks and the relevant communication from the central banks, the market expects the monetary policy reins to be loosened over the next few months. In this environment, Bund yields fell to new lows. Lower interest rates and higher volatility are reflected in the total risk.

The Deka Group's total risk (value-at-risk – VaR; confidence level 99.9%; holding period one year) stood at €2,691m at the end of the first half of the year. As such, it showed a moderate increase relative to the position at the end of 2018 (€2,492m). This was due to increases in counterparty, market price, business and shareholding risk on the one hand, and to a reduction in operational risk on the other.



The increased total risk was accompanied by a marked drop in risk capacity to €4,597m (year-end 2018: €5,920m), which was attributable primarily to the conceptual removal of subordinated capital components. As a result, the utilisation of risk capacity was up considerably as against the end of 2018 (42.1%) to 58.5%, although it remains at a non-critical level.

Utilisation of allocated risk capital was non-critical both at Deka Group level and in all business divisions. Utilisation of the risk appetite of €3,750m, which was slightly higher than at the end of 2018 (€3,700m) and was previously calculated disregarding subordinated capital, came to 71.7% as at 30 June 2019 (year-end 2018: 67.4%).

In line with its impact for the current situation, the methodological change has also led to a significant increase in the utilisation of risk capacity in the stress scenarios for all risk types. In light of the in-depth analysis of the results of the stress scenarios, their probability of occurrence and lead time, as well as the possible mitigation measures available if necessary, no need for action was identified at the end of the first half of the year. In all considered scenarios, risk capacity utilisation during the reporting period and at 30 June 2019 was below the 100% threshold based on this procedure.

#### Change in Deka Group risk over the course of the year in €m (Fig. 14)



### Counterparty risk

#### Current risk situation

Counterparty risk, as determined on the basis of the credit value at risk (CVaR) with a confidence level of 99.9% and a holding period of one year, rose only slightly in the first half of 2019 to €1,432m (year-end 2018: €1,416m). Risk capital allocated to counterparty risk stood at €1,925m (year-end 2018: €1,905m) and was 74.4% utilised (year-end 2018: 74.3%). The level of risk capacity utilisation therefore remained non-critical.

The development of risk was attributable to opposing effects. The increase in risk resulting from changes in positions in the Capital Markets business division and new financing transactions in the Financing business division was partially offset by methodological adjustments (presentation of counterparty risk and money market lending, measures to bring the calculation of loss ratios into line with the IFRS 9 approach).

The risk position of the cluster portfolio was assessed using an expected shortfall redistribution. The result was a moderate drop in absolute terms compared with the end of 2018. The relative share of the cluster portfolio in the overall portfolio also decreased slightly. Risk concentration remained in line with the Deka Group's credit risk strategy.

Gross loan volume increased slightly by €1.1bn from the end of 2018 (€151.3bn) to reach €152.4bn. A significant portion of the increase related to the public sector Germany risk segment, which was affected in particular by more substantial holdings of bonds issued by the German federal states and municipal loans. The gross loan volume also increased in the corporates risk segment, in particular due to higher volumes of bond and equity transactions. In the lending business, volume rose due to a variety of loans for infrastructure, transport, export and real estate, the vast majority of which were secured. The ship portfolio's share of gross loan volume rose, among other things due to new business, to 0.9% (year-end 2018: 0.7%). As the market environment remains difficult, the ship financing portfolio is still being closely followed and monitored on an ongoing basis. In the funds risk segment, the increase in the gross loan volume was characterised primarily by a larger volume of partly secured fund units. Meanwhile, the significant decline in volume in the financial institutions risk segment had a risk mitigating effect, mainly due to the decline in repo lending transactions.

#### Gross loan volume in €m (Fig. 15)

	30 Jun 2019	31 Dec 2018
Financial institutions	81,946	84,522
Savings banks	7,678	7,358
Corporates	13,511	12,793
Public sector International	3,002	2,726
Public sector Germany	8,771	7,525
Public infrastructure	1,024	987
Transport and export finance	6,332	6,192
Energy and utility infrastructure	2,536	2,052
Property risks	10,276	10,039
Retail portfolio	570	733
Funds (transactions and units)	16,731	16,362
<b>Total</b>	<b>152,376</b>	<b>151,288</b>

<sup>1)</sup> As a result of a refined calculation of over-collateralisation, in the first half of the year, there was a shift between the risk segments. The figures as at 31 December 2018 were adjusted for reasons of comparison.

As a result of the above effects, net loan volume rose by €3.1bn to €74.7bn as at 30 June 2019, thus exhibiting a substantially larger rise than gross volume. This was due in particular to the collateralisation of repo lending transactions, the decline in which is only reflected to a limited extent in the net loan volume. The net loan volume increased in the financial institutions risk segment and to a lesser extent in the funds risk segment.

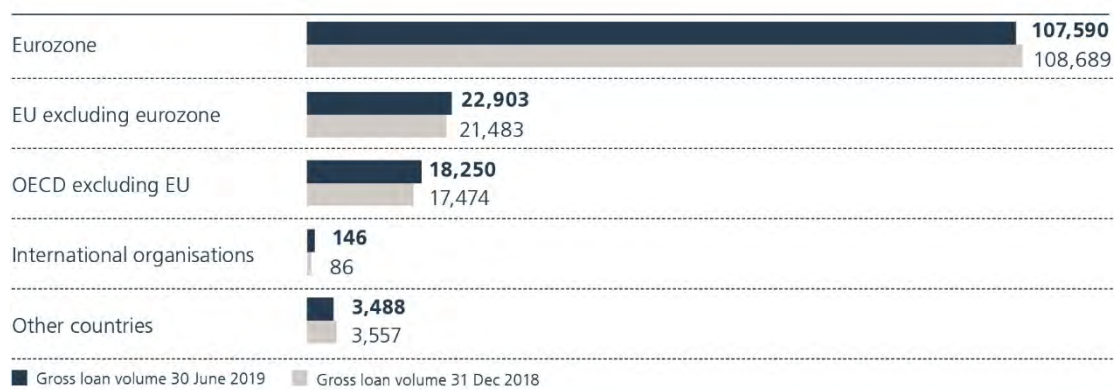
#### Net loan volume in €m (Fig. 16)

	30 Jun 2019	31 Dec 2018
Financial institutions	34,236	33,556
Savings banks	7,448	7,064
Corporates	7,557	6,895
Public sector International	1,283	1,492
Public sector Germany	7,858	7,092
Public infrastructure	1,024	984
Transport and export finance	682	820
Energy and utility infrastructure	2,536	2,052
Property risks	2,146	2,046
Retail portfolio	570	733
Funds (transactions and units)	9,323	8,811
<b>Total</b>	<b>74,663</b>	<b>71,545</b>

<sup>1)</sup> As a result of a refined calculation of over-collateralisation, in the first half of the year, there was a shift between the risk segments. The figures as at 31 December 2018 were adjusted for reasons of comparison.

Due to an increase in lending transactions with international counterparties in the United Kingdom, the gross loan volume in EU countries outside the eurozone rose proportionately from 14.2% to 15.0%. The same applies to the OECD states outside the European Union: here, the share of gross loan volume rose from 11.6% to 12.0% due to the expansion of business with counterparties in Canada and the US. By contrast, the share attributable to the eurozone fell by 1.2 percentage points to 70.6% in the first half of 2019, mainly due to the lower volume of repo business with the central counterparty Eurex.

#### Gross loan volume by region in €m (Fig. 17)



The gross loan volume attributable to Germany fell by €2.3bn to €65.2bn. The gross loan volume attributable to borrowers in Italy and Spain increased moderately to €3.8bn from €3.6bn at the end of 2018. The increase was mainly related to repo transactions with Spanish counterparties.

#### Gross loan volume – regional concentrations in €m (Fig. 18)

	30 Jun 2019	Percentage of Gross loan volume
Germany	65,248	43%
Luxembourg	10,254	7%
France	17,178	11%
Belgium	6,479	4%
Netherlands	1,872	1%
Great Britain	21,655	14%
Spain	2,642	2%
Italy	1,178	1%
Other	25,870	17%
<b>Total</b>	<b>152,376</b>	<b>100%</b>

The gross loan volume remained focused primarily on the short-term segment. The proportion of transactions with a time to maturity of less than one year was 42.8% at the end of the first half of 2019 (year-end 2018: 45.3%). The proportion of maturities longer than ten years was 5.6%, compared with 4.4% at 31 December 2018. The average legal residual term of gross lending was 3.1 years (year-end 2018: 2.6 years).

The level of risk concentration in the loan portfolio rose slightly during the first half of 2019. As at 30 June, 18.6% (year-end 2018: 18.3%) of total gross loan volume was attributable to borrower units with a gross limit of at least €2.5bn or an overall net limit of at least €1.0bn (counterparty clusters). The number of counterparty clusters remained unchanged at 26. Of the gross loan volume attributable to the cluster portfolio, 26.5% related to counterparties in the German public sector, the savings banks and other alliance partners. A total of 15.2% of net loan volume related to counterparty clusters (year-end 2018: 15.9%).

As was the case at 31 December 2018, the amount of net loan volume related to shadow banking entities as at 30 June 2019 was less than 3% under the principal approach (limit utilisation 90%) and less than 1% under the fallback approach (limit utilisation 48%). The utilisation figures are considered acceptable, especially given that the shadow banking entities have an average rating of A on the DSGV master scale.

The average rating for the gross loan volume improved over the reporting period by one notch to a rating of 2 on the DSGV master scale. The average probability of default dropped to 14 bps (year-end 2018: 15 bps), partly due to the improved rating of predominantly ECA-backed export financing and individual ship financing arrangements. The average rating for the net loan volume remained unchanged at A– with a slightly improved average probability of default of 8 bps (year-end 2018: 9 bps).

#### Net loan volume by risk segment and rating in €m (Fig. 19)

	Average PD in bps	Average rating 30 Jun 2019	30 Jun 2019	Average PD in bps	Average rating 31 Dec 2018	31 Dec 2018
Financial institutions	5	A+	34,236	5	A+	33,556
Savings banks	1	AAA	7,448	1	AAA	7,064
Corporates	14	2	7,557	12	2	6,895
Public sector International	8	A–	1,283	8	A	1,492
Public sector Germany	1	AAA	7,858	1	AAA	7,092
Public infrastructure	14	2	1,024	16	3	984
Transport and export finance	126	8	682	176	9	820
Energy and utility infrastructure	50	6	2,536	55	6	2,052
Property risks	9	A–	2,146	9	A–	2,046
Retail portfolio	3	AA	570	3	AA	733
Funds (transactions and units)	10	A–	9,323	10	A–	8,811
<b>Comprehensive income</b>	<b>8</b>	<b>A–</b>	<b>74,663</b>	<b>9</b>	<b>A–</b>	<b>71,545</b>

<sup>1)</sup> As a result of a refined calculation of over-collateralisation, in the first half of the year, there was a shift between the risk segments. The figures as at 31 December 2018 were adjusted for reasons of comparison.

The Bank continues to achieve its target rating of investment grade (5 or better) for the portfolio as a whole without difficulty. 91.0% of net loan volume remained in the same grouping (determined by rating class) as at the end of 2018.

## Market price risk

### Current risk situation

Market price risk at Deka Group level (measured using VaR with a confidence level of 99.9% and a holding period of one year) increased significantly compared with the position as at the end of 2018 (€520m) to €609m. The increase was mainly attributable to a higher volume of guarantee products in connection with lower interest rates and increased volatility. The adjustment to the yield curve used to determine the market price risk of the guarantees partly compensated for the increase in risk due to the need for parameter adjustments as a result of market factors.

Utilisation of the allocated risk capital for market price risk stood at €1,020m (year-end 2018: €1,035m). This represents a moderate utilisation level of 59.7%.

Market price risk for the Deka Group (excluding guarantees) as at 30 June 2019 was €51.3m (year-end 2018: €50.6m), measured as the VaR with a confidence level of 99.0% and a holding period of ten days. Utilisation of the operational management limit at Deka Group level (excluding guarantees) stood at €69m. This represented a utilisation level of 74% and was therefore non-critical.

**Deka Group value-at-risk excluding guarantee products<sup>1)</sup> (confidence level 99%, holding period ten days)**  
in €m (Fig. 20)

Category	30 Jun 2019						Change in risk vs 31 Dec 2018
	Asset Management Securities business division	Asset Management Real Estate business division	Asset Management Services business division	Capital Markets business division	Treasury	Deka Group excluding guarantees	
Interest rate risk	0.0	0.2	3.2	43.3	18.3	51.8	0.6%
Interest rate (general)	0.0	0.2	3.2	4.3	15.2	17.5	14.3%
Spread	0.0	0.0	1.7	43.5	11.9	53.2	9.8%
Share price risk	0.2	0.5	0.3	3.9	0.0	3.9	-25.6%
Currency risk	0.0	0.0	0.0	1.1	2.0	2.6	-23.1%
<b>Total risk</b>	<b>0.2</b>	<b>0.5</b>	<b>3.2</b>	<b>42.6</b>	<b>18.4</b>	<b>51.3</b>	<b>1.4%</b>

<sup>1)</sup> Risk ratios for interest rate risk and total risk taking account of diversification. Includes issue-specific credit risk spread.

The VaR for general interest rate risk (excluding risks on guarantee products) increased from €15.0m at year-end 2018 to €17.5m. This rise was mainly due to an increase in exposure to cross-currency swaps in the Treasury corporate centre, which was caused by a sustained USD refinancing requirement due to the foreign currency lending business.

In the first six months of 2019, the VaR for credit spread risk rose to €53.2m (year-end 2018: €48.0m). This increase was due primarily to an increase in bond positions. In line with the business model, risk concentration in terms of spread risk was mainly attributable to German and US bonds issued by the public sector, financial institutions and corporates.

Share price risk decreased compared with year-end 2018 (€4.9m) to €3.9m and thus remained less significant.

Currency risk, which resulted mostly from positions in British pounds as at the reporting date, declined to a VaR of €2.6m (year-end 2018: €3.2m).

## Liquidity risk

### Current risk situation

The Deka Group continued to have ample liquidity during the first half of 2019. The liquidity balances in all relevant maturity bands of the "combined stress scenario" funding matrix for periods of up to 20 years were positive. This was also the case for the alternative stress scenarios examined and under the going concern approach. Limits were complied with throughout the reporting period.

As at 30 June 2019, the accumulated liquidity balance of the Deka Group's "combined stress scenario" funding matrix in the short-term range (up to one week) stood at €8.3bn (year-end 2018: €8.7bn). In the maturity band of up to one month, the liquidity surplus totalled €8.9bn (year-end 2018: €11.4bn), and in the medium range (three months) it was €15.6bn (year-end 2018: €15.2bn).

As in previous years, a substantial part of the Group's liquidity generation and provision was attributable to business with savings banks and funds. In relation to the net cash flows of approx. €5.0bn on day 1, the Deka Group has a high liquidity potential (around €10.6bn) that is readily convertible at short notice. The Group has access to a large portfolio of liquid securities, which are eligible as collateral for central bank borrowings, as well as to available surplus cover in the cover pool and corresponding repo transactions. The strict requirements concerning the liquidity potential ensure that the securities used for this purpose can generate liquidity even in a stressed market environment.

