Deka Group

Interim Report as at 30 June 2017

Deka Group at a glance

Business development indicators		30 Jun 2017	31 Dec 2016	Change %
Total assets	€m	96,184	85,955	11.9
Total customer assets	€m	270,438	256,805	5.3
thereof retail customers	€m	135,221	128,650	5.1
thereof institutional customers	€m	135,216	128,155	5.5
Number of securities accounts	thousand	4,374	4,289	2.0
		1st half 2017	1st half 2016	
Net sales	€m	12,611	9,018	39.8
thereof retail customers	€m	5,662	3,878	46.0
thereof institutional customers	€m	6,949	5,140	35.2

Performance indicators				
Total income	€m	759.8	712.7	6.6
thereof net interest income	€m	78.9	75.1	5.1
thereof net commission income	€m	573.2	506.9	13.1
Total expenses	€m	518.5	482.9	7.4
thereof administrative expenses (including depreciation)	€m	519.1	482.9	7.5
Economic result	€m	241.3	229.8	5.0
Net income before tax	€m	289.6	317.9	–8.9

Key ratios				
Return on equity (before tax)[1]	%	10.7	10.7	0.0%-Points
Cost/income ratio	%	68.4	61.4	7.0%-Points

Key regulatory figures (without transitional provisions – fully loaded)		30 Jun 2017	31 Dec 2016	
Own funds	€m	5,502	5,289	4.0
Total capital ratio	%	23.6	22.2	1.4%-Points
Common Equity Tier 1 capital ratio	%	18.0	16.7	1.3%-Points

Risk ratios				
Risk capacity	€m	5,881	5,785	1.7
Group risk (value-at-risk)	€m	1,980	2,039	–2.9
Utilisation of risk capacity	%	33.7	35.2	–1.5%-Points

Financial rating long-term (short-term)[2]				
Moody's		Aa3 (P-1)	Aa3 (P-1)	
Standard & Poor's		A+ (A-1)	A+ (A-1)	

Sustainability rating				
MSCI		AA	AA	
oekom research		C+	C+	

Key employee figures				
Number of employees		4,634	4,556	1.7
Number full-time equivalents		4,015	3,990	0.6

1) The return on equity (before tax) calculation was changed as at 30 June 2017. The comparative figure for the first half of 2016 has been adjusted. From 30 June 2016, the reported figure 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.
2) Moody's: Long-Term Senior Unsecured and Issuer Rating. Standard & Poors: Issuer Rating (as of 24 August 2017)

Due to roundings, number and percentages presented throughout this report may not add up precisely to the totals provided.

Content

Foreword

Dear Shareholders and Investors,

Half-way through 2017, the *Wertpapierhaus* of the savings banks remains on sound foundations and is well equipped for future challenges. The Deka Group will continue to comprehensively fulfil its primary mission: promoting the securities business of the savings banks and supporting institutional clients as a solution and infrastructure services provider. Further expanding the business and making the associated investments in strategic areas for the future, along with meeting the ongoing regulatory challenges, will still require rigorous cost management.

In the first half of the year, we struck a good balance between growing the business and safeguarding earnings. At €241.3m, the economic result significantly exceeded the previous year's figure of €229.8m. Earnings from asset management played a decisive part in this, as did the sound development of the banking business.

In asset management, we achieved an appreciable increase in net sales and thus total customer assets across product categories and investor groups. In the securities-based funds business, we worked with the savings banks to take advantage of market tailwinds and raise growth overall. Our sales support for investment funds with regular contributions bore fruit, as did our initiatives to further improve the quality of our products and advice. It is encouraging that these efforts are also being noticed by independent observers. In its "Fonds-Kompass 2017", the business magazine Capital along with the rating agency Scope Analysis (formerly FERI Eurorating Services) and Tetralog Systems crowned Deka as the overall winner, recognising the Bank's top fund quality among the major German competitors. Our objective for the coming months and years is to translate this strong position into gains in market share.

An essential element of this will be continued investment in expanding multi-channel management. This is closely intertwined with the sales strategy of the German Savings Banks Association (DSGV), which aims to offer Deka's securities products online via the individual savings banks in addition to branch-based sales. We are able to take advantage not only of our experience with S Broker, but also of our new bevestor development platform, where product and customer solutions can be tested and enhanced until they are ready for their market launch. Our digital offering can then be swiftly provided to the savings banks and their customers. To enable growth in institutional business, we have added new fixed maturity funds, property funds and funds of funds to our asset servicing product platform. We have also provided a further improved infrastructure offering for cost-efficient fulfilment of regulatory requirements.

Our integrated business model forms the basis for all our activities, combining asset management and banking business under the umbrella of the *Wertpapierhaus*. To make this proven business model fit for the future, we have more clearly separated the two pillars with a new divisional structure and new areas of responsibility for the Board of Management members.

As part of our efforts to promote a securities culture in Germany, Deka considerably developed its role as an active investor over the first half of the year. Investors' confidence in stock markets and companies depends to a large extent on the quality of corporate governance in listed companies. We are making an important contribution here by working constructively, critically and with a long-term perspective towards the success of our company. Our role as an active investor fits our understanding of good corporate governance and of how to put a securities culture into practice.

In markets that are becoming ever more complex, we want to continue giving the savings banks and other institutions what they need in future, too. We are therefore investing further in the solutions we offer as well as supporting customer advice at local level with a special focus on standardisation and digitisation. Like the regulatory projects, this is associated with additional expenditure. It is thus even more important to create the necessary financial leeway with continued efficiency drives and cost discipline, and to pool existing expertise from across the Bank in order to take advantage of synergy effects.

Sincerely,

Michael Rüdiger
CEO

Interim management report 2017

At a glance

DekaBank – the *Wertpapierhaus* for the savings banks – remains on a stable footing. In the first half of 2017, the Deka Group generated an economic result of €241.3m, slightly higher than the comparative figure for 2016 (€229.8m). Net commission income in particular exceeded the previous year's figure.

Net sales to both retail and institutional customers in the first six months of the year were significantly higher than in the prior-year period, thanks to sustained positive growth trends in 2017. Both funds and retail certificates exceeded the previous year's figures, helped by strong demand for securities products. This, together with positive performance, meant that total customer assets grew to €270.4bn compared with €256.8bn at year-end 2016.

Investments in Deka's business model and product quality continue to pay off. Initiatives in digital multi-channel management were a priority on the retail side. In institutional business, activities focused on the expansion of fund solutions via the Deka Alternative Investments (DALI) platform, including advisory services based on this system.

The Deka Group safely complied with regulatory requirements during the first six months of the current year. The Common Equity Tier 1 capital ratio (fully loaded) improved to 18.0% (end of 2016: 16.7%). The leverage ratio (fully loaded) of 4.7% was slightly below the level seen at the end of 2016 (5.1%). Liquidity was adequate at all times and the risk position was non-critical throughout.