**Combined stress scenario funding matrix of the Deka Group as at 30 June 2019** in €m (Fig. 21)

	D1	>D1-1M	>1M-12M	>12M-5Y	>5Y-20Y	>20Y
Liquidity potential (accumulated)	10,558	13,009	3,153	-136	171	216
Net cash flows from derivatives (accumulated) <sup>1)</sup>	-395	-582	1,978	833	349	307
Net cash flows from other products (accumulated)	-4,574	-3,550	6,863	6,364	2,372	-1,112
<b>Liquidity balance (accumulated)</b>	<b>5,589</b>	<b>8,877</b>	<b>11,993</b>	<b>7,061</b>	<b>2,891</b>	<b>-589</b>
For information purposes:						
Net cash flows from derivatives by legal maturity (accumulated) <sup>1)</sup>	-395	-547	-723	-1,835	-2,188	307
Net cash flows from other products by legal maturity (accumulated)	-3,620	-10,685	-21,610	-7,775	-3,588	-2,228
<b>Net cash flows by legal maturity (accumulated)</b>	<b>-4,015</b>	<b>-11,232</b>	<b>-22,333</b>	<b>-9,610</b>	<b>-5,776</b>	<b>-1,921</b>

<sup>1)</sup> Including lending substitute transactions and issued CLNs

As at 30 June 2019, 63.9% (year-end 2018: 64.0%) of total refinancing related to repo transactions, overnight and time deposits and other money market products. The remainder of the refinancing concerned capital market products, primarily with longer maturity profiles. The refinancing profile for lending business was well balanced, given the maturity structure. Money market refinancing remained broadly diversified across a range of investor groups. Most of the investors in money market refinancing are financial service providers such as clearing houses, stock exchanges and funds, or large banks and savings banks. Savings banks accounted for 10.9% of money market refinancing, while funds represented 22.7%.

The regulatory requirements in relation to the Liquidity Coverage Ratio (LCR) were met throughout the period under review. Compared with 31 December 2018, the LCR ratio at Deka Group level fell as a result of a decline in eligible high-quality liquid assets combined with an increase in net cash outflows at the same time, and stood at 137.9% at the midpoint of 2019 (year-end 2018: 149.8%). The average during the first half of 2019 was 141.8% (average for the first half of 2018: 145.2%). The LCR fluctuated within a range from 137.9% to 147.7%. It was thus always substantially above the minimum limit of 100.0% applicable in 2019.

## Operational risk

### Current risk situation

The VaR for operational risk (confidence level of 99.9%, holding period of one year) fell moderately from €269m at year-end 2018 to €260m. This was due to reduced risks for various loss scenarios. Risk capital allocated to operational risk stood at €340m (year-end 2018: €335m). Utilisation of this amount was 76.3%. Utilisation thus remains at a non-critical level.

The OR loss potential identified in the Group-wide risk inventory remained unchanged compared with the end of 2018 at €56m. Risk-mitigating and risk-increasing effects resulting from updates to the risk indicators included in the evaluation process offset each other. In contrast to VaR, which is an upper limit for losses with a specific probability that the limit will not be exceeded, loss potential is an expected value that results from the estimated frequency of occurrence and scale of losses of all OR scenarios in the Deka Group.

Based on the Federal Ministry of Finance (BMF) circular on the tax treatment of cum/cum transactions of 17 July 2017, tax risks exist in connection with relief from withholding tax (*Kapitalertragsteuer*) on share transactions made around the dividend record date in the years 2013 to 2015. All matters are reported in the consolidated financial statements as at 30 June 2019 in accordance with DekaBank's interpretation of the relevant tax regulations and accounting standards.

In addition, DekaBank has conducted voluntary investigations to ascertain whether its involvement enabled third parties to conduct share trades around the dividend record date and make use of abusive tax structures or whether it was otherwise involved in such structures. No evidence to this effect has emerged from these investigations. Based on the findings available to it, DekaBank therefore considers it unlikely that the tax authority will be able to make a claim in relation to these matters.

### Business risk

The VaR of business risk was €342m as at 30 June 2019, significantly higher than the level of €250m at the end of the previous year. The increase in risk was mainly due to increased volatility in all business divisions. The increased risk capital allocation of €405m (year-end 2018: €365m) was 84.5% utilised.

### Reputational risk

Because of the way they affect business, reputational risks are seen as a component of, or as factors that exacerbate, other types of risk. Existing types of risk can be both a cause and an effect of reputational damage. The effects of reputational damage relate primarily to business risk and liquidity risk.

### Further risks

#### Shareholding risk

The VaR of shareholding risk was €48m at 30 June 2019, up significantly on the level of €36m at the previous year-end. The reason for the increase in risk was the significant increase in the IFRS carrying value of an equity investment as a result of the current fair value measurement in accordance with IFRS 9. The risk capital allocated to shareholding risks remained unchanged at €60m, with utilisation of 80.3%.





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# Interim financial statements 2019

## Statement of profit or loss and other comprehensive income for the period from 1 January to 30 June 2019

€m	Notes	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change	
Interest income <sup>1)</sup>		535.9	469.0	66.9	14.3%
Interest expenses		459.4	422.5	36.9	8.7%
<b>Net interest income</b>	[6]	<b>76.5</b>	<b>46.5</b>	30.0	64.5%
<b>Risk provisions in the lending and securities business</b>	[7], [19]	<b>-11.4</b>	<b>15.4</b>	-26.8	-174.0%
<b>Net interest income after provisions</b>		<b>65.1</b>	<b>61.9</b>	3.2	5.2%
Commission income		1,210.9	1,174.6	36.3	3.1%
Commission expenses		619.5	610.8	8.7	1.4%
<b>Net commission income</b>	[8]	<b>591.4</b>	<b>563.8</b>	27.6	4.9%
<b>Net income from the derecognition of financial assets measured at amortised cost</b>		<b>1.5</b>	<b>1.2</b>	0.3	25.0%
<b>Trading profit or loss<sup>2)</sup></b>	[9]	<b>47.9</b>	<b>94.6</b>	-46.7	-49.4%
<b>Profit or loss on financial assets mandatorily measured at fair value</b>	[10]	<b>99.8</b>	<b>-36.2</b>	136.0	(> 300%)
<b>Profit or loss on financial instruments designated at fair value</b>	[11]	<b>8.7</b>	<b>27.1</b>	-18.4	-67.9%
<b>Profit or loss from fair value hedges according to IAS 39</b>		<b>-9.8</b>	<b>6.1</b>	-15.9	-260.7%
<b>Profit or loss on financial investments</b>	[12]	<b>1.7</b>	<b>39.7</b>	-38.0	-95.7%
<b>Administrative expenses</b>	[13]	<b>545.6</b>	<b>515.1</b>	30.5	5.9%
<b>Other operating profit</b>	[14]	<b>-1.0</b>	<b>-4.8</b>	3.8	79.2%
<b>Total of profit or loss before tax</b>		<b>259.7</b>	<b>238.3</b>	21.4	9.0%
<b>Income taxes</b>	[15]	<b>79.6</b>	<b>90.8</b>	-11.2	-12.3%
<b>Interest expenses for atypical silent capital contributions</b>		<b>27.4</b>	<b>25.1</b>	2.3	9.2%
<b>Total of profit or loss</b>		<b>152.7</b>	<b>122.4</b>	30.3	24.8%
<b>Thereof:</b>					
Attributable to non-controlling interests		-	-	-	n/a
Attributable to the shareholders of DekaBank		152.7	122.4	30.3	24.8%
<b>Changes not recognised in profit or loss</b>	[29]				
<b>Items reclassified to profit or loss</b>					
Change in reserve for financial assets measured at fair value through other comprehensive income		-4.4	-71.6	67.2	93.9%
Change in cash flow hedges valuation reserve		-	3.4	-3.4	-100.0%
Change in currency translation reserve		0.0	0.0	0.0	n/a
Deferred taxes on items reclassified to profit or loss		1.4	21.6	-20.2	-93.5%
<b>Items not reclassified to profit or loss</b>					
Revaluation gains/losses on defined benefit pension obligations		-57.4	-12.2	-45.2	(< -300%)
Change in valuation reserve for own credit risk of financial liabilities designated at fair value		2.4	1.3	1.1	84.6%
Revaluation reserve investments accounted for using the equity method		-	-	-	n/a
Deferred taxes on items not reclassified to profit or loss		19.0	3.5	15.5	(> 300%)
<b>Other comprehensive income</b>		<b>-39.0</b>	<b>-54.0</b>	15.0	27.8%
<b>Comprehensive income for the period under IFRS</b>		<b>113.7</b>	<b>68.4</b>	45.3	66.2%
<b>Thereof:</b>					
Attributable to non-controlling interests		-	-	-	n/a
Attributable to the shareholders of DekaBank		113.7	68.4	45.3	66.2%

<sup>1)</sup> In total, interest income of €348.0m (previous year: €281.6m) were recorded in relation to financial assets that are not recognised at fair value through profit or loss.

<sup>2)</sup> Previous year's figures were adjusted (see also note [9] "Trading profit or loss").

## Statement of financial position as at 30 June 2019

€m	Notes	30 Jun 2019	31 Dec 2018	Change	
<b>Assets</b>					
<b>Cash reserves</b>	[16]	<b>16,120.3</b>	<b>15,302.5</b>	817.8	5.3%
<b>Due from banks</b>	[17]	<b>25,108.2</b>	<b>23,972.6</b>	1,135.6	4.7%
(net after risk provisions amounting to)	[19]	(0.2)	(0.2)	0.0	0.0%
<b>Due from customers</b>	[18]	<b>25,038.9</b>	<b>24,419.9</b>	619.0	2.5%
(net after risk provisions amounting to)	[19]	(93.2)	(84.0)	9.2	11.0%
<b>Financial assets at fair value</b>	[20]	<b>30,050.0</b>	<b>25,045.4</b>	5,004.6	20.0%
a) Trading portfolio		20,595.1	14,669.8	5,925.3	40.4%
b) Financial assets mandatorily measured at fair value		9,454.9	10,375.6	-920.7	-8.9%
c) Financial assets designated at fair value		-	-	-	n/a
(of which deposited as collateral)		(6,259.1)	(5,355.7)	903.4	16.9%
<b>Positive market values of derivative hedging instruments</b>		<b>6.5</b>	<b>13.5</b>	-7.0	-51.9%
<b>Financial investments</b>	[21]	<b>11,188.5</b>	<b>10,795.0</b>	393.5	3.6%
a) Financial assets measured at amortised cost		5,494.1	5,026.9	467.2	9.3%
b) Financial assets measured at fair value through other comprehensive income		5,678.0	5,751.7	-73.7	-1.3%
c) Shares in at-equity accounted companies		16.4	16.4	0.0	0.0%
(net after risk provisions amounting to)	[19]	(7.5)	(5.9)	1.6	27.1%
(of which deposited as collateral)		(2,864.9)	(2,727.7)	137.2	5.0%
<b>Intangible assets</b>	[22]	<b>184.7</b>	<b>187.6</b>	-2.9	-1.5%
<b>Property, plant and equipment</b>	[23]	<b>197.3</b>	<b>25.6</b>	171.7	(> 300%)
<b>Current income tax assets</b>		<b>203.4</b>	<b>195.2</b>	8.2	4.2%
<b>Deferred income tax assets</b>		<b>284.8</b>	<b>202.5</b>	82.3	40.6%
<b>Other assets</b>		<b>369.6</b>	<b>283.8</b>	85.8	30.2%
<b>Total assets</b>		<b>108,752.2</b>	<b>100,443.6</b>	8,308.6	8.3%
<b>Liabilities</b>					
<b>Due to banks</b>	[24]	<b>26,170.8</b>	<b>22,949.8</b>	3,221.0	14.0%
<b>Due to customers</b>	[25]	<b>26,908.8</b>	<b>25,723.2</b>	1,185.6	4.6%
<b>Securitised liabilities</b>	[26]	<b>16,629.2</b>	<b>14,790.7</b>	1,838.5	12.4%
<b>Financial liabilities at fair value</b>	[27]	<b>31,166.9</b>	<b>29,306.9</b>	1,860.0	6.3%
a) Trading portfolio		30,017.5	27,827.8	2,189.7	7.9%
b) Financial liabilities designated at fair value		1,149.4	1,479.1	-329.7	-22.3%
<b>Negative market values of derivative hedging instruments</b>		<b>47.3</b>	<b>39.3</b>	8.0	20.4%
<b>Provisions</b>	[28]	<b>391.7</b>	<b>348.4</b>	43.3	12.4%
<b>Current income tax liabilities</b>		<b>125.3</b>	<b>62.2</b>	63.1	101.4%
<b>Deferred income tax liabilities</b>		<b>21.6</b>	<b>33.6</b>	-12.0	-35.7%
<b>Other liabilities</b>		<b>894.3</b>	<b>820.1</b>	74.2	9.0%
<b>Subordinated capital</b>		<b>904.3</b>	<b>899.4</b>	4.9	0.5%
<b>Atypical silent capital contributions</b>		<b>52.4</b>	<b>52.4</b>	-	0.0%
<b>Equity</b>	[29]	<b>5,439.6</b>	<b>5,417.6</b>	22.0	0.4%
a) Subscribed capital		191.7	191.7	-	0.0%
b) Additional capital components		473.6	473.6	-	0.0%
c) Capital reserve		190.3	190.3	-	0.0%
d) Retained earnings		4,579.1	4,614.1	-35.0	-0.8%
e) Revaluation reserve		-147.8	-115.4	-32.4	-28.1%
f) Currency translation reserve		0.0	0.0	0.0	n/a
g) Accumulated profit/loss (consolidated profit)		152.7	63.3	89.4	141.2%
h) Minority interest		-	-	-	n/a
<b>Total liabilities</b>		<b>108,752.2</b>	<b>100,443.6</b>	8,308.6	8.3%

**Condensed statement of changes in equity** for the period from 1 January to 30 June 2019

	Subscribed capital	Additional capital components	Capital reserve	Retained earnings <sup>1)</sup>	Consolidated profit/loss	Provisions for pensions <sup>2)</sup>	Cash flow hedges
<b>€m</b>							
<b>Equity as at 1 January 2018</b>	<b>191.7</b>	<b>473.6</b>	<b>190.3</b>	<b>4,411.0</b>	<b>72.3</b>	<b>-154.1</b>	<b>-3.4</b>
Total of profit or loss	-	-	-	-	122.4	-	-
Other comprehensive income	-	-	-	-	-	-12.2	3.4
<b>Comprehensive income for the period under IFRS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122.4</b>	<b>-12.2</b>	<b>3.4</b>
Changes in the scope of consolidation and other changes <sup>3)</sup>	-	-	-	-23.9	-	-	-
Distribution	-	-	-	-	-72.3	-	-
<b>Equity as at 30 June 2018</b>	<b>191.7</b>	<b>473.6</b>	<b>190.3</b>	<b>4,387.1</b>	<b>122.4</b>	<b>-166.3</b>	<b>-</b>
Total of profit or loss	-	-	-	-	163.4	-	-
Other comprehensive income	-	-	-	-	-	-18.5	-
<b>Comprehensive income for the period under IFRS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163.4</b>	<b>-18.5</b>	<b>-</b>
Changes in the scope of consolidation and other changes <sup>3)</sup>	-	-	-	4.5	-	-	-
Allocation to reserves from retained earnings	-	-	-	222.5	-222.5	-	-
<b>Equity as at 31 December 2018</b>	<b>191.7</b>	<b>473.6</b>	<b>190.3</b>	<b>4,614.1</b>	<b>63.3</b>	<b>-184.8</b>	<b>-</b>
Total of profit or loss	-	-	-	-	152.7	-	-
Other comprehensive income	-	-	-	-	-	-57.4	-
<b>Comprehensive income for the period under IFRS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152.7</b>	<b>-57.4</b>	<b>-</b>
Changes in the scope of consolidation and other changes <sup>3)</sup>	-	-	-	-35.0	-	-	-
Distribution	-	-	-	-	-63.3	-	-
<b>Equity as at 1 June 2019</b>	<b>191.7</b>	<b>473.6</b>	<b>190.3</b>	<b>4,579.1</b>	<b>152.7</b>	<b>-242.2</b>	<b>-</b>

<sup>1)</sup> Equity as at 1 January and 30 June 2018 was adjusted (see annual report 2018 note [43] "Income taxes").

<sup>2)</sup> Revaluation gains/losses on defined benefit obligations

<sup>3)</sup> Comprises the payment of interest of the Additional Tier 1 bond, which is classified as equity capital under IFRS.

Revaluation reserve				Currency translation reserve	Total before minority interest	Minority interest	Equity
Equity-accounted companies	Financial assets measured at fair value through other comprehensive income	Own credit risk of financial liabilities designated at fair value	Deferred taxes <sup>1)</sup>				
-6.6	135.4	-12.6	14.9	-0.1	5,312.4	-	5,312.4
-	-	-	-	-	122.4	-	122.4
-	-71.6	1.3	25.1	0.0	-54.0	-	-54.0
-	-71.6	1.3	25.1	0.0	68.4	-	68.4
-	-	-	-	-	-23.9	-	-23.9
-	-	-	-	-	-72.3	-	-72.3
-6.6	63.8	-11.3	40.0	-0.1	5,284.6	-	5,284.6
-	-	-	-	-	163.4	-	163.4
-	-35.1	2.5	16.1	0.1	-34.9	-	-34.9
-	-35.1	2.5	16.1	0.1	128.5	-	128.5
-	-	-	-	-	4.5	-	4.5
-	-	-	-	-	-	-	-
-6.6	28.7	-8.8	56.1	0.0	5,417.6	-	5,417.6
-	-	-	-	-	152.7	-	152.7
-	-4.4	2.4	20.4	0.0	-39.0	-	-39.0
-	-4.4	2.4	20.4	0.0	113.7	-	113.7
6.6	-	-	-	-	-28.4	-	-28.4
-	-	-	-	-	-63.3	-	-63.3
-	24.3	-6.4	76.5	0.0	5,439.6	-	5,439.6

**Condensed statement of cash flows** for the period from 1 January to 30 June 2019

€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018
<b>Cash and cash equivalents at the start of the period</b>	<b>15,302.5</b>	<b>10,039.6</b>
Cash flow from operating activities	1,013.7	3,377.4
Cash flow from investing activities	-7.5	-0.3
Cash flow from financing activities	-188.4	-208.5
<b>Cash and cash equivalents at the end of the period</b>	<b>16,120.3</b>	<b>13,208.2</b>

The definitions of the individual cash flow components are the same as those in the 2018 consolidated financial statements. The statement of cash flows is of minor importance for banks as it does not provide any information about the actual liquidity position. For details of Deka Group's liquidity risk management, please see the risk report (Annual Report 2018).

## Notes

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## Segment reporting

### 1 Segmentation by operating business divisions

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

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

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

Another key indicator for the operating segments, in addition to the economic result, is total customer assets. Total customer assets primarily comprise the income-relevant assets of the mutual and special funds under management (including ETFs) in the Asset Management Securities and Asset Management Real Estate divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and master funds. Total customer assets also include fund units of €1.7bn (31 December 2018: €1.7bn). These mainly relate to start-up financing for newly launched investment funds.

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

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

#### Asset Management Securities

The Asset Management Securities reporting segment focuses on the active management of securities funds as well as investment solutions and services for private investors and institutional customers. In addition, passive investment solutions are also offered. In addition to investment funds and structured investment concepts, the product range also includes products from selected international cooperation partners. The Deka Group's investment funds cover all major asset classes, sometimes in conjunction with guarantee, discount and bonus structures. The offering for private retirement pensions encompasses fund-based Riester and Rürup products. The segment also comprises advisory, management and asset management mandates



for institutional customers. In addition, the segment includes business involving listed ETFs. The range of services offered by the segment furthermore includes asset servicing and Master KVG activities, which institutional customers can use to pool their assets under management in a single investment company.

#### **Asset Management Real Estate**

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

#### **Asset Management Services**

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

#### **Capital Markets**

The Capital Markets reporting segment is the central product, solution and infrastructure provider and service provider in the Deka Group's customer-focused capital markets business. The segment concentrates on the generation of customer-driven business in the triangle of savings banks, the Deka Group and selected counterparties and business partners, which include external asset managers, banks, insurance companies and pension funds. In this environment, the Capital Markets segment offers a carefully coordinated, competitive range of capital market and credit products. In addition, the Capital Markets reporting segment is responsible for the Deka Group's strategic investments, which comprise the securities in the proprietary portfolio that are not held for liquidity management purposes.

#### **Financing**

The Financing reporting segment is made up of real estate financing and specialist financing, including financing of the savings banks. Lending is taken onto our own statement of financial position via the banking book, as well as being packaged as an investment product for other banks or institutional investors via club deals or syndications. Priority is given to placements within the *Sparkassen-Finanzgruppe*. The specialist financing business concentrates on selected segments, such as infrastructure financing, ship and aircraft financing, financing covered by ECAs, public sector financing and savings bank financing. Specialised financing positions concluded before the credit risk strategy was changed in 2010 have been pooled in a legacy portfolio, which continues to be wound down while safeguarding assets. Real estate lending relates mainly to commercial real estate and is focused on marketable properties in the office, retail, shopping, hotel and logistics segments in liquid markets in Europe and North America.

## Other

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

	Asset Management Securities		Asset Management Real Estate		Asset Management Services		Capital Markets	
	Economic result							
€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018
Net interest income	1.7	3.2	-0.2	0.2	1.7	2.1	32.0	18.8
Risk provisions in the lending and securities business	-	-0.0	-	-	-	-0.1	-0.9	9.2
Net commission income	347.3	326.8	113.9	119.0	88.2	92.6	29.3	11.3
Net financial income <sup>1)</sup>	13.6	-2.5	0.8	-1.2	3.6	-2.2	136.1	112.1
Other operating income <sup>3)</sup>	-3.0	-4.9	0.1	0.5	2.7	2.0	1.1	1.3
<b>Total income without contributions to earnings from Treasury function</b>	<b>359.5</b>	<b>322.5</b>	<b>114.6</b>	<b>118.6</b>	<b>96.1</b>	<b>94.4</b>	<b>197.5</b>	<b>152.7</b>
Administrative expenses (including depreciation)	179.5	186.3	68.3	65.8	86.5	81.8	84.5	82.4
Restructuring expenses <sup>3)</sup>	2.7	-0.0	-	-	-	-	-	-
<b>Total expenses before allocation of Treasury function</b>	<b>182.2</b>	<b>186.2</b>	<b>68.3</b>	<b>65.8</b>	<b>86.5</b>	<b>81.8</b>	<b>84.5</b>	<b>82.4</b>
<b>(Economic) result before tax excluding Treasury function</b>	<b>177.3</b>	<b>136.3</b>	<b>46.3</b>	<b>52.8</b>	<b>9.6</b>	<b>12.5</b>	<b>113.0</b>	<b>70.3</b>
Treasury function	-5.4	-9.9	-1.6	-2.0	-0.8	-1.0	-17.0	-35.8
<b>(Economic) result before tax</b>	<b>172.0</b>	<b>126.3</b>	<b>44.7</b>	<b>50.8</b>	<b>8.8</b>	<b>11.6</b>	<b>96.0</b>	<b>34.5</b>
Cost/income ratio <sup>4)</sup>	0.50	0.58	0.60	0.55	0.90	0.87	0.43	0.57
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
Group risk (value-at-risk) <sup>5)</sup>	820	618	91	89	131	110	1,038	945
Total customer assets	234,849	217,337	40,479	38,099	-	-	22,339	20,443
Gross loan volume <sup>7)</sup>	7,117	6,860	186	213	732	619	90,890	91,548

<sup>1)</sup> This includes the result from assets held for trading (trading book portfolio), the result from non-trading assets (banking book portfolio), the result from other financial investments as well as the result from repurchased own issues.

<sup>2)</sup> This includes effects relevant for management purposes of €+/- 0.0m (first half 2018: €+ 30.0m) related to a provision for potential losses. This is additional information provided on a voluntary basis and does not form part of the IFRS notes.

<sup>3)</sup> Restructuring expenses are disclosed in the Group financial statements under Other operating profit.

<sup>4)</sup> Calculation of cost/income ratio does not take into account the restructuring expenses or provisions in the lending and securities business.

Financing		Other		Deka Group		Reconciliation		Deka Group	
		Economic result						Total profit or loss before tax (IFRS)	
1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018
64.8	59.1	-2.4	-5.7	97.5	77.6	-21.0	-31.1	76.5	46.5
-10.6	6.2	-	0.0	-11.4	15.4	-	-	-11.4	15.4
13.7	14.2	-1.0	0.1	591.4	563.9	-	-0.1	591.4	563.8
-0.9	2.6	-5.2 <sup>2)</sup>	-12.5 <sup>2)</sup>	148.0	96.5	1.8	36.0	149.8	132.5
5.5	0.9	-60.4	-15.4	-54.1	-15.5	55.8	10.7	1.7	-4.8
<b>72.6</b>	<b>83.1</b>	<b>-69.0</b>	<b>-33.5</b>	<b>771.4</b>	<b>737.8</b>	<b>36.6</b>	<b>15.6</b>	<b>808.0</b>	<b>753.4</b>
28.0	27.8	98.8	71.1	545.6	515.1	-	-	545.6	515.1
-	-	-	0.0	2.7	-	-	-	2.7	-
<b>28.0</b>	<b>27.8</b>	<b>98.8</b>	<b>71.1</b>	<b>548.3</b>	<b>515.1</b>	<b>-</b>	<b>-</b>	<b>548.3</b>	<b>515.1</b>
<b>44.6</b>	<b>55.3</b>	<b>-167.8</b>	<b>-104.6</b>	<b>223.1</b>	<b>222.6</b>	<b>36.6</b>	<b>15.6</b>	<b>259.7</b>	<b>238.3</b>
-9.2	-17.6	34.0	66.4	-	-	-	-	-	-
<b>35.4</b>	<b>37.7</b>	<b>-133.9</b>	<b>-38.2</b>	<b>223.1</b>	<b>222.6</b>	<b>36.6</b>	<b>15.6</b>	<b>259.7</b>	<b>238.3</b>
0.34	0.36	- <sup>5)</sup>	- <sup>5)</sup>	0.70	0.71				
<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>				
468	581	232	237	2,691	2,492				
-	-	-	-	297,667	275,878				
25,180	24,004	28,273	28,045	152,376	151,288				

<sup>5)</sup> No cost/income ratio is presented for the Other segment as this is deemed of limited economic informative value.

<sup>6)</sup> Value-at-risk for economic risk capacity with confidence level of 99.9% and holding period of one year. Due to the diversification within market price risk the risk for the Deka Group are not cumulative.

<sup>7)</sup> As a result of a refined calculation of over-collateralisation, in the first half of the year, there was a shift between the risk segments. The figures as at 31 December 2018 were adjusted for reasons of comparison.

### Reconciliation of segment results to the IFRS result

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

During the reporting period, the reporting and measurement differences between internal reporting and the total profit before tax under IFRS amounted to €–36.6m (first half of 2018: €–15.6m).

The result not recognised in profit or loss was €+16.3m during the reporting period (first half of 2018: €+63.4m). Of this total, €+30.4m (first half of 2018: €+47.5m) was attributable primarily to interest- and currency-related valuation results relating to financial instruments recognised at amortised cost. The result not recognised in profit or loss also includes the total interest expense (including accrued interest) of €–14.1m on the AT1 bonds (first half of 2018: €–14.1m). Distributions made were recorded directly in equity, in accordance with IAS 32. In addition, a general provision to cover potential risks that could materialise in the coming months was recognised for the first time in the 2012 financial year. At the end of the first half of 2019, the provision for these effects in the management accounts was €–170.0m (first half of 2018: €–175.0m). The effect on the economic result in the first half of 2019 in the Other segment was €+/-0.0m (first half of 2018: €+30.0m). The change of €–52.8m in the revaluation reserve before tax (first half of 2018: €–79.0m) is also included in the economic result.

The other amounts shown in the reconciliation column concern differences in presentation between management reporting and the consolidated financial statements. Of these, €35.1m (first half of 2018: €45.2m) relates to internal transactions that are reported in the economic result. The majority of these are included within net interest income, while the corresponding offsetting income effects are reported under net financial income. There are also reporting differences in net financial income and other operating profit from the different allocation of income effects from the repurchases of own issues.

## General information

### 2 Accounting principles

Pursuant to section 115 of the Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) in conjunction with section 117 of the WpHG, these condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The applicable IFRSs are those published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) into European law at the time the financial statements are prepared. In preparing the financial statements, particular attention was paid to the requirements of IAS 34 “Interim Financial Reporting”.

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

The present consolidated interim report has been reviewed by our year-end auditor and should be read in conjunction with our audited 2018 consolidated financial statements. The majority of disclosures on risks relating to financial instruments are presented in the risk report section of the interim management report.

### 3 Accounting policies

The interim consolidated financial statements are based on the same accounting policies as those in the consolidated financial statements for 2018, with the exception of accounting standards applied for the first time as set out in note [4], "Accounting standards applied for the first time and to be applied in future". In accordance with IAS 34, the accounting recognition of a transaction is based on an independent evaluation as at the current reporting date and not in anticipation of the consolidated financial statements.

In principle, income and expenses are recognised in the period to which they may be assigned in economic terms. Items allocable evenly over several periods are accrued or deferred on a pro rata basis.

Estimates and assessments required as part of accounting and measurement under IFRS are carried out in accordance with the respective standard on a best estimate basis and are continually re-evaluated. They are based on empirical values and other factors, including expectations regarding future events that appear reasonable under the given circumstances. Estimation uncertainties arise in connection with – *inter alia* – risk provisions in the lending and securities business, the impairment test for goodwill, fair value measurement of financial instruments, and provisions and other liabilities. Where discretionary management decisions have a material impact on items or scenarios, the assumptions made are explained in detail in the notes to the relevant items.