The Deka Group expects its financial position to remain stable and anticipates an economic result on a par with the previous year for 2017.

Information about the Deka Group

Legal structure and corporate governance

The Deka Group reorganised its divisional structure as of 1 January 2017 in order to implement the adopted strategy effectively for the future. Key aspects of the reorganisation include efforts to strengthen governance and achieve an even clearer separation between banking business and asset management. Activities will henceforward be divided into five business divisions.

The Asset Management Securities business division comprises all the Deka Group's activities relating to capital-market based asset management for private and institutional customers. As well as investment fund solutions and ETFs, the product portfolio also includes advisory, management and asset management mandates as well as asset servicing for institutional customers.

The Asset Management Real Estate business division focuses on providing property investment products for private and institutional investors. This business division also covers the purchase and sale of properties and management of such assets.

The new Asset Management Services business division is focused on providing banking services for asset management. The services range from managing custody accounts for customers to custodial services for investment funds. Especially by providing multi-channel solutions, the sales departments are additionally supported.

The Capital Markets business division is the central product, solution and infrastructure provider, while also providing services in the Deka Group's customer-focused capital markets business. Its role as a securities and risk hub also contributes to the Group's success.

The Financing business division, while providing refinancing services to savings banks, also engages in highly focused financing activities (real estate, infrastructure, transport and export financing).

Business activities that are being discontinued have been pooled in non-core business since 2009.

At divisional level, the comparative figures in the segment reporting for the first half of 2016 have been adjusted to the new divisional structure. They therefore do not correspond to the figures published in the previous year.

Deka Group profile and strategy

As the *Wertpapierhaus* for the savings banks, the Deka Group's strategy and activities are geared to supporting the savings banks on a sustained basis and upholding their vital role in helping German households build up their assets. To achieve this end, the Deka Group continues to develop its comprehensive range of investment and asset management solutions, modelling these on the requirements of the savings banks and their customers.

Significant strategic measures during the reporting period

Support for savings banks in retail business

In retail business, the Deka Group aims to encourage more people to invest in securities and hence to promote a securities culture in Germany, working in close cooperation with the savings banks and the German Savings Banks Association (DSGV). This also means supporting savings banks in developing their online securities business, allowing helpful integration of branch-based and online sales in securities business. In association with this, the provision of high-quality stock market and securities information was expanded in the reporting period. Mobile services were also developed further. The savings bank apps "Sparkasse" and "Sparkasse+", which are compatible with all major operating systems, enable users to display their custody account, show transactions and buy and sell custody-eligible funds and certificates. Further progress was achieved on the technical integration of S Broker, following the full takeover in the previous year, as well as extending sales cooperation.

Expansion of services in institutional business

In institutional business, the main focus was on expanding the product platform for asset servicing. Fund solutions for AIFM-regulated alternative asset classes, which are centralised within Deka Alternative Investments (DALI), were extended to include three new maturity funds for the higher-yielding bond segment. The three funds focus on the corporate bonds, high yields and emerging markets bonds asset classes. In addition, a new real estate fund was launched for savings banks' own investments, offering continuous distributions from a Core/Core+ real estate portfolio diversified by region and type of use. Infrastructure services for institutional customers were also enhanced. A revised, more standardised outsourcing model is therefore now available for the market conformity check required by the regulator, which is also attractive for institutions with small business volumes.

Quality campaign and awards

Quality of products and advice is fundamental to the joint success of the Deka Group and savings banks in securities business, and is key to the Deka Group's positioning as the *Wertpapierhaus* for the savings banks. Various awards testify to the excellence of its products.

In particular, it was named overall winner of the "Capital-Fonds-Kompass 2017" awards for the first time, and received the highest possible rating of five stars for the fifth time in a row. In the category of "fund quality", which accounts for half of the overall verdict, Deka was ranked first among the major German universal providers in 2017. In the ranking produced by Scope Analysis (formerly FERI Eurorating Services) and Tetralog Systems for the prestigious business magazine for 2017, the performance of more than 4,500 funds of the top 100 capital management companies was analysed over one, three and five years.

At the Euro-FundAwards hosted by the publishing company Finanzen Verlag, 13 funds and three ETFs from the Deka Group achieved a total of 32 top ratings across various categories this year. This was a substantial increase compared with the previous year (14 top ratings).

Another major success was Deka Immobilien's award for "Best Asset Manager Global Real Estate Funds for Private Investors" at the Scope European Fund Award 2017. The open-ended property fund Deka-ImmobilienGlobal was named the best globally investing fund for private investors for the seventh time in a row.

In the real estate fund ratings published by Scope in June 2017, the WestInvest InterSelect fund improved by two rating notches to a AIF. Deka-ImmobilienNordamerika was rated for the first time, achieving a rating of (P) a AIF. As in the previous year, the Deka Group's asset management quality in the real estate segment was assigned the very good rating AA+ AMR.

In the "Scope Rating Champions" published by "Fonds professionell" magazine, Deka was the only German asset manager in 2017 among the top ten large companies with at least 25 rated funds. The ranking is based on a regular analysis by the Scope rating agency covering 5,500 investment funds authorised for sale in Germany.

Economic report

Economic environment

The Deka Group's business activities in the first half of 2017 were influenced by the continuing low-interest rate policy of the European Central Bank (ECB) on the one hand, and the positive performance of securities markets on the other hand. In securities-related asset management, the bullish trend on equity markets, which broke new records in June, had a particular impact. At the same time, net inflows into mutual funds increased significantly.

For the financing business and short-term liquidity, on the other hand, the environment remained difficult owing to persistently low capital market interest rates.

Macroeconomic conditions

Global economic growth accelerated slightly in the first months of the current year, initially driven in particular by positive trends in Europe and Asia. After a weak start to the year, the US economy also gathered pace somewhat in the second quarter.

According to estimates by the European statistical authority Eurostat, gross domestic product in the eurozone increased by 0.6% quarter on quarter in the first three months of 2017. Spain recorded particularly dynamic growth. The main sentiment indicators for the eurozone also signalled continuing strong economic momentum. Furthermore, the labour market trend is encouraging. The eurozone's unemployment rate was 9.3% in May, the lowest level since March 2009. Continued British division around Brexit is beginning to make its mark on growth rates and is likely to dampen sentiment for the foreseeable future. However, the effects have not spilled over into other regions so far.

The German economy gathered pace at the start of 2017. According to data from the Federal Statistical Office, gross domestic product (GDP) was 0.6% higher in the first quarter than in the fourth quarter of 2016, adjusted for inflation and seasonal and calendar effects. Compared with the previous quarter, positive momentum came from both domestic and foreign markets. Among other factors, mild winter weather allowed a comparatively high level of construction activity. The mood in the German economy is remarkably positive given the existing uncertainties. The ifo Business Climate Index, for instance, reached a new all-time high in the first six months of 2017.

In China, the various economic indicators presented a mixed picture in the first half of the year. Overall, however, the process of structural change continued, accompanied by high economic growth. For the year as a whole, GDP is expected to grow by around 6.7%. The Chinese central bank continues to keep a tight rein on money market liquidity to curb speculative activity in the 'shadow banking' market.

The economic performance of emerging market countries was mainly encouraging in the first quarter. Economies in Central Europe recorded particularly strong growth, thanks to rising EU investment and robust private consumption. Asia experienced mainly dynamic growth, though the effects of India's cash reform became increasingly apparent.

Sector-related conditions

Trends in money and capital markets

At its meeting in June 2017, the ECB reaffirmed its intention to maintain its expansionary monetary policy for the time being. In its macroeconomic projections published at the end of the first six months of the year, the ECB forecast slightly stronger economic growth, but a slower rise in inflation. While further cuts in the key interest rate do not appear to be on the ECB's agenda, there are no signs of a change of course on monetary policy either. The bond purchase programme is being continued, with the volume reduced to €60bn per month since March 2017.

The US Federal Reserve (Fed) raised the key interest rate in two steps in March and June 2017 by a total of 50 basis points to a new range of 1.00% – 1.25%. Due to lower inflation expectations, yields on US government bonds remain low despite increased monetary policy tightening.

While remaining at an extremely low level, German government bond yields tended slightly higher in the first half of 2017. In the case of short-dated Bunds, yields remained deep inside negative territory. For ten-year Bunds they were positive, but still substantially below the 0.5% mark. Corporate bond spreads remained at historically low levels in view of positive economic data and mainly strong quarterly results.

The new issuance volume of covered bonds in the first six months of 2017 lagged behind the prior-year period, despite a noticeable upward trend in May. Due to the low level of new issuance activity, the ECB is having increasing difficulty achieving its desired purchase volume in this segment. Furthermore, the existing portfolio is being increasingly reduced by maturities and needs to be replenished by reinvestment.

Equity markets remained bullish as expected, while volatility fell to very low levels. Rising corporate profits and the positive trend of sentiment indicators brought confidence, despite continuing political uncertainties. The German stock index (DAX) hit a new all-time high in June 2017, reaching 12,889 points, while in the USA the Dow Jones index also posted a new record that same month. Expectations of a boost from a more expansionary fiscal policy in the USA substantially outweighed concerns over a protectionist attitude to trade policy by the Trump government. The EURO STOXX 50 rose strongly, particularly from the end of February to May 2017. It then tended sideways, reaching 3,442 points on 30 June 2017, a 4.6% increase on the level as at year-end 2016.

Trends in property markets

The basic situation on European commercial property markets was largely unchanged in the first half of 2017: on the investment side, a sustained high level of demand continued to meet with scarce supply, especially in the market for core real estate. Downward pressure on initial yields in Europe therefore continued, as expected.

European rental markets benefited from the ongoing economic upturn and declining unemployment. In central London, demand remained below average following the Brexit vote. Vacancy rates again declined slightly across Europe. At around 15%, Milan and Warsaw remain among the markets with the highest vacancy rates. In Warsaw, lively construction activity is likely to drive vacancy rates higher still. Alongside Barcelona, Brussels recorded the highest rental growth after years of stagnation.

Vacancies of office properties declined further at central locations in Germany. In especially popular markets such as parts of Berlin, but also Munich, Stuttgart and other German cities, there is now a lack of high-quality office space. In the retail sector, after a strong rise over several years, rentals in prime locations stabilised in the first half of 2017 at historically high levels, or even declined slightly.

In Germany, the first three months of 2017 were the strongest first quarter on record, with a realised transaction volume of more than €12bn. In politically turbulent times, many investors regard Germany as a stable and safe haven. Continuing high levels of demand led to a further decline in yields and a corresponding increase in capital values.

Yields on European commercial properties again declined slightly, though yield spreads between property and government bonds remained at historically high levels.

During the first half of 2017, demand for class A rental space in the USA was weaker compared with the same period of the previous year. The highest demand was recorded at locations in the Sun Belt and on the West Coast. Vacancy rates in the class A segment increased marginally, accompanied by an increase in completions. Some markets, including Seattle and Los Angeles, recorded further rental growth in the first quarter. Rents remained largely stable in the second quarter.

In the Asia-Pacific region, demand for space was stable compared with the previous quarters. In Shanghai and Singapore, many tenants relocated to affordable new buildings in the Central Business District. The same was true of the Australian cities, where substantial rental incentives were offered. The strongest demand was generated by companies in the telecommunications, media and technology segments, as well as local financial service providers and, increasingly, coworking providers. Vacancies stagnated in most locations, averaging just under 10% in the region as a whole. The strongest rental growth was recorded in Sydney, Brisbane, Osaka and Hong Kong. Singapore saw a further slight decline in rentals.

Investor attitudes

Investor interest in mutual funds increased considerably compared with the previous year. The mutual securities funds tracked by the BVI recorded a total net inflow of €30.5bn in the period from January to May 2017, compared with €5.5bn in the prior-year period. Having fallen into negative territory in the previous year, equity and bond funds recorded a net inflow of funds of €4.6bn and €8.0bn respectively. However, the highest growth in absolute terms was achieved by mixed funds, where net inflows increased to €15.7bn. Net inflows for mutual property funds were €2.4bn. Sales of special funds for institutional investors increased very significantly compared with the first five months of 2016 (€37.4bn) to €47.9bn.

Regulatory environment

The regulatory environment changed only slightly compared with the situation presented in the 2016 Group management report.

Regulatory topics

Agreement has still not been reached concerning the framework for determining the minimum capital requirement for counterparty credit risks, which are currently being revised by the Basel Committee as part of the forthcoming Basel IV reforms. In particular, the level of the so-called output floor remains a matter of dispute. It is also planned to place heavy restrictions on use of the internal ratings-based (IRB) approach. This would mean that the majority of Deka's portfolios would need to be assessed exclusively using the new Credit Risk Standardised Approach (CRSA). Based on the current state of play in negotiations on Basel IV, the restriction on using internal models may yet be toned down. However, it remains unclear when Basel IV will be applied for the first time in the area of counterparty risk.

Another issue to be addressed in the context of Basel IV is the Fundamental Review of the Trading Book (FRTB), many details of which have yet to be decided. Since the implementation period is expected to run until 2021, there is no immediate requirement for action in 2017. The new rules are expected to lead to an increase in risk-weighted assets (RWA).

As part of the revision of European capital and liquidity requirements (CRR II/CRD V), it is planned to tighten up the rules on large exposures, which would mean large exposure risks being handled more restrictively. The rules are expected to be applied for the first time in 2021.