### 4 Accounting standards applied for the first time and to be applied in future

The following new or amended standards and interpretations that have a material impact on the consolidated interim financial statements were applied for the first time in the reporting period. A number of other standards and interpretations were also adopted. These, however, are not expected to have a material impact on the consolidated financial statements.

#### **IFRS 16**

As at 1 January 2019, the Deka Group implemented IFRS 16 "Leases", in accordance with the transitional provisions set out in IFRS 16.C5(b), using the modified retrospective method. This means that comparative figures for the previous year have not been restated. IFRS 16 replaced IAS 17 "Leases", as well as the associated interpretations IFRIC 4, SIC-15 and SIC-27.

Under IFRS 16, leases are recognised in the lessee's balance sheet as a lease liability and a right-of-use asset at the time at which the underlying asset is made available to the lessee. In accordance with IFRS 16, the categorisation of leases as finance and operating leases that was previously required under IAS 17 is also no longer necessary.

Lease liabilities are recognised at the present value of future lease payments. Discounting is based on the interest rate implicit in the lease, if this can be determined; otherwise, discounting is based on the lessee's incremental borrowing rate. The term of the lease is determined by the non-cancellable period of the lease as defined in the contract, taking into account extension options or termination rights that are to be included in the assessment. Purchase options also have to be taken into account. This means that, for accounting purposes, the term of a contract is to be taken into account beyond the non-cancellable term if it is reasonably certain that an extension option will be exercised or that a termination or purchase option will not be exercised.

Compared with the previous regulations under IAS 17, IFRS 16 also requires variable lease payments that depend on an index or (interest) rate to be taken into account in particular. The amounts expected to be payable by the lessee under residual value guarantees also have to be estimated. Previously, the amount to be recognised corresponded to the maximum possible amount payable under residual value guarantees.

At the commencement of the lease, the right-of-use asset essentially corresponds to the lease liability. Recognition of the right-of-use asset must take into account directly attributable initial costs and lease payments made prior to the provision of the underlying asset; any lease incentives received must be deducted.

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

The right-of-use assets are shown in the balance sheet under property, plant and equipment and the lease liabilities are shown under other liabilities. Within the Deka Group, the interest expense resulting from the lease liability is shown under other operating profit and the depreciation expenses resulting from the right-of-use asset are shown under administrative expenses.

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

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

#### *Simplifications applied*

In accordance with the transitional provisions, the Deka Group has refrained from reassessing whether existing agreements constitute leases and applies the new provisions of IFRS 16 to all leases previously classified as operating leases under IAS 17. Lease payments are divided into their lease and non-lease components (usage-based ancillary costs or service charges). As at the reporting date of 30 June 2019, the Deka Group had rental and lease agreements for office properties, motor vehicles and plant and equipment (e.g. printers). The rental agreements for office properties are generally concluded for fixed terms of five to ten years. The lease term for motor vehicles is three to four years, while plant and equipment are leased for five years on average. The rental conditions are negotiated individually.

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

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

*Effects of first-time application*

In the opening balance sheet as at 1 January 2019, property, plant and equipment increased by €191.3m due to the capitalisation of right-of-use assets. The right-of-use assets recognised are split into the following classes of underlying assets:

€m	30 Jun 2019	1 Jan 2019
Office properties	167.7	185.5
Motor vehicles	4.6	4.6
Plant and equipment	1.0	1.2
<b>Total right-of-use assets for leases</b>	<b>173.3</b>	<b>191.3</b>

The total amount of other liabilities increased by €196.9m as at 1 January 2019 due to the recognition of lease liabilities. On the other hand, other liabilities from lease incentives received were reduced by €5.6m. The lessee's incremental borrowing rate applied to the lease liability as at 1 January 2019 was up to 1.28%, depending on the lease term. There was no effect on the Deka Group's retained earnings. Other liabilities include lease liabilities of €178.8m as at 30 June 2019.

The presentation of leases in the IFRS financial statements differs from that in the tax balance sheet. After taking the effects from netting into account, there were no effects on either the deferred tax assets or deferred tax liabilities reported as at 1 January 2019. As at 30 June 2019, the deferred tax assets reported were up by €1.6m.

In the first half of 2019, interest expenses from lease liabilities amounting to €0.7m were recognised under other operating profit. Administrative expenses included depreciation expenses resulting from the right-of-use assets in the amount of €19.1m. In addition, expenses totalling €1.4m from leases of low-value assets that are not short-term leases were reported under administrative expenses.

The total cash outflows from leases in the first half of 2019 amounted to €19.9m.

*Annual Improvements*

As at 1 January 2019, the Deka Group also implemented the amendments to four existing standards from the "Annual Improvements Project 2015-2017" published in December 2017 and endorsed in March 2019 for the first time. With its amendment to IAS 12, the IASB clarified that all income tax consequences of dividends have to be recognised in the same line item as the underlying transactions or events that generated the distributable profits. As a result, the tax benefit of €4.5m recognised for the first half of 2019 was reported for the first time in the income statement under "Income taxes" instead of under retained earnings, as was the case in the past. We also refer to the information provided in Note [43] "Income taxes" of the 2018 Annual Report.

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

## Standards and interpretations not yet adopted into European law

### **IFRS 3**

In October 2018, the IASB published amendments to IFRS 3 “Business Combinations”. The amendments relate to the definition of a business and include clearer guidance on how to distinguish a business from a group of assets. The amended definition is to be applied to acquisition transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. The amendments have no effect on the consolidated financial statements.

### **IAS 1 and IAS 8**

In October 2018, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The amendment clarifies the definition of “material” and aligns the definition used in the Conceptual Framework and the standards themselves. The definition is supplemented by explanatory paragraphs in IAS 1. The previous definition of “material” in IAS 8 is replaced by a reference to IAS 1. Application of the new rules is mandatory for financial years beginning on or after 1 January 2020. Voluntary early adoption is permitted. The amendments have no effect on the consolidated financial statements.

## **5 Changes in the scope of consolidation**

In addition to DekaBank as the parent company, the consolidated interim financial statements include a total of 11 (31 December 2018: 11) domestic companies and 6 (31 December 2018: 6) foreign companies in which DekaBank directly or indirectly holds the majority of the voting rights. The scope of consolidation also includes 7 structured entities (31 December 2018: 10).

The changes in the scope of consolidation are due to the deconsolidation of a total of 3 structured entities. The Deka Group no longer controls the structured entities Treasury One UG (haftungsbeschränkt) & Co. KG, Hamburg and Treasury Three Shipping Limited, Majuro (Marshall Islands) within the meaning of IFRS 10, as the business relationship was terminated in the first half of 2019. In addition, the shares in the structured entity Masterfonds S Broker, Frankfurt/Main were redeemed in full.

A total of 11 (31 December 2018: 11) affiliated companies controlled by the Deka Group were not consolidated because they are of minor significance for the presentation of the Group’s financial position and financial performance. The interests held in these subsidiaries are reported under financial assets at fair value. Likewise, structured entities are not consolidated if they are of minor significance to the consolidated interim financial statements. Units in unconsolidated investment funds are measured at fair value through profit or loss. These are shown in the statement of financial position under financial assets at fair value.

The subsidiaries (affiliated companies and structured entities), joint ventures and associated companies, as well as the companies and equity investments not included in the scope of consolidation on materiality grounds are shown in the list of shareholdings (note [35]).



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

### 6 Net interest income

In addition to interest income and expenses from financial instruments, this item includes the pro-rata unwinding of premiums and discounts on financial instruments. Net interest income from items in the trading book and the associated refinancing expenses are not included as they are reported in trading profit or loss.

€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change
<b>Interest income from</b>			
<b>Financial assets measured at amortised cost</b>	<b>338.6</b>	<b>268.0</b>	70.6
thereof: lending and money market transactions	286.7	234.2	52.5
thereof: fixed-interest securities	51.9	33.8	18.1
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>10.6</b>	<b>13.8</b>	-3.2
thereof: money market transactions	-	-	-
thereof: fixed-interest securities	10.6	13.8	-3.2
<b>Financial assets measured at fair value through profit or loss</b>	<b>125.9</b>	<b>133.8</b>	-7.9
Trading portfolio			
thereof: lending and money market transactions	8.4	2.8	5.6
thereof: interest rate derivatives (economic hedges)	68.8	75.5	-6.7
thereof: hedge derivatives (hedge accounting)	12.5	27.5	-15.0
Financial assets mandatorily measured at fair value through profit or loss			
thereof: lending and money market transactions	13.4	7.8	5.6
thereof: fixed-interest securities	19.4	15.6	3.8
thereof: current income from shares and other non-fixed-interest securities	2.5	2.2	0.3
thereof: current income from equity investments	0.9	2.4	-1.5
<b>Negative interest from liabilities</b>	<b>60.8</b>	<b>53.4</b>	7.4
<b>Total interest income</b>	<b>535.9</b>	<b>469.0</b>	66.9
<b>Interest expenses for</b>			
<b>Financial liabilities measured at amortised cost</b>	<b>153.3</b>	<b>153.4</b>	-0.1
thereof: lending and money market transactions	79.1	91.8	-12.7
thereof: securitised liabilities	56.4	43.6	12.8
thereof: subordinated liabilities	17.8	18.0	-0.2
<b>Financial liabilities measured at fair value through profit or loss</b>	<b>254.5</b>	<b>222.7</b>	31.8
Trading portfolio			
thereof: lending and money market transactions	-7.6	3.1	-10.7
thereof: interest rate derivatives (economic hedges)	202.0	161.4	40.6
thereof: hedge derivatives (hedge accounting)	34.6	24.0	10.6
Financial liabilities designated at fair value			
thereof: lending and money market transactions	22.0	27.7	-5.7
thereof: securitised liabilities	3.5	6.5	-3.0
<b>Negative interest on money-market transactions and fixed-interest securities</b>	<b>51.6</b>	<b>46.4</b>	5.2
<b>Total interest expenses</b>	<b>459.4</b>	<b>422.5</b>	36.9
<b>Net interest income</b>	<b>76.5</b>	<b>46.5</b>	30.0

## 7 Risk provisions in the lending and securities business

This item primarily includes expenses and income from changes in risk provisions for financial instruments in the measurement categories “Financial assets measured at amortised cost” (AC) and “Financial assets measured at fair value through other comprehensive income” (FVOCI), as well as for loan commitments and financial guarantees insofar as they fall within the scope of the impairment rules set out in IFRS 9. Risk provisions in the lending and securities business are recognised in the statement of profit or loss and other comprehensive income as follows:

€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change
Allocations to risk provisions	-19.9	-8.8	-11.1
Reversals of risk provisions	9.3	11.6	-2.3
Direct write-downs on receivables	-	-	-
Income on written-down receivables	0.7	3.1	-2.4
Net income from modifications in the lending business (stage 3 or POCI)	-	-	-
<b>Risk provisions in the lending business</b>	<b>-9.9</b>	<b>5.9</b>	<b>-15.8</b>
Allocations to risk provisions	-1.9	-1.4	-0.5
Reversals of risk provisions	0.4	10.9	-10.5
Direct write-downs on securities	-	-	-
Net income from modifications in the securities business (stage 3 or POCI)	-	-	-
<b>Risk provisions in the securities business</b>	<b>-1.5</b>	<b>9.5</b>	<b>-11.0</b>
<b>Risk provisions in the lending and securities business</b>	<b>-11.4</b>	<b>15.4</b>	<b>-26.8</b>

## 8 Net commission income

Net commission income by type of service is as follows:

€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change
<b>Commission income from</b>			
Investment fund business	1,106.9	1,081.5	25.4
Securities business	78.9	66.5	12.4
Lending business	14.6	15.5	-0.9
Other	10.5	11.1	-0.6
<b>Total commission income</b>	<b>1,210.9</b>	<b>1,174.6</b>	<b>36.3</b>
<b>Commission expenses for</b>			
Investment fund business	580.8	587.7	-6.9
Securities business	35.0	19.9	15.1
Lending business	1.1	1.2	-0.1
Other	2.6	2.0	0.6
<b>Total commission expenses</b>	<b>619.5</b>	<b>610.8</b>	<b>8.7</b>
<b>Net commission income</b>	<b>591.4</b>	<b>563.8</b>	<b>27.6</b>

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

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

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

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

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

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

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

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

Of the net commission income of €591.4m, €347.3m relates to the Asset Management Securities division, €113.9m to the Asset Management Real Estate division, €88.2m to the Asset Management Services division, €29.3m to the Capital Markets division and €13.7m to the Financing division.

## 9 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments measured at fair value through profit or loss. Since the second half of 2018, this item has also included the profit/loss from the currency translation of the banking book portfolio, which was still reported under the profit or loss on financial assets mandatorily measured at fair value in the comparison period. Prior-year figures have been adjusted accordingly for better comparability. Net interest income from derivative and non-derivative financial instruments in the trading book, together with any related refinancing expenses, are also reported under this item. However, net interest income from economic hedging derivatives is reported under net interest income.

€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change
Sale and valuation results	103.7	175.6	-71.9
Net interest income and current income from trading transactions	-49.0	-72.3	23.3
Commission	-6.8	-8.7	1.9
<b>Trading profit or loss</b>	<b>47.9</b>	<b>94.6</b>	<b>-46.7</b>

## 10 Profit or loss on financial assets mandatorily measured at fair value

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

€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change
Sale and valuation results	99.2	-36.2	135.4
Commission	0.6	-	0.6
<b>Profit or loss on financial assets mandatorily measured at fair value</b>	<b>99.8</b>	<b>-36.2</b>	<b>136.0</b>

## 11 Profit or loss on financial instruments designated at fair value

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

€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change
Sale and valuation results	8.7	27.1	-18.4
Commission	-	-0.0	0.0
<b>Profit or loss on financial instruments designated at fair value</b>	<b>8.7</b>	<b>27.1</b>	<b>-18.4</b>

## 12 Profit or loss on financial investments

This item primarily comprises the gains or losses on the disposal of financial assets measured at fair value through other comprehensive income and the pro rata annual profit or loss from shares in associated companies and joint ventures accounted for using the equity method.

€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change
Sale results	1.7	39.8	-38.1
Commission	-	-	-
Net income from equity-accounted companies	-0.0	-0.1	0.1
<b>Profit or loss on financial investments</b>	<b>1.7</b>	<b>39.7</b>	<b>-38.0</b>

## 13 Administrative expenses

Administrative expenses comprise personnel expenses, other administrative expenses and depreciation and amortisation:

€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change
Personnel expenses	269.1	260.3	8.8
Other administrative expenses	250.0	245.6	4.4
Depreciation and amortisation of	26.5	9.2	17.3
Property, plant and equipment	2.1	1.9	0.2
Intangible assets	5.3	7.3	-2.0
Right-of-use assets for leases	19.1	-	19.1
<b>Administrative expenses</b>	<b>545.6</b>	<b>515.1</b>	<b>30.5</b>

Other administrative expenses include the full-year contribution to the European Union's Single Resolution Fund of €40.4m (30 June 2018/full-year contribution for 2018: €29.6m) and the standard contribution to the deposit guarantee scheme of the Landesbanken and Girozentralen amounting to €17.2m (30 June 2018: €11.0m).