In the review of capital requirements for operational risk and the associated introduction of the Standardised Measurement Approach (SMA) as a new calculation method, final calibration is still awaited. These new rules are also expected to come into force no sooner than 2021. All in all, higher costs can be expected due to increased requirements for capture of loss data and parallel analysis of old and new calculation models.

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

The uniform European Deposit Insurance Scheme (EDIS) continued to be negotiated at EU level. The German government is against the communitisation of deposit protection.

Between March and May 2017, the ECB conducted an EU-wide stress test (sensitivity analysis of interest rate risk in the banking book) among major institutions including DekaBank. Institutions are expected to be informed of the results – which will be used to calculate the SREP ratios (capital ratios set by the supervisory authority in the Supervisory Review and Evaluation Process) relevant to 2018 – in the third quarter of 2017.

Furthermore, in February 2017 the European Banking Authority (EBA) announced that the EBA stress test for 2018 will be carried out at the beginning of that year. It is planned to announce the stress test results in mid-2018. DekaBank is not among the banks taking part in the EBA stress test.

Nevertheless, as a bank supervised by the ECB, DekaBank will be subjected to an ECB stress test in 2018. The stress test will be conducted according to the EBA method. The results of the ECB's internal stress test, unlike those of the EBA banks, will not be published. They will however be included in the calculation of SREP ratios relevant to 2019.

Product and performance-related regulatory proposals

From 3 January 2018 onwards, national legislation implementing the Markets in Financial Instruments Directive (MiFID) II and the Markets in Financial Instruments Regulation (MiFIR) will apply. MiFID II and MiFIR impose new requirements for investor protection and market infrastructure, and affect almost all of the Deka Group's portfolio of products and services. New requirements for securities business mean that a number of changes have to be made at savings banks, at DekaBank and at Deka Group fund companies. Among other things, they concern record-keeping for customer orders, the definition and ongoing review of target markets and requirements for the provision and receipt of inducements. DekaBank is implementing the requirements of MiFID II and MiFIR in close cooperation with the DSGV. For DekaBank this will lead, in particular, to higher costs for securities and derivatives trading and also liability risks.

Tax policy developments

The German Investment Tax Reform Act will come into force on 1 January 2018. This will fundamentally change the taxation of investment funds in Germany. In future, both mutual funds and special funds will be liable to corporation tax on income from domestic equities, rental income and gains on property disposals. To compensate for taxation of the fund, investors will receive partial exemptions which will be taken into account in withholding tax, so that the tax burden for private investors should not increase overall. Subject to certain conditions, the regulations for special investment funds will remain unchanged. There will be a transitional period for property funds which guarantees that changes in the value of a property remain tax-free until the law comes into force, provided that the property was held for a period of at least ten years between acquisition and disposal. Deka will incur expenses for implementation of the reform.

Another tax change relates to the grandfathering of old investment fund units for private investors. Gains achieved up to 31 December 2017 are protected by grandfathering rules. Gains realised after 1 January 2018 will be subject to the new tax regime to the extent they exceed a tax-exempt amount of €100,000.

Business development and profit performance in the Deka Group

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

The Deka Group's economic result increased by 5.0% compared with the first half of 2016 (€229.8m), to reach €241.3m. This was mainly due to a 6.6% increase in income, partly attributable to a welcome rise in net commission income. This positive development was mainly thanks to an increase in total customer assets, helped both by good net sales and performance.

Expenses increased slightly compared with the prior-year period. This was primarily due to higher personnel expenses following the acquisition of S Broker and collective salary increases. Operating expenses were also above the level of the comparison period, in particular due to higher consulting expenses to meet regulatory requirements.

The Deka Group's net sales performance reached €12.6bn, a significant increase compared with the prior-year period (€9.0m). Of this amount, €5.7bn (previous year: €3.9bn) came from sales to retail customers and €6.9bn (previous year: €5.1bn) from sales to institutional customers. The improvement in net sales was attributable to mutual funds, where there was a particular focus on equity funds, and special funds. Increased net sales performance together with good performance meant that total customer assets grew to €270.4bn compared with €256.8bn at year-end 2016.

Total customer assets Deka group *(Fig. 1)*

€m	30 Jun 2017	31 Dec 2016	Change	
Total customer assets Deka Group	**270,438**	**256,805**	13,633	5.3%
by customer segment				
Retail customers	135,221	128,650	6,571	5.1%
Institutional customers	135,216	128,155	7,061	5.5%
by product category				
Mutual funds and fund-based asset management	135,169	130,471	4,698	3.6%
Special funds and mandates	109,692	102,934	6,758	6.6%
Certificates	16,714	15,079	1,635	10.8%
ETF	8,863	8,321	542	6.5%

The Deka Group safely complied with all regulatory requirements throughout the first half of 2017. Common Equity Tier 1 capital (fully loaded) increased to €4.2bn, mainly due to reinvestment of profits from 2016. Risk-weighted assets decreased to €23.3bn. This was due especially to a slight reduction in counterparty risk. At 18.0%, the Common Equity Tier 1 capital ratio (fully loaded) rose again compared with the level at the end of 2016 (16.7%). The leverage ratio (fully loaded) was 4.7%. The minimum requirements for the liquidity coverage ratio (LCR) were also met at all times.

Ratings

DekaBank continues to enjoy good ratings, including by comparison with other German commercial banks. In February 2017, Standard & Poor's (S&P) raised the issuer rating from A to A+ with a stable outlook thanks to the sustainable integration of DekaBank into the *Sparkassen-Finanzgruppe*. The short-term rating of A-1 with a stable outlook was confirmed. This reflects the high strategic importance of the Deka Group to the savings bank sector as well as the adequacy of the capital and liquidity base for its business model. At the end of June 2017, the agency Moody's confirmed DekaBank's long-term senior unsecured and issuer rating of Aa3 with a stable outlook. The short-term rating stands at P-1.

Profit performance of the Deka Group

The Deka Group's economic result in the first half of 2017 was €241.3m, 5.0% higher than in the comparable period of the previous year (€229.8m).

Income totalled €759.8m, an increase of 6.6% compared with the first six months of 2016 (€712.7m). One reason for this was the improvement in net commission income due to the increase in total customer assets. Expenses were also higher compared with the first half of 2016 (€482.9m), and amounted to €518.5m. This was primarily due to higher personnel and operating expenses.

At €78.9m, net interest income was at a similar level to the previous year (€75.1m). A key part of net interest income was the earnings contribution from specialised and property financing in the Financing business division, as well as the earnings contribution from strategic investments in the Capital Markets business division.

Net risk provisioning turned positive, rising from €–89.6m in the previous year to €12.6m. Net risk provisioning in lending business, which was heavily negative in the first half of 2016 because of necessary allocations to loan loss provisions for existing ship financing loans, was almost balanced in the first half of the current year at €0.8m. Some allocations were offset by the release of provisions of a similar amount that were no longer needed. Net risk provisioning for securities in the categories 'loans and receivables' (LaR) and 'held to maturity' (HtM) was positive at €11.8m, in contrast to the previous year (€–15.5m), owing to the partial release of a portfolio provision.

The 13.1% increase in net commission income to €573.2m (previous year: €506.9m) essentially reflects the rise in portfolio-related commission, based on higher total customer assets compared with the previous year.

Net financial income, consisting of the financial result from trading book portfolios, banking book portfolios and risk provisions for securities, amounted to €78.7m in the first half of 2017, substantially below the previous year's figure of €282.3m. This prior-year figure was, however, strongly influenced by positive valuation effects.

At €167.5m, net financial income from trading book portfolios fell slightly short of the figure for the first six months of the previous year (€189.3m) and mainly comprises the contribution from Trading & Structuring and Collateral Trading.

Net financial income from banking book portfolios was €–100.6m, considerably below the previous year's figure of €108.5m. The result was reduced by the increase of €100.0m in the general provision to cover potential risks. The general provision is reflected in the economic result outside IFRS profit or loss and without specific allocation to business divisions. The prior-year figure (€108.5m) was boosted by partial release of the general provision formed in previous years and by positive valuation results for securities portfolios in the wake of spread trends.

Other operating income, which increased significantly compared with the prior-year period (€–77.5m) to €28.2m, includes actuarial gains relating to pension provisions amounting to €33.7m, due to an increase in the actuarial interest rate from 1.95% at the end of 2016 to 2.2%. The prior-year figure included actuarial losses of €114.8m in connection with pension provisions. Actuarial effects are not included in the IFRS income statement as they are posted directly in equity (revaluation reserve). However, they are reported in the economic result as profit or loss for the period.

Personnel expenses increased as expected by 8.1%, reaching €261.4m compared with €241.7m in the first half of 2016. This was due to collectively agreed salary increases as well as an increase in the number of employees following the integration of S Broker.

Higher consulting expenses for projects to meet regulatory requirements are the main reason why operating expenses (excluding bank levy, depreciation and amortisation) of €213.6m in the first half of 2017 exceeded the six-month figure for 2016 (€197.7m) by 8.1%. As in the previous year, the full-year contribution (€13.7m) to the deposit protection reserve of the Landesbanken and Girozentralen was recognised in the figures for the first six months, as was the European bank levy, which amounted to €35.3m (first half of 2016: €34.4m).

At €8.8m, depreciation and amortisation were at a similarly low level to the previous year (€9.1m) and related mainly to intangible assets.

The cost/income ratio, that is to say, the ratio of total expenses (excluding restructuring expenses) to total income (before risk provisions in lending business), could not match the previous year's figure due to the effects mentioned above and stood at 68.4% in the first half of 2017 (previous year: 61.4%). At 10.7%, the return on equity before tax was virtually the same level year on year.

Profit performance Deka Group *(Fig. 2)*

€m	1st half 2017	1st half 2016	Change	
Net interest income	78.9	75.1	3.8	5.1%
Provisions for loan losses	0.8	–74.1	74.9	101.1%
Net commission income	573.2	506.9	66.3	13.1%
Net financial income [1]	78.7	282.3	–203.6	–72.1%
Other operating income	28.2	–77.5	105.7	136.4%
Total income	**759.8**	**712.7**	47.1	6.6%
Administrative expenses (including depreciation)	519.1	482.9	36.2	7.5%
Restructuring expenses	–0.6	0.0	–0.6	n.a.
Total expenses	**518.5**	**482.9**	35.6	7.4%
Economic result	**241.3**	**229.8**	11.5	5.0%

[1] Net financial income includes risk provisions for securities in the lar and htm categories of approximately € 11.8m (previous year: €–15.5m).

Business development and profit performance in the business divisions

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

The Asset Management Securities business division more than doubled net sales year on year and total customer assets increased by €10.8bn compared with the end of the previous year to €220.0bn. At €168.8m, the division's economic result significantly exceeded the previous year's figure of €96.1m.

Net sales performance and total customer assets

Net sales performance in the Asset Management Securities business division totalled €7.6bn in the first six months of the current year and thus more than doubled compared with the first half of 2016 (€3.7bn). Net sales to retail customers totalled €1.9bn (previous year: €0.5bn). Business with institutional customers amounted to €5.6bn, likewise exceeding the previous year's figure (€3.2bn).

Mutual securities funds, including fund-based asset management, achieved net sales of €2.1bn (previous year: €1.0bn). Propensity to invest was reflected above all in direct sales of mutual funds, where a positive balance of €1.9bn was achieved. However, in fund-based asset management, the *Deka Vermögenskonzept* (Deka Wealth Concept) and *Deka-BasisAnlage* (Deka Basic Investment) could not match the previous year's high figures.

ETFs achieved net sales of €0.2bn, below the previous year's figure of €0.5bn. Net sales of special securities funds, master funds and advisory/management mandates reached a combined total of €5.3bn, compared with €2.3bn in the previous year. All product categories achieved significantly positive results.

Net sales Securities business division *(Fig. 3)*

€m	1st half 2017	1st half 2016
Net sales Securities business division	**7,560**	**3,735**
by customer segment		
Retail customers	1,941	523
Institutional customers	5,619	3,211
by product category		
Mutual funds and fund-based asset management	2,093	1,006
ETF	181	478
Special funds and mandates	5,286	2,250

At 30 June 2017, the business division's total customer assets stood at €220.0bn, a 5.2% increase on the figure at 31 December 2016 (€209.2bn). This rise was due to net inflows and also the positive performance of equities, special funds and master funds in particular.

Total customer assets Securities business division *(Fig. 4)*

€m	30 Jun 2017	31 Dec 2016	Change	
Total customer assets Securities business division	**220,036**	**209,242**	10,794	5.2%
by customer segment				
Retail customers	100,406	96,169	4,237	4.4%
Institutional customers	119,630	113,073	6,557	5.8%
by product category				
Mutual funds and fund-based asset management	107,339	103,857	3,482	3.4%
therof equity funds	27,792	26,061	1,731	6.6%
thereof bond funds	35,283	35,663	−380	−1.1%
thereof mixed funds	15,653	15,335	318	2.1%
ETF	8,863	8,321	542	6.5%
Special funds and mandates	103,834	97,064	6,770	7.0%

Profit performance in the Asset Management Securities business division

At €168.8m, the business division's economic result was significantly higher than the comparative figure for the prior-year period (€96.1m). This was mainly attributable to a substantial rise in net commission income. Expenses amounted to €187.1m, roughly in line with the previous year (€185.2m).