In connection with the first-time application of IFRS 16 "Leases" as at 1 January 2019, the depreciation expenses resulting from capitalised right-of-use assets are reported under administrative expenses for the first time (see Note [4] "Accounting standards applied for the first time and to be applied in future"). Prior-year figures have not been adjusted.

## 14 Other operating profit

The breakdown of other operating profit is as follows:

€m	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	Change
<b>Income from repurchased debt instruments</b>	<b>-1.7</b>	<b>-1.6</b>	<b>-0.1</b>
Other operating income	22.1	9.7	12.4
Other operating expenses	21.4	12.9	8.5
<b>Other operating profit</b>	<b>-1.0</b>	<b>-4.8</b>	<b>3.8</b>

## 15 Income taxes

Based on the corporation tax and trade tax rates applicable for 2019, the combined tax rate for the companies in the DekaBank fiscal group is unchanged compared with the previous year at 31.9%. DekaBank is treated for tax purposes as an atypical silent partnership, as a result of which part of its corporation tax liability is directly borne by its shareholders. In accordance with its articles of incorporation, DekaBank is obliged to reimburse shareholders for the portion of corporation tax (45.58% of 15.825% including solidarity surcharge, i.e. a total of 7.21%) that they bear. As in the previous year, this portion is disclosed as an income tax expense.

## Notes to the consolidated statement of financial position

### 16 Cash reserves

€m	30 Jun 2019	31 Dec 2018	Change
Cash on hand	0.0	0.0	-0.0
Balances with central banks	16,120.3	15,302.5	817.8
<b>Total</b>	<b>16,120.3</b>	<b>15,302.5</b>	817.8

### 17 Due from banks

€m	30 Jun 2019	31 Dec 2018	Change
Domestic banks	11,959.7	12,428.4	-468.7
Foreign banks	13,148.7	11,544.4	1,604.3
<b>Due from banks before risk provisions</b>	<b>25,108.4</b>	<b>23,972.8</b>	1,135.6
Risk provisions for loan losses	-0.2	-0.2	0.0
<b>Total</b>	<b>25,108.2</b>	<b>23,972.6</b>	1,135.6

### 18 Due from customers

€m	30 Jun 2019	31 Dec 2018	Change
Domestic borrowers	5,825.4	5,811.2	14.2
Foreign borrowers	19,306.7	18,692.7	614.0
<b>Due from customers before risk provisions</b>	<b>25,132.1</b>	<b>24,503.9</b>	628.2
Risk provisions for loan losses	-93.2	-84.0	9.2
<b>Total</b>	<b>25,038.9</b>	<b>24,419.9</b>	619.0

## 19 Risk provisions in the lending and securities business

Default risks in lending and securities business are recognised through provisions, including provisions for off-balance sheet commitments. The accumulated provisions for debt instruments in the AC measurement category are offset against the gross carrying amounts on the asset side. For debt instruments in the FVOCI measurement category, the provisions are reported on the liabilities side in other comprehensive income (OCI). Risk provisions for credit risks from off-balance sheet commitments are reported on the liabilities side under provisions. The risk provisions set up in the first half of 2019 were as follows:

€m	30 Jun 2019	31 Dec 2018	Change
<b>Risk provisions in the lending business</b>	<b>94.8</b>	<b>86.0</b>	8.8
Risk provisions for loan losses – due from banks	0.2	0.2	0.0
Risk provisions for loan losses – due from customers	93.2	84.0	9.2
Provisions for credit risks from off-balance sheet commitments	1.4	1.8	–0.4
<b>Risk provisions in the securities business</b>	<b>8.5</b>	<b>6.9</b>	1.6
Risk provisions for securities <sup>1)</sup>	8.5	6.9	1.6
<b>Total</b>	<b>103.3</b>	<b>92.9</b>	10.4

<sup>1)</sup> Including risk provisions for financial assets measured at fair value through other comprehensive income

Movements in risk provisions set up in the first half of 2019 were as follows:

*Risk provisions for assets measured at amortised cost*

€m	Stage 1	Stage 2	Stage 3	Total
<b>Due from banks</b>				
<b>Position as at 1 January 2019</b>	<b>0.2</b>	<b>0.0</b>	<b>–</b>	<b>0.2</b>
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	–0.0	–0.0	–	–0.0
Allocation	0.0	–	–	0.0
Reversal	–0.0	–0.0	–	–0.0
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.0	–	–	0.0
<b>Position as at 30 June 2019</b>	<b>0.2</b>	<b>0.0</b>	<b>–</b>	<b>0.2</b>
<b>Due from customers</b>				
<b>Position as at 1 January 2019</b>	<b>8.7</b>	<b>12.0</b>	<b>63.3</b>	<b>84.0</b>
Transfer to other stages	–1.3	–0.3	–	–1.6
Transfer from other stages	0.3	1.3	0.0	1.6
Change in position including new business	1.6	–0.1	–1.4	0.1
Allocation	1.0	11.6	6.4	19.0
Reversal	–1.9	–5.8	–0.4	–8.1
Utilisation	–	–	–1.8	–1.8
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Changes in the scope of consolidation	–	–	–	–
Exchange rate-related and other changes	0.0	0.1	–0.1	0.0
<b>Position as at 30 June 2019</b>	<b>8.4</b>	<b>18.8</b>	<b>66.0</b>	<b>93.2</b>
<b>Financial investments</b>				
<b>Position as at 1 January 2019</b>	<b>2.5</b>	<b>3.4</b>	<b>–</b>	<b>5.9</b>
Transfer to other stages	–0.0	–0.0	–	–0.0
Transfer from other stages	0.0	0.0	–	0.0
Change in position including new business	0.1	–0.0	–	0.1
Allocation	0.4	1.2	–	1.6
Reversal	–0.1	–0.1	–	–0.2
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.1	–	–	0.1
<b>Position as at 30 June 2019</b>	<b>3.0</b>	<b>4.5</b>	<b>–</b>	<b>7.5</b>



€m	Stage 1	Stage 2	Stage 3	Total
<b>Due from banks</b>				
<b>Position as at 1 January 2018</b>	<b>0.2</b>	<b>0.0</b>	<b>–</b>	<b>0.2</b>
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	–0.0	–	–	–0.0
Allocation	–	–	–	–
Reversal	–0.0	–0.0	–	–0.0
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–	–	–	–
<b>Position as at 30 June 2018</b>	<b>0.2</b>	<b>0.0</b>	<b>–</b>	<b>0.2</b>
<b>Due from customers</b>				
<b>Position as at 1 January 2018</b>	<b>8.0</b>	<b>19.0</b>	<b>95.4</b>	<b>122.4</b>
Transfer to other stages	–0.0	–0.2	–0.1	–0.3
Transfer from other stages	0.2	0.1	–	0.3
Change in position including new business	0.5	–0.5	–1.1	–1.1
Allocation	0.8	0.1	1.6	2.5
Reversal	–0.8	–5.1	–3.8	–9.7
Utilisation	–	–	–14.9	–14.9
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Changes in the scope of consolidation	–	–	–	–
Exchange rate-related and other changes	0.1	0.2	2.1	2.4
<b>Position as at 30 June 2018</b>	<b>8.8</b>	<b>13.6</b>	<b>79.2</b>	<b>101.6</b>
<b>Financial investments</b>				
<b>Position as at 1 January 2018</b>	<b>1.2</b>	<b>4.4</b>	<b>36.6</b>	<b>42.2</b>
Transfer to other stages	–	–	–	–
Transfer from other stages	0.0	–	–	0.0
Change in position including new business	0.3	–1.3	–8.3	–9.3
Allocation	0.0	0.2	–	0.2
Reversal	–0.1	–0.3	–	–0.4
Utilisation	–	–	–28.3	–28.3
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–	–	–0.0	–0.0
<b>Position as at 30 June 2018</b>	<b>1.4</b>	<b>3.0</b>	<b>–</b>	<b>4.4</b>

*Risk provisions for financial assets measured at fair value through other comprehensive income*

€m	Stage 1	Stage 2	Stage 3	Total
<b>Financial investments</b>				
<b>Position as at 1 January 2019</b>	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>1.0</b>
Transfer to other stages	-	-	-	-
Transfer from other stages	-	-	-	-
Change in position including new business	-0.1	-	-	-0.1
Allocation	0.2	-	-	0.2
Reversal	-0.1	-	-	-0.1
Utilisation	-	-	-	-
Changes due to model changes	-	-	-	-
Changes due to non-substantial modifications	-	-	-	-
Exchange rate-related and other changes	-	-	-	-
<b>Position as at 30 June 2019</b>	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>1.0</b>

€m	Stage 1	Stage 2	Stage 3	Total
<b>Financial investments</b>				
<b>Position as at 1 January 2018</b>	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>1.0</b>
Transfer to other stages	-	-	-	-
Transfer from other stages	-	-	-	-
Change in position including new business	-0.0	-	-	-0.0
Allocation	0.0	-	-	0.0
Reversal	0.0	-	-	0.0
Utilisation	-	-	-	-
Changes due to model changes	-	-	-	-
Changes due to non-substantial modifications	-	-	-	-
Exchange rate-related and other changes	-	-	-	-
<b>Position as at 30 June 2018</b>	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>1.0</b>

*Provisions for credit risks from off-balance sheet commitments*

€m	Stage 1	Stage 2	Stage 3	Total
<b>Loan commitments and financial guarantee contracts</b>				
<b>Position as at 1 January 2019</b>	<b>0.9</b>	<b>0.9</b>	<b>0.0</b>	<b>1.8</b>
Transfer to other stages	-0.0	-0.1	-	-0.1
Transfer from other stages	0.1	0.0	-	0.1
Change in position including new business	0.1	-	-0.0	0.1
Allocation	0.4	0.1	0.0	0.5
Reversal	-0.2	-0.8	-	-1.0
Utilisation	-	-	-	-
Changes due to model changes	-	-	-	-
Changes due to non-substantial modifications	-	-	-	-
Exchange rate-related and other changes	-0.0	0.0	0.0	0.0
<b>Position as at 30 June 2019</b>	<b>1.3</b>	<b>0.1</b>	<b>-</b>	<b>1.4</b>

€m	Stage 1	Stage 2	Stage 3	Total
<b>Loan commitments and financial guarantee contracts</b>				
<b>Position as at 1 January 2018</b>	<b>1.7</b>	<b>0.1</b>	<b>0.3</b>	<b>2.1</b>
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	0.5	0.2	–	0.7
Allocation	0.0	3.9	1.0	4.9
Reversal	–0.1	–	–	–0.1
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.1	–	0.0	0.1
<b>Position as at 30 June 2018</b>	<b>2.2</b>	<b>4.2</b>	<b>1.3</b>	<b>7.7</b>
<b>%</b>				
<b>Reversal/allocation ratio as at reporting date<sup>1)</sup></b>			<b>2019</b>	<b>2018</b>
(Ratio of net allocation/-reversal to gross carrying values relevant for risk provisions)			–0.03	0.05
<b>Default rate as at reporting date</b>				
(Ratio of defaults to gross carrying values relevant for risk provisions)			0.00	0.13
<b>Average default rate</b>				
(Ratio of defaults on a 5-year average to gross carrying values relevant for risk provisions)			0.28	0.31
<b>Net provisioning ratio as at reporting date</b>				
(Ratio of risk provisions to gross carrying values relevant for risk provisions)			0.26	0.24

<sup>1)</sup> Reversal ratio shown without negative leading sign

The calculations of the figures above are based on a gross carrying amount relevant for risk provisioning purposes of €39.6bn (31 December 2018: €38.4bn).

## Risk provisions by risk segment:

€m	Valuation allowances and provisions in the lending and securities business		Defaults <sup>1)</sup>		Net allocations to <sup>2)</sup> /reversals of valuation allowances and provisions in the lending and securities business	
	30 Jun 2019	31 Dec 2018	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018	1 <sup>st</sup> half 2019	1 <sup>st</sup> half 2018
<b>Customers</b>						
Transport and export finance	72.0	67.9	-0.5	11.8	-4.5	-0.7
Property risks	12.5	4.8	-0.1	-	-7.7	3.0
Energy and utility infrastructure	8.7	11.9	1.7	-	1.7	0.4
Financial institutions	0.7	0.7	-	-	-0.0	-
Public infrastructure	0.4	0.3	-	-	-0.1	0.2
Other	0.3	0.2	0.0	-0.0	-0.0	-0.1
<b>Total customers</b>	<b>94.6</b>	<b>85.8</b>	<b>1.1</b>	<b>11.8</b>	<b>-10.6</b>	<b>2.8</b>
<b>Banks</b>						
Financial institutions	0.2	0.2	-	-	0.0	0.0
Other	0.0	0.0	-	-	0.0	-
<b>Total banks</b>	<b>0.2</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>
<b>Securities</b>						
Energy and utility infrastructure	4.0	3.3	-	-	-0.7	0.3
Corporates	3.0	2.2	-	28.3	-0.9	8.2
Financial institutions	1.3	1.2	-	-	-0.0	1.1
Other	0.2	0.2	-	-	0.1	-0.1
<b>Total securities</b>	<b>8.5</b>	<b>6.9</b>	<b>-</b>	<b>28.3</b>	<b>-1.5</b>	<b>9.5</b>
<b>Total</b>	<b>103.3</b>	<b>92.9</b>	<b>1.1</b>	<b>40.1</b>	<b>-12.1</b>	<b>12.3</b>

<sup>1)</sup> Includes utilisation, direct write-downs and income on written-down receivables and securities

<sup>2)</sup> Negative in the column

## 20 Financial assets at fair value

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

€m	30 Jun 2019	31 Dec 2018	Change
<b>Trading portfolio</b>			
Debt securities and other fixed-interest securities	9,832.3	7,477.9	2,354.4
Bonds and debt securities	9,802.3	7,477.9	2,324.4
Money market securities	30.0	–	30.0
Shares and other non fixed-interest securities	2,517.2	1,511.0	1,006.2
Shares	891.1	486.7	404.4
Units in investment funds	1,626.1	1,024.3	601.8
Positive market values of derivative financial instruments	7,421.1	4,982.7	2,438.4
Positive market values of derivative financial instruments (trading)	7,097.6	4,607.3	2,490.3
Positive market values of derivative financial instruments (economic hedging derivatives)	323.5	375.4	–51.9
Loan receivables	824.5	698.2	126.3
<b>Total – trading portfolio</b>	<b>20,595.1</b>	<b>14,669.8</b>	<b>5,925.3</b>
<b>Financial assets mandatorily measured at fair value through profit or loss</b>			
Debt securities and other fixed-interest securities	7,127.2	7,890.2	–763.0
Bonds and debt securities	7,127.2	7,890.2	–763.0
Shares and other non fixed-interest securities	1,461.1	1,421.2	39.9
Shares	4.2	6.7	–2.5
Units in investment funds	1,456.9	1,414.5	42.4
Loan receivables	798.9	1,016.8	–217.9
Shareholdings	67.7	47.4	20.3
Equity investments	64.8	44.7	20.1
Shares in affiliated companies	0.9	0.9	0.0
Holdings in joint ventures	0.0	0.0	–
Shares in associated companies	2.0	1.8	0.2
<b>Total – financial assets mandatorily measured at fair value through profit or loss</b>	<b>9,454.9</b>	<b>10,375.6</b>	<b>–920.7</b>
<b>Financial assets designated at fair value</b>			
Debt securities and other fixed-interest securities	–	–	–
Bonds and debt securities	–	–	–
Other non fixed-interest securities	–	–	–
Loan receivables	–	–	–
<b>Total – financial assets designated at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>30,050.0</b>	<b>25,045.4</b>	<b>5,004.6</b>

## 21 Financial investments

€m	30 Jun 2019	31 Dec 2018	Change
<b>Financial assets measured at amortised cost</b>			
Debt securities and other fixed-interest securities	5,501.6	5,032.8	468.8
<b>Financial assets measured at fair value through other comprehensive income</b>			
Debt securities and other fixed-interest securities	5,678.0	5,751.7	-73.7
<b>Shareholdings</b>			
Shares in equity-accounted companies	16.4	16.4	-0.0
<b>Financial investments before risk provisions</b>	<b>11,196.0</b>	<b>10,800.9</b>	395.1
Risk provisions for securities (AC)	-7.5	-5.9	-1.6
<b>Total</b>	<b>11,188.5</b>	<b>10,795.0</b>	393.5

## 22 Intangible assets

€m	30 Jun 2019	31 Dec 2018	Change
Purchased goodwill	148.1	148.1	-
Software	25.7	28.0	-2.3
Other intangible assets	10.9	11.5	-0.6
<b>Total</b>	<b>184.7</b>	<b>187.6</b>	-2.9

Purchased goodwill continues to include goodwill of €95.0m arising from the acquisition of Deka Vermögensmanagement GmbH (formerly: Landesbank Berlin Investment GmbH, Berlin) and €53.1m in goodwill from the acquisition of WestInvest Gesellschaft für Investmentfonds mbH.