Profit performance Securities business division *(Fig. 5)*

€m	1st half 2017	1st half 2016	Change	
Net interest income	9.2	7.1	2.1	29.6%
Provisions for loan losses	0.0	0.0	0.0	n.a.
Net commission income	353.7	288.8	64.9	22.5%
Net financial income	2.7	−6.7	9.4	140.3%
Other operating income	−4.7	−4.5	−0.2	−4.4%
Total income	**360.8**	**284.7**	76.1	26.7%
Administrative expenses (including depreciation)	187.7	185.2	2.5	1.3%
Restructuring expenses	−0.6	0.0	−0.6	n.a.
Total expenses	**187.1**	**185.2**	1.9	1.0%
Economic result excluding Treasury function	**173.7**	**99.6**	74.1	74.4%
Treasury function	−4.9	−3.4	−1.5	−44.1%
Economic result	**168.8**	**96.1**	72.7	75.7%

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

The Asset Management Real Estate business division continued its stable growth in the first half of 2017. However, the economic result of €27.4m fell short of the mid-year figure for 2016 (€36.1m).

Net sales performance and total customer assets

Mutual property funds accounted for €1.3bn of the business division's net sales performance of €1.3bn (previous year: €1.4bn). As in previous years, the business division adhered to the proven strategy of quota setting for sales to retail customers, allowing it to control the flow of funds into products efficiently, given the strong demand. This meant that the Group was again able to prevent excessive volumes of liquidity and resulting pressure to invest. In the case of special funds, individual property funds and credit funds, inflows and scheduled repayments balanced each other out (previous year: €0.1bn).

Net sales Real Estate business division *(Fig. 6)*

€m	1st half 2017	1st half 2016
Net sales Real Estate business division	**1,303**	**1,386**
by customer segment		
Retail customers	1,321	1,320
Institutional customers	–18	66
by product category		
Mutual property funds	1,330	1,262
Special funds and individual property funds	–28	124

The Asset Management Real Estate business division's total customer assets rose by 3.7% to €33.7bn (end of 2016: €32.5bn), of which €27.8bn related to mutual property funds. Deka Immobilien ranked second among providers of open-ended mutual property funds in Germany, with a market share of 31% as measured by net fund assets according to the BVI's methodology as at 31 May 2017. The growth in total customer assets is attributable to net sales and also gains on existing products, which were however offset by distributions at the beginning of the year.

Total customer assets Real Estate business division *(Fig. 7)*

€m	30 Jun 2017	31 Dec 2016	Change	
Total customer assets Real Estate business division	**33,687**	**32,484**	1,203	3.7%
by customer segment				
Retail customers	25,946	24,781	1,165	4.7%
Institutional customers	7,741	7,703	38	0.5%
by product category				
Mutual property funds	27,830	26,614	1,216	4.6%
Special funds and individual property funds	5,858	5,870	–12	–0.2%

Transactions with a volume of €2.4bn were realised in the first half of 2017. Of this amount, purchases accounted for €2.1bn and sales for €0.3bn. Purchases were broadly diversified in both geographical and sectoral terms.

Profit performance in the Asset Management Real Estate business division

The economic result of the Asset Management Real Estate business division stood at €27.4m in the first half of 2017, compared with €36.1m in the prior-year period. The largest income component is net commission income, though this was below the previous year's level due to lower acquisition and construction fees in the first half of 2017. The slight increase in expenses was driven primarily by higher project and personnel expenses. The latter were partly the result of the growing property portfolio, which increased by €1.2bn.

Profit performance Real Estate business division *(Fig. 8)*

€m	1st half 2017	1st half 2016	Change	
Net interest income	2.0	1.9	0.1	5.3%
Provisions for loan losses	0.0	0.0	0.0	n.a.
Net commission income	91.1	96.3	−5.2	−5.4%
Net financial income	−0.7	−0.3	−0.4	−133.3%
Other operating income	0.3	1.0	−0.7	−70.0%
Total income	**92.7**	**98.9**	−6.2	−6.3%
Administrative expenses (including depreciation)	63.9	61.6	2.3	3.7%
Total expenses	**63.9**	**61.6**	2.3	3.7%
Economic result excluding Treasury function	**28.9**	**37.3**	−8.4	−22.5%
Treasury function	−1.4	−1.2	−0.2	−16.7%
Economic result	**27.4**	**36.1**	−8.7	−24.1%

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

The new Asset Management Services business division, established on 1 January 2017, achieved an economic result of €10.6m (previous year: €59.8m) in the first six months of the current year.

Business development in the Asset Management Services business division

Assets under custody, that is to say, the entire assets held by the Deka Group in its capacity as custodian bank, increased by 3.4% compared with year-end 2016 (€187.2bn), reaching €193.5bn at 30 June 2017. The number of securities accounts increased by 2.0% in the first half of 2017 to approximately 4.374m.

Profit performance in the Asset Management Services business division

The Asset Management Services business division's economic result amounted to €10.6m. The comparative prior-year figure was €59.8m. However, the latter included positive effects of €36m resulting from the acquisition of S Broker. The largest income component was net commission income amounting to €81.0m (previous year: €70.7m). This was offset by administrative expenses of €73.2m (previous year: €49.9m). The increase was largely due to the expansion of digital multi-channel management and the first-time recognition of S Broker.

Profit performance Asset Management Services *(Fig. 9)*

€m	1st half 2017	1st half 2016	Change	
Net interest income	1.5	0.0	1.5	n.a.
Provisions for loan losses	0.0	0.0	0.0	n.a.
Net commission income	81.0	70.7	10.3	14.6%
Net financial income	0.5	2.6	−2.1	−80.8%
Other operating income	1.6	37.0	−35.4	−95.7%
Total income	**84.6**	**110.4**	−25.8	−23.4%
Administrative expenses (including depreciation)	73.2	49.9	23.3	46.7%
Total expenses	**73.2**	**49.9**	23.3	46.7%
Economic result excluding Treasury function	**11.4**	**60.5**	−49.1	−81.2%
Treasury function	−0.7	−0.7	0.0	0.0%
Economic result	**10.6**	**59.8**	−49.2	−82.3%

Business development and profit performance in the Capital Markets business division

In the first half of 2017, the Capital Markets business division again achieved a good economic result of €144.6m (previous year: €166.2m). The business division operates as a product, solution and infrastructure provider, based on a balanced business and service portfolio.

Business development in the Capital Markets business division

In the continuing low interest rate environment, the Collateral Trading unit achieved a result on a par with the previous year. Commission business lagged behind the comparative figure, but again met expectations. The Trading & Structuring unit – including the earnings contribution from its management of the Bank's strategic investments – in total matched the comparative figure for 2016 thanks to continuing customer demand. Due to market conditions, slightly higher income was generated by the Bank's strategic investments compared with the previous year. Net sales in certificates business amounted to €3.7bn, close to the previous year's figure of €3.9bn. Of this total, €1.3bn (previous year: €1.9bn) related to institutional and €2.4bn (previous year: €2.0bn) to retail customers.