## 23 Property, plant and equipment

€m	30 Jun 2019	31 Dec 2018	Change
Plant and equipment	19.2	20.0	-0.8
Technical equipment and machines	4.8	5.6	-0.8
Right-of-use assets for leases	173.3	-	173.3
<b>Total</b>	<b>197.3</b>	<b>25.6</b>	171.7

As a result of the first-time application of IFRS 16 "Leases" as at 1 January 2019, property, plant and equipment includes, for the first time, right-of-use assets resulting from leases in the amount of €173.3m (see Note [4] "Accounting standards applied for the first time and to be applied in future"). Prior-year figures have not been adjusted.

## 24 Due to banks

€m	30 Jun 2019	31 Dec 2018	Change
Domestic banks	13,396.2	13,285.7	110.5
Foreign banks	12,774.6	9,664.1	3,110.5
<b>Total</b>	<b>26,170.8</b>	<b>22,949.8</b>	<b>3,221.0</b>
Thereof:			
Collateralised registered bonds and promissory note loans	51.5	67.3	- 15.8
Unsecured registered bonds and promissory note loans	2,319.7	2,464.8	- 145.1

## 25 Due to customers

€m	30 Jun 2019	31 Dec 2018	Change
Domestic customers	22,351.6	19,373.2	2,978.4
Foreign customers	4,557.2	6,350.0	- 1,792.8
<b>Total</b>	<b>26,908.8</b>	<b>25,723.2</b>	<b>1,185.6</b>
Thereof:			
Collateralised registered bonds and promissory note loans	910.0	1,074.3	- 164.3
Unsecured registered bonds and promissory note loans	1,265.0	1,258.3	6.7

## 26 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. In accordance with IFRS 9, issued bonds are disclosed net of own bonds with a nominal value of €224.8m (31 December 2018: €208.7m) held within the Deka Group.

€m	30 Jun 2019	31 Dec 2018	Change
Uncovered debt securities issued	4,821.0	4,840.9	- 19.9
Covered debt securities issued	969.2	724.8	244.4
Money market securities issued	10,839.0	9,225.0	1,614.0
<b>Total</b>	<b>16,629.2</b>	<b>14,790.7</b>	<b>1,838.5</b>

## 27 Financial liabilities at fair value

In addition to trading issues and liabilities designated at fair value, this item includes negative market values of derivative financial instruments in the trading book as well as the negative market values of economic hedging transactions which do not qualify for hedge accounting under IAS 39. Securities short positions are also reported in this line item.

€m	30 Jun 2019	31 Dec 2018	Change
<b>Trading portfolio</b>			
Trading issues	21,703.9	20,348.7	1,355.2
Securities short portfolios	1,217.4	1,696.1	-478.7
Negative market values of derivative financial instruments (trading)	6,746.4	5,407.4	1,339.0
Negative market values of derivative financial instruments (economic hedging derivatives)	349.8	375.6	-25.8
<b>Total – trading portfolio</b>	<b>30,017.5</b>	<b>27,827.8</b>	<b>2,189.7</b>
<b>Financial liabilities designated at fair value</b>			
Issues	1,149.4	1,479.1	-329.7
<b>Total – financial liabilities designated at fair value</b>	<b>1,149.4</b>	<b>1,479.1</b>	<b>-329.7</b>
<b>Total</b>	<b>31,166.9</b>	<b>29,306.9</b>	<b>1,860.0</b>

Issues can be broken down by product type as follows:

€m	30 Jun 2019	31 Dec 2018	Change
<b>Trading portfolio</b>			
Uncovered trading issues			
Bearer bonds issued	18,027.5	16,780.2	1,247.3
Registered bonds issued	1,468.8	1,324.2	144.6
Promissory notes raised	2,207.6	2,244.3	-36.7
<b>Total</b>	<b>21,703.9</b>	<b>20,348.7</b>	<b>1,355.2</b>
<b>Financial liabilities designated at fair value</b>			
Uncovered issues			
Bearer bonds issued	119.5	230.1	-110.6
Registered bonds issued	213.4	262.3	-48.9
Promissory notes raised	143.1	162.6	-19.5
Covered issues	673.4	824.1	-150.7
<b>Total</b>	<b>1,149.4</b>	<b>1,479.1</b>	<b>-329.7</b>

The fair value of issues designated at fair value includes cumulative creditworthiness-related changes in value of €6.4m (31 December 2018: 8.8 €m).



## 28 Provisions

€m	30 Jun 2019	31 Dec 2018	Change
Provisions for pensions and similar commitments	287.2	222.2	65.0
Provisions in investment funds business	63.6	66.6	-3.0
Provisions for legal risks	23.2	26.6	-3.4
Provisions for restructuring measures	10.4	18.4	-8.0
Provisions in human resources	1.6	2.7	-1.1
Provisions for credit risks	1.4	1.8	-0.4
Provisions for operational risks	0.0	0.6	-0.6
Sundry other provisions	4.3	9.5	-5.2
<b>Total</b>	<b>391.7</b>	<b>348.4</b>	<b>43.3</b>

The increase in provisions for pensions and similar commitments is mainly due to a significant increase in actuarial losses. The actuarial interest rate underlying the measurement of pension provisions as at 30 June 2019 was 1.15%, 0.75 percentage points below the actuarial interest rate applied at 31 December 2018. The resulting effect was only partly offset by the increase in plan assets. This means that based on actuarial valuations, a pre-tax revaluation loss of €-57.4m (31 December 2018: a revaluation loss of €-12.2m) was recognised in other comprehensive income.

Provisions are also created for funds with formal guarantees and targeted returns, as described below.

The Deka Group's range of products includes investment funds with guarantees of various types. Upon maturity of the fund or at the end of the investment period, the investment management company guarantees that the investor will receive either the capital originally invested (less charges) or the unit value at the start of that investment period. The amount of the provision is the forecast shortfall at the guarantee date, which is the difference between the expected unit value and the unit value guaranteed. As at the reporting date, €6.4m (31 December 2018: €2.9m) was set aside based on the changes in the respective fund assets. As at the reporting date, the guarantees covered a maximum volume of €3.0bn (31 December 2018: €3.1bn) as at the respective guarantee dates. The market value of the corresponding fund assets totalled €3.3bn (31 December 2018: €3.2bn). These also include the funds described below with a forecast return performance, which had a volume of €1.3bn (31 December 2018: €1.4bn).

Investment funds whose return is forecast and published on the basis of current money market rates set by the Group exist in two varieties: with or without a capital guarantee. The level of the provision is determined using potential loss scenarios taking account of the risks related to liquidity, interest rate and spreads. As at the reporting date, provisions of €26.4m (31 December 2018: €21.0m) had been created. The underlying total volume of the funds amounted to €2.5bn (31 December 2018: €2.8bn), of which €1.3bn (31 December 2018: €1.4bn) related to funds with a capital guarantee and €1.2bn (31 December 2018: €1.4bn) to funds without a capital guarantee.

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

## 29 Equity

€m	30 Jun 2019	31 Dec 2018	Change
<b>Subscribed capital</b>	<b>286.3</b>	<b>286.3</b>	–
<b>Own shares (deduction)</b>	<b>94.6</b>	<b>94.6</b>	–
<b>Additional capital components (AT1 bonds)</b>	<b>473.6</b>	<b>473.6</b>	–
<b>Capital reserve</b>	<b>190.3</b>	<b>190.3</b>	–
<b>Retained earnings</b>	<b>4,579.1</b>	<b>4,614.1</b>	–35.0
Statutory reserve	6.4	6.4	–
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	4,521.4	4,556.4	–35.0
<b>Revaluation reserve</b>	<b>–147.8</b>	<b>–115.4</b>	–32.4
For provisions for pensions	–242.2	–184.8	–57.4
For cash flow hedges	–	–	–
For equity-accounted companies	–	–6.6	6.6
For financial assets measured at fair value through other comprehensive income	24.3	28.7	–4.4
For own credit risk of financial liabilities designated at fair value	–6.4	–8.8	2.4
Deferred taxes	76.5	56.1	20.4
<b>Currency translation reserve</b>	<b>0.0</b>	<b>0.0</b>	0.0
<b>Accumulated profit/loss (consolidated profit)</b>	<b>152.7</b>	<b>63.3</b>	89.4
<b>Total</b>	<b>5,439.6</b>	<b>5,417.6</b>	22.0

During the 2019 reporting year, tax benefits relating to interest payments for the AT1 bonds were reported in the income statement for the first time, instead of under “Other reserves from retained earnings”, as in the past (see Note [4] “Accounting standards applied for the first time and to be applied in future”). These amounted to €4.5m as at 30 June 2019.

The change in the revaluation reserve for equity-accounted companies is the result of a reclassification to retained earnings, with no effect on profit or loss, due to the derecognition of revaluation losses on defined-benefit pension obligations in accordance with IAS 19 for equity-accounted companies.

## Other disclosures

### 30 Fair value disclosures for financial instruments

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

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

Where no prices are available on an active market, valuation models are used that are considered appropriate for the financial instruments in question. Observable market data is always used as the basis where available. However, the availability of observable stock market prices, valid prices or market data varies depending on the financial instrument and can change over time. Furthermore, the valuation models are periodically readjusted and validated as required. Depending on the financial instrument and market situation, it may be

necessary to include assumptions and estimates made by the Bank in the valuation. The Bank is also responsible for selecting suitable modelling techniques and appropriate parameters and assumptions. The assumptions underlying financial valuation models can have a considerable effect on the fair value determined. Where there are no prices from active markets, the fair value is therefore deemed to be the model value as at the reporting date, which reflects a realistic estimate of how the market would be likely to value the financial instrument.

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

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

In the Deka Group, financial instruments are classified as per IFRS 7 by balance sheet line item and IFRS measurement category. The carrying values and fair values of financial assets and financial liabilities are divided among the measurement categories and classes of financial instruments as follows:

€m	30 Jun 2019		31 Dec 2018	
	Fair value	Carrying value	Fair value	Carrying value
<b>Assets</b>				
<b>Financial assets measured at amortised cost</b>				
Cash reserves	16,120.3	16,120.3	15,302.5	15,302.5
Due from banks	25,162.4	25,108.2	24,068.9	23,972.6
Due from customers	25,242.1	25,038.9	24,266.6	24,419.9
Financial investments	5,644.4	5,494.1	4,988.6	5,026.9
Other assets	133.2	133.2	146.3	146.3
<b>Financial assets measured at fair value through other comprehensive income</b>				
Financial investments	5,678.0	5,678.0	5,751.7	5,751.7
<b>Financial assets measured at fair value through profit or loss</b>				
Trading portfolio				
Financial assets at fair value	20,595.1	20,595.1	14,669.8	14,669.8
Financial assets mandatorily measured at fair value through profit or loss				
Financial assets at fair value	9,454.9	9,454.9	10,375.6	10,375.6
Other assets	10.7	10.7	26.9	26.9
<b>Positive market values of derivative hedging instruments</b>	6.5	6.5	13.5	13.5
<b>Total asset items</b>	<b>108,047.6</b>	<b>107,639.9</b>	<b>99,610.4</b>	<b>99,705.7</b>
<b>Liabilities</b>				
<b>Financial liabilities measured at amortised cost</b>				
Due to banks	26,303.2	26,170.8	23,056.0	22,949.8
Due to customers	27,154.6	26,908.8	25,903.7	25,723.2
Securitised liabilities	16,732.3	16,629.2	14,848.0	14,790.7
Subordinated capital	1,008.7	904.3	981.6	899.4
Other liabilities	362.4	362.4	174.0	174.0
<b>Financial liabilities measured at fair value through profit or loss</b>				
Trading portfolio				
Financial liabilities at fair value	30,017.5	30,017.5	27,827.8	27,827.8
Other liabilities	4.0	4.0	1.7	1.7
Financial liabilities designated at fair value				
Financial liabilities at fair value	1,149.4	1,149.4	1,479.1	1,479.1
<b>Negative market values of derivative hedging instruments</b>	47.3	47.3	39.3	39.3
<b>Total liability items</b>	<b>102,779.4</b>	<b>102,193.7</b>	<b>94,311.2</b>	<b>93,885.0</b>

### Fair value hierarchy

Financial instruments carried at fair value in the balance sheet are to be allocated to the following three fair value hierarchy levels specified in IFRS 13 depending on the input factors influencing their valuation:

- Level 1: (Prices listed on active markets): Financial instruments whose fair value can be derived directly from prices on active, liquid markets are allocated to this level.
- Level 2: (Valuation method based on observable market data): Financial instruments whose fair value can be determined either from similar financial instruments traded on active and liquid markets, from similar or identical financial instruments traded on less liquid markets, or based on valuation methods with directly or indirectly observable input factors, are allocated to this level.
- Level 3: (Valuation method not based on observable market data): Financial instruments whose fair value is determined based on valuation models using, among other things, input factors not observable in the market, provided they are significant for the valuation, are allocated to this level.

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

€m	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
<b>Financial assets measured at fair value through profit or loss</b>						
Debt securities, other fixed-interest securities and loan receivables	9,955.8	6,007.8	5,405.5	6,767.7	3,221.6	4,307.6
Shares and other non fixed-interest securities	3,928.6	2,880.5	49.7	51.7	–	–
Derivative financial instruments	33.1	83.4	7,158.9	4,791.5	229.1	107.8
Interest-rate-related derivatives	0.1	0.1	6,641.1	4,230.1	212.9	61.5
Currency-related derivatives	–	–	80.6	119.7	–	–
Share and other price-related derivatives	33.0	83.3	437.2	441.7	16.2	46.3
Shareholdings	–	–	–	–	67.7	47.4
<b>Positive market values of derivative hedging instruments</b>	–	–	<b>6.5</b>	<b>13.5</b>	–	–
<b>Financial assets measured at fair value through other comprehensive income</b>						
Debt securities and other fixed-interest securities	3,901.2	2,368.2	1,776.8	3,383.5	–	–
<b>Total</b>	<b>17,818.7</b>	<b>11,339.9</b>	<b>14,397.4</b>	<b>15,007.9</b>	<b>3,518.4</b>	<b>4,462.8</b>

€m	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
<b>Financial liabilities measured at fair value through profit or loss</b>						
Securities short portfolios	1,137.2	1,264.3	80.2	431.2	–	0.6
Derivative financial instruments	44.1	190.8	6,610.1	5,403.5	442.0	188.7
Interest-rate-related derivatives	–	–	5,463.5	3,899.8	367.0	159.0
Currency-related derivatives	–	–	81.4	113.9	–	–
Share and other price-related derivatives	44.1	190.8	1,065.2	1,389.8	75.0	29.7
Issues	–	–	19,235.8	19,493.4	3,617.5	2,334.4
<b>Negative market values of derivative hedging instruments</b>	–	–	47.3	39.3	–	–
<b>Total</b>	<b>1,181.3</b>	<b>1,455.1</b>	<b>25,973.4</b>	<b>25,367.4</b>	<b>4,059.5</b>	<b>2,523.7</b>

### Reclassifications

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

€m	Reclassifications from level 1 to level 2		Reclassifications from level 2 to level 1	
	2019	2018	2019	2018
<b>Financial assets measured at fair value through profit or loss</b>				
Debt securities, other fixed-interest securities and loan receivables	241.8	2,815.5	4,032.3	188.2
Derivative financial instruments	43.3	114.6	7.9	–
Share and other price-related derivatives	43.3	114.6	7.9	–
<b>Financial liabilities measured at fair value through profit or loss</b>				
Securities short portfolios	1.5	113.9	180.2	32.3
Derivative financial instruments	74.9	584.2	20.2	–
Share and other price-related derivatives	74.9	584.2	20.2	–

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

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

### Fair value hierarchy level 1

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

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

**Fair value hierarchy level 2**

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

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

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

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

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

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

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

If no price is observable on an active market for financial liabilities in relation to issuing business, the fair value is calculated by discounting the contractually agreed cash flows. Discounting uses a risk-adjusted market interest rate corresponding to the liability category. This is based on DekaBank's credit risk and is derived from market information. Any existing collateralisation structure is taken into account, such as that used for Pfandbriefe, for example.

**Fair value hierarchy level 3**

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

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

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

The fair value of the bonds is calculated either using the discounted cash flow model based on credit spreads that cannot be observed on the market or on the basis of indicative quotations that implicitly result in a valuation spread. The promissory note loans are also measured using the discounted cash flow model based on credit spreads that cannot be observed on the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the bonds and promissory note loans could have been €4.6m higher or lower.

Determining the fair value of loan receivables also involves the use of spreads that are not observable in the market. Assuming an average uncertainty of fifty basis points relating to the credit spreads, the fair value of the loan receivables could have been €4.2m higher or lower.

The fair value of the non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations. These quotations are obtained from various brokers as well as from market price providers, such as S&P. The bid-ask spreads from the available price indications for the individual securitisation positions were used to determine a bid-ask spread, which was used as an estimate for price sensitivity. Using this bid-ask spread, a variation range of 0.34 percentage points averaged across the portfolio was obtained. On this basis, the market value of the securitisation positions concerned could have been €0.1m higher or lower.

The Bank also allocates to level 3 a limited number of equity, credit and interest rate derivatives or issues with embedded equity, credit and interest rate derivatives, for example if unobservable valuation parameters are used which are significant for their valuation. For equity and interest rate derivatives whose valuation requires correlations, the Bank typically uses historical correlations with the relevant share prices or interest rate fixings, or changes to these. The sensitivity of the equity option positions concerned was around €-3.6m as at 30 June 2019. For interest rate derivatives based on an index spread, the sensitivity in terms of the correlation between the relevant reference indices is mapped via shifts in the model parameters. The resulting change in the correlation is approximately +1.3%, giving rise to a measurement difference of €+0.2m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty as at 30 June 2019 corresponds to an equity vega of 1.4, resulting in a value of approximately €5.6m. For credit default swaps (CDS) and credit linked notes with a longer maturity than CDS spreads quoted on the market, a temporal extrapolation uncertainty of five basis points is assumed. As at 30 June 2019, this results in a value of €2.5m.

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

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

As at 30 June 2019, 99.7% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.



### Performance of financial instruments in fair value hierarchy level 3

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

€m	Debt securities, other fixed- interest securities and loan receivables	Interest-rate- related derivatives	Share and other price- related derivatives	Shareholdings	Total
<b>As at 1 January 2018</b>	<b>1,977.9</b>	<b>1.2</b>	<b>14.1</b>	<b>48.2</b>	<b>2,041.4</b>
Additions through purchase	3,623.9	3.6	1.2	–	3,628.7
Disposals through sale	1,207.3	–	3.3	0.5	1,211.1
Maturity/repayments	292.2	–	1.4	–	293.6
Transfers					
To Level 3	461.2	47.0	–	–	508.2
From Level 3	289.9	–	0.5	–	290.4
Changes arising from measurement/disposal					
Recognised in profit or loss <sup>1)</sup>	34.0	9.7	36.2	–0.3	79.6
Recognised in other comprehensive income <sup>2)</sup>	–	–	–	–	–
<b>As at 31 December 2018</b>	<b>4,307.6</b>	<b>61.5</b>	<b>46.3</b>	<b>47.4</b>	<b>4,462.8</b>
<b>Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date<sup>3)</sup></b>	<b>32.8</b>	<b>9.7</b>	<b>36.2</b>	<b>–0.3</b>	<b>78.4</b>
<b>As at 1 January 2019</b>	<b>4,307.6</b>	<b>61.5</b>	<b>46.3</b>	<b>47.4</b>	<b>4,462.8</b>
Additions through purchase	580.7	10.8	0.1	5.5	597.1
Disposals through sale	871.4	–	0.6	–	872.0
Maturity/repayments	177.9	0.6	22.4	–	200.9
Transfers					
To Level 3	16.3	4.2	0.1	–	20.6
From Level 3	695.1	–	1.0	–	696.1
Changes arising from measurement/disposal					
Recognised in profit or loss <sup>1)</sup>	61.4	137.0	–6.3	14.8	206.9
Recognised in other comprehensive income <sup>2)</sup>	–	–	–	–	–
<b>As at 30 June 2019</b>	<b>3,221.6</b>	<b>212.9</b>	<b>16.2</b>	<b>67.7</b>	<b>3,518.4</b>
<b>Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date<sup>3)</sup></b>	<b>56.8</b>	<b>137.0</b>	<b>–6.3</b>	<b>14.8</b>	<b>202.3</b>

<sup>1)</sup> Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.

<sup>2)</sup> Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.

<sup>3)</sup> Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.

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

€m	Securities short portfolios	Interest-rate-related derivatives	Share and other price-related derivatives	Issues	Total
<b>As at 1 January 2018</b>	–	<b>22.3</b>	<b>7.5</b>	<b>947.2</b>	<b>977.0</b>
Additions through purchase	17.0	49.8	38.2	59.6	164.6
Disposals through sale	16.3	1.0	3.0	–	20.3
Additions through issues	–	–	–	1,715.4	1,715.4
Maturity/repayments	–	0.4	0.1	330.1	330.6
Transfers					
To Level 3	–	45.9	–	286.7	332.6
From Level 3	–	0.2	–	109.0	109.2
Changes arising from measurement/disposal					
Recognised in profit or loss <sup>1)</sup>	0.1	–42.6	12.9	235.4	205.8
Recognised in other comprehensive income <sup>2)</sup>	–	–	–	–	–
<b>As at 31 December 2018</b>	<b>0.6</b>	<b>159.0</b>	<b>29.7</b>	<b>2,334.4</b>	<b>2,523.7</b>
<b>Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date<sup>3)</sup></b>	<b>–</b>	<b>–42.6</b>	<b>12.9</b>	<b>227.3</b>	<b>197.6</b>
<b>As at 1 January 2019</b>	<b>0.6</b>	<b>159.0</b>	<b>29.7</b>	<b>2,334.4</b>	<b>2,523.7</b>
Additions through purchase	1.2	17.0	1.4	10.5	30.1
Disposals through sale	1.5	0.1	0.7	–	2.3
Additions through issues	–	–	–	1,337.1	1,337.1
Maturity/repayments	–	2.9	2.0	176.4	181.3
Transfers					
To Level 3	–	–	3.9	1.3	5.2
From Level 3	0.3	1.1	2.3	20.3	24.0
Changes arising from measurement/disposal					
Recognised in profit or loss <sup>1)</sup>	–	–195.1	–45.0	–130.9	–371.0
Recognised in other comprehensive income <sup>2)</sup>	–	–	–	–	–
<b>As at 30 June 2019</b>	<b>–</b>	<b>367.0</b>	<b>75.0</b>	<b>3,617.5</b>	<b>4,059.5</b>
<b>Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date<sup>3)</sup></b>	<b>–</b>	<b>–195.1</b>	<b>–45.0</b>	<b>–124.4</b>	<b>–364.5</b>

<sup>1)</sup> Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.

<sup>2)</sup> Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.

<sup>3)</sup> Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.

During the reporting period, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €695.1m and negative market values of issues amounting to €20.3m were transferred from level 3. Furthermore, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €16.3m were migrated to level 3. This was due to a more detailed analysis of the market data used for valuation.

**Measurement processes for financial instruments in fair value hierarchy level 3**

For all transactions in the trading book and the banking book, DekaBank generally performs a daily valuation independent of trading operations, which provides the basis for the calculation of results. Responsibility for the valuation process lies with Risk Control, the different tasks being assigned to various specialist teams as part of the valuation process. The models used for theoretical valuation of transactions must undergo validation and initial acceptance before they can be employed in the valuation process. Adequacy checks are carried out on a regular basis as part of normal operations. The main steps in the process are the provision of market data that is independent of trading activities, parametrisation, performance of the valuation and quality assurance. Each of these steps and processes has a team responsible for design and implementation.

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

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

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

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

## 31 Information on the quality of financial assets

### Non-performing exposures

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

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corporates	Other	Total 30 Jun 2019	Total 31 Dec 2018
Non-performing exposures <sup>1)</sup>	150.6	49.2	13.0	–	–	0.3	213.1	216.4
Collateral <sup>2)</sup>	80.3	–	–	–	–	–	80.3	85.9
Provisions for loan losses/credit rating-related changes in fair value	67.1	5.6	3.5	–	–	0.0	76.2	70.1

<sup>1)</sup> The figures shown represent the gross carrying value of the credit risk-bearing financial assets classified as non-performing.

<sup>2)</sup> Recognition of measurable collateral. Indication of market or fair value not exceeding the underlying exposure.

### Exposures with forbearance measures

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

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corporates	Other	Total 30 Jun 2019	Total 31 Dec 2018
Forborne exposures <sup>1)</sup>	224.1	49.2	–	–	–	–	273.3	275.8
thereof: Performing	80.2	–	–	–	–	–	80.2	77.1
thereof: Non-Performing	143.9	49.2	–	–	–	–	193.1	198.7
Collateral <sup>2)</sup>	150.3	–	–	–	–	–	150.3	145.3
Provisions for loan losses/credit rating-related changes in fair value	70.1	5.6	–	–	–	–	75.7	71.0

<sup>1)</sup> The figures shown represent the gross carrying value of the credit risk-bearing financial assets classified as forborne.

<sup>2)</sup> Recognition of measurable collateral. Indication of market or fair value not exceeding the underlying exposure.

Key ratios for non-performing and forborne exposures:

%	30 Jun 2019	31 Dec 2018
<b>NPE ratio at the reporting date</b>		
(Ratio of non-performing exposures to maximum credit risk)	0.20	0.21
<b>NPE coverage ratio, including collateral, at the reporting date</b>		
(Ratio of risk provisions, including collateral, to non-performing exposures)	73.46	72.13
<b>NPE coverage ratio, excluding collateral, at the reporting date</b>		
(Ratio of risk provisions, excluding collateral, to non-performing exposures)	35.78	32.42
<b>Forborne exposures ratio at the reporting date</b>		
(Ratio of forborne exposures to maximum credit risk)	0.25	0.27

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.35K(a)/IFRS 7.36(a) using credit risk-bearing financial assets and the corresponding off-balance sheet commitments. As at the reporting date it amounted to €109.1bn (31 December 2018: €101.3bn).

## 32 Derivative transactions

The derivative financial instruments used in the Deka Group can be broken down by the type of risk hedged as follows:

€m	Nominal value		Positive fair values <sup>1)</sup>		Negative fair values <sup>1)</sup>	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Interest rate risks	906,647.9	717,570.9	23,191.3	11,661.3	22,854.3	11,155.5
Currency risks	34,302.3	31,425.6	442.7	601.2	464.6	621.7
Share and other price risks	43,999.7	43,773.5	518.0	661.4	1,219.0	1,626.6
<b>Total</b>	<b>984,949.9</b>	<b>792,770.0</b>	<b>24,152.0</b>	<b>12,923.9</b>	<b>24,537.9</b>	<b>13,403.8</b>
<b>Net amount disclosed in the statement of financial position</b>			<b>7,427.6</b>	<b>4,996.2</b>	<b>7,143.5</b>	<b>5,822.3</b>

<sup>1)</sup> Fair values are shown before offsetting against variation margin paid or received

## 33 Regulatory capital (own funds)

As at 30 June 2019, regulatory capital and capital adequacy were calculated on the basis of the capital requirements that came into force on 1 January 2014 pursuant to the Regulation on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) and the Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive IV – CRD IV), which are subject to certain transitional provisions.

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

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

€m	30 Jun 2019		31 Dec 2018	
	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 (CET 1) capital	4,575	4,575	4,460	4,460
Additional Tier 1 (AT1) capital	474	489	474	495
<b>Tier 1 capital</b>	<b>5,048</b>	<b>5,064</b>	<b>4,933</b>	<b>4,954</b>
Tier 2 (T2) capital	789	789	807	807
<b>Own funds</b>	<b>5,837</b>	<b>5,852</b>	<b>5,741</b>	<b>5,762</b>

The increase in Tier 1 capital is mainly due to the reinvestment of profits, reduced by the IFRS 9 initial application effects from the 2018 financial year.