Profit performance in the Capital Markets business division

At €144.6m, the business division's economic result was lower than in the previous year (€166.2m). The prior-year figure included a positive special effect of around €11m due to incoming payments of a receivable that was previously written off. The other earnings components were unable to offset the moderate decline in net commission income. Net financial income fell slightly by 1.4% compared with the first half of 2016. The decline in income was offset by a slight reduction in expenses to €79.6m.

Profit performance Capital Markets business division *(Fig. 10)*

€m	1st half 2017	1st half 2016	Change	
Net interest income	17.9	21.2	– 3.3	– 15.6%
Provisions for loan losses	0.0	0.1	– 0.1	– 100.0%
Net commission income	32.5	37.5	– 5.0	– 13.3%
Net financial income	187.2	189.8	– 2.6	– 1.4%
Other operating income	1.0	9.7	– 8.7	– 89.7%
Total income	**238.6**	**258.4**	– 19.8	– 7.7%
Administrative expenses (including depreciation)	79.6	82.3	– 2.7	– 3.3%
Total expenses	**79.6**	**82.3**	– 2.7	– 3.3%
Economic result excluding Treasury function	**159.0**	**176.0**	– 17.0	– 9.7%
Treasury function	– 14.3	– 9.8	– 4.5	– 45.9%
Economic result	**144.6**	**166.2**	– 21.6	– 13.0%

Business development and profit performance in the Financing business division

In the first half of 2017, the Financing business division achieved an economic result of €32.8m (previous year: €– 38.9m). The previous year's result was negatively affected by allocations to provisions for loan losses, particularly in relation to existing loans for ship financing (€– 74.0m). The loan portfolio declined to €20.1bn (end of 2016: €21.7bn) due to repayments and the non-linear progress of new business.

Business development in the Financing business division

Of the loan portfolio, €13.0bn (end of 2016: €14.7bn) related to specialised financing (including savings banks financing). Infrastructure loans accounted for €1.8bn (end of 2016: €2.0bn), export loans €1.0bn (end of 2016: €0.8bn) and transport loans €3.8bn (end of 2016: €4.6bn). Transport loans included ship financing of €0.8bn and aircraft financing of €3.0bn. Gross loan volume for savings banks financing fell by €1.5bn to €5.9bn. The legacy portfolio, which consists of loans agreed before the credit risk strategy was changed in 2010, has declined since its inception to €0.5bn. At mid-year, the average rating for the loan portfolio as a whole stood at 5 on the DSGV master scale, unchanged compared with year-end 2016. This corresponds to a rating of BBB– on S&P's rating scale.

The property financing loan portfolio was unchanged, totalling €7.1bn at the reporting date (end of 2016: €7.0bn). Of this, €5.9bn was attributable to commercial property financing and €1.0bn to open-ended property fund financing. The average rating for the loan portfolio according to the DSGV master scale improved by one notch from 4 to 3. This corresponds to a rating of BBB on S&P's external rating scale. Including the portfolio secured by collateral, the rating according to the DSGV master scale improved by one notch to AAA, equivalent to a rating of AA+ on the S&P scale.

Of new business arranged totalling €2.0bn (previous year: €3.1bn), €1.2bn (previous year: €1.4bn) related to specialised financing and €0.8bn (previous year: €1.7bn) to property financing. The share of new business arranged for savings banks in the first half of the year was around 25% of the new business arranged in the specialised financing category. Syndication volume reached €0.8bn, with specialised and property financing accounting for approximately half each.

Profit performance in the Financing business division

The Financing business division ended the first half of 2017 with a positive result of €32.8m (previous year: €–38.9m). While the previous year's result was negatively affected by allocations to provisions for loan losses (€–74.0m), mainly for existing loans in the ship financing segment, some allocations in the first half of 2017 were offset by the release of provisions of a similar amount that were no longer needed. Net interest income and net commission income together almost matched the previous year's figure. At €27.2m, administrative expenses slightly exceeded the prior-year figure of €25.4m due to higher project expenses.

Profit performance Financing business division *(Fig. 11)*

€m	1st half 2017	1st half 2016	Change	
Net interest income	57.6	60.5	–2.9	–4.8%
Provisions for loan losses	0.7	–74.0	74.7	100.9%
Net commission income	15.4	14.3	1.1	7.7%
Net financial income	–5.9	–4.6	–1.3	–28.3%
Other operating income	0.2	0.3	–0.1	–33.3%
Total income	**68.0**	**–3.5**	71.5	(> 300%)
Administrative expenses (including depreciation)	27.2	25.4	1.8	7.1%
Total expenses	**27.2**	**25.4**	1.8	7.1%
Economic result excluding Treasury function	**40.8**	**–28.9**	69.7	241.2%
Treasury function	–8.0	–10.0	2.0	20.0%
Economic result	**32.8**	**–38.9**	71.7	184.3%

Business development and profit performance in non-core business

The portfolio assigned to non-core business essentially comprises legacy business with securitised and structured products. At 30 June 2017, gross loan volume stood at only €0.6bn, compared with €0.8bn at year-end 2016. The rating for the net loan volume improved from 3 to A on the DSGV master scale and A– on the S&P rating scale. The strategy of winding down the portfolio while safeguarding assets will be maintained for the remaining credit substitute business.

As expected, because of the reduction in volume, the economic result of €6.8m was lower than the comparative figure for 2016 (€9.9m).

Profit performance non-core business *(Fig. 12)*

€m	1st half 2017	1st half 2016	Change	
Net interest income	2.3	2.7	−0.4	−14.8%
Provisions for loan losses	0.0	0.0	0.0	n.a.
Net commission income	0.0	0.0	0.0	n.a.
Net financial income	4.8	7.7	−2.9	−37.7%
Other operating income	0.0	0.0	0.0	n.a.
Total income	**7.1**	**10.4**	−3.3	−31.7%
Administrative expenses (including depreciation)	0.3	0.5	−0.2	−40.0%
Total expenses	**0.3**	**0.5**	−0.2	−40.0%
Economic result excluding Treasury function	**6.8**	**9.9**	−3.1	−31.3%
Treasury function	0.0	0.0	0.0	n.a.
Economic result	**6.8**	**9.9**	−3.1	−31.3%

Financial position and assets and liabilities of the Deka Group

Financial position, capital structure, assets and liabilities

The Deka Group's balance sheet total increased in line with expectations compared with year-end 2016, rising by €10.2bn to €96.2bn as at 30 June 2017. This was essentially due to an increase in repo and issuance activities.

On the assets side, the total amount due from banks and customers rose by €4.2bn compared with year-end 2016 to €47.7bn, and thus accounted for around 50% of total assets. Financial assets recognised at fair value fell to €31.9bn (end of 2016: €34.9bn), whereas financial investments at €3.8bn exceeded the year-end figure by €0.9bn.