The items subject to a capital charge are shown in the following table:

€m	30 Jun 2019		31 Dec 2018	
	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)
Credit risk	19,256	19,256	18,744	18,744
Market risk	7,084	7,084	6,348	6,348
Operational risk	3,245	3,245	3,365	3,365
CVA risk	606	606	565	565
<b>Risk-weighted assets</b>	<b>30,191</b>	<b>30,191</b>	<b>29,021</b>	<b>29,021</b>

As at the reporting date, the ratios for the Deka Group were as follows:

%	30 Jun 2019		31 Dec 2018	
	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 capital ratio	15.2	15.2	15.4	15.4
Tier 1 capital ratio	16.7	16.8	17.0	17.1
Total capital ratio	19.3	19.4	19.8	19.9

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

## 34 Contingent liabilities and other obligations

€m	30 Jun 2019	31 Dec 2018	Change
Irrevocable lending commitments	2,312.0	2,124.1	187.9
Other liabilities	108.1	86.5	21.6
<b>Total</b>	<b>2,420.1</b>	<b>2,210.6</b>	209.5

The bank guarantees provided by DekaBank are financial guarantees under IFRS and are stated net. The nominal amount of the guarantees in place as at the reporting date remains unchanged at €0.1bn.

Based on the Federal Ministry of Finance (BMF) circular on the tax treatment of cum/cum transactions of 17 July 2017, tax risks exist in connection with relief from capital yields tax (*Kapitalertragsteuer*) on share transactions made around the dividend record date in the years 2013 to 2015. However, DekaBank sees no convincing reason to believe that share trades it transacted around the dividend record date will fall under the scope of section 42 of the German Tax Code and therefore considers it unlikely that a final claim will be made in this regard. Consequently, there are no grounds to create provisions for potential financial burdens arising from the possible refusal by tax authorities to allow relief from capital yields tax. Since a degree of uncertainty remains as to how the tax authorities and fiscal courts will ultimately assess the share trades concerned, it cannot be wholly ruled out that an adverse financial impact of around €19m may arise in this regard.

## 35 List of shareholdings

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

Consolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity
	%
	<b>30 Jun 2019</b>
bevestor GmbH, Frankfurt/Main	100.00
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Far East Pte. Ltd., Singapore	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Real Estate International GmbH, Frankfurt/Main (formerly: Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main)	100.00
Deka Real Estate Services USA Inc., New York	100.00
Deka Vermögensmanagement GmbH, Frankfurt/Main (formerly: Landesbank Berlin Investment GmbH, Berlin)	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
International Fund Management S.A., Luxembourg	100.00
S Broker Management AG, Wiesbaden	100.00
S Broker AG & Co. KG, Wiesbaden	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74 <sup>1)</sup>
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

<sup>1)</sup> 5.1% is held by WIV GmbH & Co. Beteiligungs KG.

Consolidated subsidiaries (structured entities):

Name, registered office	Share in fund assets
	in %
	<b>30 Jun 2019</b>
<b>Investment funds</b>	
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
S Broker 1 Fonds, Frankfurt/Main	100.00
<b>Lending business</b>	
Treasury Two Shipping Limited, Majuro (Marshall Islands)	

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

Name, registered office	Share of equity	Equity	Total of
	%	€'000	profit or loss
	30 Jun 2019	30 Jun 2019 <sup>1)</sup>	30 Jun 2019 <sup>1)</sup>
<b>Joint ventures</b>			
S-PensionsManagement GmbH, Cologne	50.00	26,677.0	234.4
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00	32,011.4	13,424.5

<sup>1)</sup> Amounts reported in financial statements for the year ended 31 December 2017

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

Name, registered office	Share of equity
	%
	30 Jun 2019
<b>Joint ventures</b>	
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
<b>Associated companies</b>	
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.20

Unconsolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity
	%
	30 Jun 2019
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 04 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 05 mbH, Frankfurt/Main	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90



## Unconsolidated structured entities:

Name, registered office	Fund assets	Share of equity/ fund assets
	€m	%
	30 Jun 2019	30 Jun 2019
Deka-Institutionell Absolute Return Defensiv, Frankfurt/Main	50.2	100.00
Deka-Institutionell Absolute Return Dynamisch, Frankfurt/Main	51.2	100.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	58.7	100.00
Deka-Multi Strategie Global PB, Frankfurt/Main	53.0	94.87
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	1.8	94.51
Deka-MultiFactor Global Corporates, Luxembourg	37.7	92.45
Deka-MultiFactor Global Corporates, Luxembourg	33.5	73.68
Deka-MultiFactor Global Government, Luxembourg	22.0	68.29
Deka-MultiFactor Emerging Markets Corporates, Luxembourg	29.2	67.38
Deka Eurozone Rendite Plus 1-10 UCITS ETF, Frankfurt/Main	29.2	62.08
Deka-BasisStrategie Aktien, Frankfurt/Main	20.2	60.59
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	35.5	58.54
Deka MSCI Japan UCITS ETF, Frankfurt/Main	68.3	57.04
Deka-Relax 50, Frankfurt/Main	1.0	53.16
Deka-Institutionell RentSpezial HighYield 9/2025, Frankfurt/Main	64.4	49.09
Deka-Relax 70, Frankfurt/Main	1.1	48.63
Deka-EuroFlex Plus, Luxembourg	122.2	44.84
Deka-Relax 30, Frankfurt/Main	1.2	41.85
Deka-Institutionell RentSpezial EM 9/2025, Frankfurt/Main	94.4	32.81
Merrill Lynch Investments Solutions, Luxembourg		
Merrill Lynch Enhanced Cross-Asset Volatility Premium Fund, Luxembourg	53.9	27.66
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Mittelstandskreditfonds I, Frankfurt/Main	49.5	23.00
Deka-UnternehmerStrategie Europa, Luxembourg	27.7	22.96

## 36 Related party disclosures

The Deka Group has business dealings with related parties. These include DekaBank's shareholders, subsidiaries that are not consolidated on materiality grounds, joint ventures, associated companies and their respective subsidiaries as well as individuals in key positions and their relatives, and companies controlled by these individuals. Individuals in key positions exclusively comprise the members of the Board of Management and Administrative Board of DekaBank. Non-consolidated Deka mutual funds and special funds in which the Deka Group's holding exceeds 10% as at the reporting date are shown as subsidiaries, associated companies or other related parties in accordance with the size of the holding.

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

Business relationships with shareholders of DekaBank and unconsolidated subsidiaries:

€m	Shareholders		Subsidiaries	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
<b>Asset items</b>				
Due from customers	–	–	5.9	0.1
Financial assets at fair value	–	–	3.7	3.1
Other assets	–	–	0.3	0.3
<b>Total asset items</b>	<b>–</b>	<b>–</b>	<b>9.9</b>	<b>3.5</b>
<b>Liability items</b>				
Due to customers	77.3	41.1	32.9	63.6
Financial liabilities at fair value	–	–	0.0	0.3
Other liabilities	–	–	0.0	0.0
<b>Total liability items</b>	<b>77.3</b>	<b>41.1</b>	<b>32.9</b>	<b>63.9</b>

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

€m	Joint ventures/ associated companies		Other related parties	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
<b>Asset items</b>				
Due from customers	0.4	0.0	–	0.0
Financial assets at fair value	1.6	1.5	0.8	–
Other assets	0.1	0.4	4.8	0.7
<b>Total asset items</b>	<b>2.1</b>	<b>1.9</b>	<b>5.6</b>	<b>0.7</b>
<b>Liability items</b>				
Due to customers	12.3	425.5	363.2	313.0
Financial liabilities at fair value	58.2	53.2	0.1	0.0
<b>Total liability items</b>	<b>70.5</b>	<b>478.7</b>	<b>363.3</b>	<b>313.0</b>

## 37 Additional miscellaneous information

### Events after the reporting period

No major developments of particular significance occurred after the reporting date of 30 June 2019.

The consolidated interim financial statements were approved for publication on 14 August 2019 by DekaBank's Board of Management.


## Assurance of the Board of Management

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

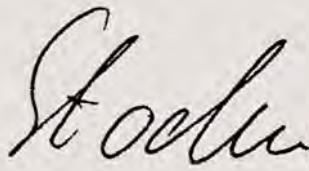
Frankfurt/Main, 14 August 2019

DekaBank  
Deutsche Girozentrale

The Board of Management



Rüdiger



Dr. Stocker



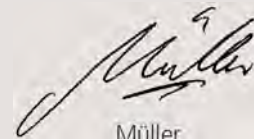
Better



Dr. Danne



Kapffer



Müller

# Review Report

To DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main

We have reviewed the condensed interim consolidated financial statements - comprising balance sheet, statement of comprehensive income, condensed statement of changes in equity, condensed cash flow statement and selected explanatory notes - together with the interim group management report of the DekaBank Deutsche Girozentrale AöR for the period from 1 January to 30 June 2019 that are part of the semi annual financial report according to § 115 WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt/Main, August 14, 2019

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Pukropski  
Wirtschaftsprüfer

Beier  
Wirtschaftsprüfer

# Administrative Board and Board of Management of DekaBank

(as of 1 June 2019)

## Administrative Board

### Helmut Schleweis

*Chairman*

President of the German Savings Banks and Giro Association e. V., Berlin,

President of the German Savings Banks and Giro Association – public law entity, Berlin

*Chairman of the General and Nominating Committee*

*Chairman of the Remuneration Supervision Committee*

### Walter Strohmaier

*First Deputy Chairman*

Chairman of the Management Board of Sparkasse Niederbayern-Mitte, Straubing

*First Deputy Chairman of the General and Nominating Committee*

*First Deputy Chairman of the Remuneration Supervision Committee*

*Member of the Audit Committee*

### Thomas Mang

*Second Deputy Chairman*

President of the Savings Banks Association Lower Saxony, Hanover  
*Chairman of the Risk and Credit Committee*

*Second Deputy Chairman of the General and Nominating Committee*

*Second Deputy Chairman of the Remuneration Supervision Committee*

Further representatives selected by the Shareholders' Meeting

### Michael Bräuer

Chairman of the Management Board of Sparkasse Oberlausitz-Niederschlesien, Zittau

*Member of the General and*

*Nominating Committee*

*Member of the Remuneration*

*Supervision Committee*

*Member of the Risk and Credit*

*Committee*

### Michael Breuer

former Minister of State

President of the Rhineland Savings Banks and Giro Association, Düsseldorf

*Chairman of the Audit Committee*

*Chairman of the General und*

*Nominating Committee*

### Ingo Buchholz

Chairman of the Management Board of Kasseler Sparkasse, Kassel

*First Deputy Chairman of the Audit*

*Committee*

### Prof. Dr. Liane Buchholz

President of the Savings Banks Association Westfalen-Lippe, Münster

*Member of the Audit Committee*

*Member of the General and*

*Nominating Committee*

*Member of the Remuneration*

*Committee*

### Dr. Michael Ermrich

Managing President of the East German Savings Banks Association, Berlin

### Dr. Johannes Evers

Chairman of the Management Board of Berliner Sparkasse and President of the Savings Banks Association Berlin, Berlin

*Deputy Chairman of the Risk and Credit Committee*

### Ralf Fleischer

Chairman of the Management Board of Stadtparkasse München, Munich

### Andreas Fohrmann

Chairman of the Management Board of Sparkasse Südholstein, Neumünster

### Gerhard Grandke

Managing President of the Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main

*Member of the General and*

*Nominating Committee*

*Member of the Remuneration*

*Supervision Committee*

### Dr. Christoph Krämer

Chairman of the Management Board of Sparkasse Iserlohn, Iserlohn

*Member of the Risk and Credit Committee*

### Beate Läsch-Weber

President of the Savings Banks Association Rhineland-Palatinate, Budenheim

### Ludwig Momann

Chairman of the Management Board of Sparkasse Emsland, Meppen

*Member of the Risk and Credit Committee*

### Dr. Ulrich Netzer

President of the Savings Banks Association Bavaria, Munich

*Member of the Audit Committee*

*Member of the General and*

*Nominating Committee*

*Member of the Remuneration*

*Supervision Committee*

**Frank Saar**

Member of the Management Board of Sparkasse Saarbrücken, Saarbrücken  
*Member of the Risk and Credit Committee*

**Peter Schneider**

President of the Savings Banks Association Baden-Wuerttemberg, Stuttgart  
*Member of the General and Nominating Committee*  
*Member of the Remuneration Supervision Committee*

**Dr. jur. Harald Vogelsang**

Spokesman of the Management Board of Hamburger Sparkasse AG, Hamburg  
 President of the Hanseatic Savings Banks and Giro Association, Hamburg

**Burkhard Wittmacher**

Chairman of the Management Board of Sparkasse Esslingen-Nürtingen, Esslingen  
*Member of the Audit Committee*

**Alexander Wüerst**

Chairman of the Management Board of Kreissparkasse Köln, Cologne  
*Member of the General and Nominating Committee*  
*Member of the Remuneration Supervision Committee*

Employee Representatives appointed by the Staff Committee

**Michael Dörr**

Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

**Erika Ringel**

Member of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Representatives appointed by the Federal Organisation of Central Municipal Organisations (in an advisory capacity)

**Helmut Dedy**

Chief Executive Officer of the German Association of Cities, Berlin

**Prof. Dr. Hans-Günter Henneke**

Managing Member of the Presiding Board of the German County Association, Berlin  
*Member of the General and Nominating Committee*  
*Member of the Remuneration Supervision Committee*

**Roland Schäfer**

Mayor of the City of Bergkamen and President of the German Association of Towns and Municipalities, Berlin

**Board of Management**

**Michael Rüdiger**

*CEO*

**Dr. Georg Stocker**

*Deputy CEO*

**Manuela Better**

*Member of the Board of Management*

**Dr. Matthias Danne**

*Member of the Board of Management*

**Daniel Kapffer**

*(since 1 May 2019)*  
*Member of the Board of Management*

**Martin K. Müller**

*Member of the Board of Management*

Executive Manager

**Manfred Karg**

**Internet website**

The Interim Report 2019 can be found on our website, including as an interactive online version under "Investor Relations/Reports" in German and English. Previous versions of our annual and interim reports are also available for download here.

**Contact**

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This report was prepared in August 2019

Produced in-house with firesys

**Concept and design**

Edelman GmbH,  
Frankfurt/Main, Berlin, Cologne, Hamburg

**Translation**

BBi (Scotland) Ltd.

**Gender clause**

In this interim report, words in the masculine include words in the feminine; in parts of the report, the masculine form has solely been used to make the document easier to read.

**Disclaimer**

The interim management report as well as the Interim Report in other respects contain forward-looking statements as well as expectations and forecasts. These are based on the information available to us at this time, which we have deemed to be reliable after careful consideration. We do not assume an obligation to update based on new information and future events after the publication of this information. We have derived our estimations and conclusions from these forward-looking statements, expectations and forecasts. We expressly point out that all of our future-oriented statements are associated with known or unknown risks or imponderables and are based on conclusions relating to future events, which depend on risks, uncertainties and other factors that are outside of our area of influence. Such developments can result from, among other things, a change in the general economic situation, the competitive situation, the development of the capital markets, changes in the tax law and legal framework as well as from other risks. The events actually occurring in the future may thus turn out to be considerably different from our forward-looking statements, expectations, forecasts and conclusions. We can therefore assume no liability for their correctness and completeness or for the actual occurrence of the information provided. The English translation of the Interim Report is provided for convenience only. The German original is definitive.

**„Deka**

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Deutsche Girozentrale**

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 **Finanzgruppe**