On the liabilities side, amounts due to banks and customers increased by €8.2bn in the first six months of 2017 to €49.0bn as at 30 June 2017, corresponding to around 51% of total liabilities. Securitised liabilities rose by €2.3bn in the first half of 2017 to €13.4bn. At €26.6bn, financial liabilities recognised at fair value were close to the figure recorded at year-end 2016.

Balance sheet changes Deka Group *(Fig. 13)*

€m	30 Jun 2017	31 Dec 2016	Change	
Balance sheet total	**96,184**	**85,955**	10,229	11.9%
Selected items on the assets side				
Due from banks and customers	47,729	43,495	4,234	9.7%
Financial assets at fair value	31,856	34,903	−3,047	−8.7%
Financial investments	3,849	2,969	880	29.6%
Selected items on the liabilities side				
Due to banks and customers	48,975	40,782	8,193	20.1%
Securitised liabilities	13,361	11,076	2,285	20.6%
Financial liabilities at fair value	26,611	26,519	92	0.3%

Changes in regulatory capital (own funds)

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

The change in the Common Equity Tier 1 capital ratio (fully loaded) has already been explained as part of the overall statement on the business trend and the Group's position. The corresponding total capital ratio amounted to 23.6% as at 30 June 2017 compared with €22.2% at year-end 2016.

The leverage ratio determined in accordance with the Delegated Regulation of 17 January 2015, i.e. the ratio of Common Equity Tier 1 capital to total assets, adjusted in line with regulatory requirements, stood at 4.7% as at 30 June 2017 (end of 2016: 5.1%) without applying the transitional provisions (fully loaded), and 4.7% (end of 2016: 5.2%) including the transitional provisions (phase in).

Regulatory capital Deka Group *(Fig. 14)*

€m	30 Jun 2017		31 Dec 2016	
	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	4,198	4,293	3,978	4,216
Additional Tier 1 capital	474	436	474	348
Tier 1 capital	**4,672**	**4,728**	**4,451**	**4,564**
Tier 2 capital	830	824	838	801
Own funds	**5,502**	**5,553**	**5,289**	**5,366**
Credit risk	14,553	14,553	15,038	15,038
CVA risk	1,314	1,314	1,411	1,411
Market risk	4,577	4,577	4,478	4,478
Operational risk	2,834	2,834	2,887	2,887
Risk-weighted assets (total risk exposure amount)	**23,278**	**23,278**	**23,813**	**23,813**
%				
Common Equity Tier 1 capital ratio	**18.0**	**18.4**	**16.7**	**17.7**
Tier 1 capital ratio	**20.1**	**20.3**	**18.7**	**19.2**
Total capital ratio	**23.6**	**23.9**	**22.2**	**22.5**

Liquidity and refinancing

The liquidity management requirements set out under the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement* – MaRisk) were clearly fulfilled during the first half of 2017. The regulatory requirements of the German Liquidity Regulation (*Liquiditätsverordnung*) were likewise complied with at all times during the reporting period. The liquidity coverage ratio (LCR) increased for the Deka Group to 159.0% as at 30 June 2017 (end of 2016: 124.4%).

Details about the Deka Group's liquidity position, including the liquidity coverage ratio, can be found in the risk report.

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

Human resources report

The total number of people employed by the Deka Group increased in the first six months of 2017 to 4,634 (end of 2016: 4,556). The number of employees is determined by counting the number of employment contracts (temporary and permanent) in existence at the reporting date, including inactive employees, trainees and interns.

The number of employees relevant to the income statement increased only slightly (0.6%) compared with the end of 2016 from 3,990 to 4,015. The number includes part-time employees actively involved in work processes in the Deka Group, calculated as full-time equivalents.

Forecast report

Forward-looking statements

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

Actual trends in the international capital, money and property markets or in the Deka Group's business divisions may diverge markedly 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 2017 financial year. Conversely, opportunities may result in expectations being exceeded.

Expected macroeconomic trends

After the first six months, DekaBank expects global economic growth to accelerate to 3.5% in 2017. While the positive trend in the industrialised nations is driven mainly by higher growth in the USA, emerging markets are benefiting from economic recovery in Central and Eastern Europe and Latin America.

In the eurozone, DekaBank expects a higher growth rate of 2.0%. The main sentiment indicators signal strong economic momentum. Political risks persist, however, and are inhibiting investment activity.

Momentum in Germany may ease somewhat in the second half of the year. The rate of inflation declined considerably in the first half, and is likely to remain at a low level in the coming months.

The new US government's economic policy intentions have both stimulating (tax cuts) and inhibiting effects (trade restrictions, limiting of immigration). Overall, however, DekaBank anticipates positive effects and revised its growth forecast upwards in the first half of the year.

Inflation in the eurozone is expected to remain undesirably low. US inflation, on the other hand, is expected to rise slightly due to the very low level of unemployment. This increase is, however, likely to remain below the expectations set out by the Fed.

Expected trends in the capital markets

With inflation rising only slowly, expansionary monetary policy is expected to continue. The ECB will maintain its bond purchase programme amounting to €60bn per month until the end of 2017. Not until the autumn is the ECB expected to announce a gradual tapering of bond purchases over the following year. An increase in key interest rates will only be discussed once the bond purchase programme has ended. The US Federal Reserve is likely to aim for a further interest rate hike of 0.25 of a percentage point in the second half of 2017.

DekaBank expects only a slight increase in bond yields. Yields on short-dated German government bonds are likely to stick at extremely low levels, with moderate increases expected for the longer maturities. Yields on US government bonds are expected to rise slightly. As the market's long-term inflation expectations remain low, this increase will be very moderate overall, despite increased monetary policy tightening. On equity markets, further moderate rises are anticipated.

Expected trends in the property markets

In Europe, rentals are expected to continue growing strongly in Barcelona and Madrid, before momentum eases considerably on both markets in subsequent years. In Amsterdam, Paris and German locations too, rental growth is likely to remain above the European average. In London and Warsaw, rents are expected to decline further in the current year. Except in the UK, we expect initial yields to decline slightly until the end of this year, so that the sales multiplier should increase further. Yields are at an historically low level, but should start to bottom out next year.

In the USA, rental growth is likely to slow in most markets during 2017. We expect average growth across all locations of around 2% with a declining tendency. Over the next five years we expect rental growth to be strongest in Chicago, Miami and Seattle, and in the New York sub-market of Downtown Manhattan. We believe San Francisco and Houston will see the weakest growth. Higher yields on a broad scale are not expected before 2018, as interest rates are only being raised cautiously.

In Asia, the especially cyclical market of Singapore is likely to have the strongest growth potential after the rental correction phase starting in 2019. Rental growth in Tokyo, on the other hand, is likely to ease after several years of above-average growth. We expect rentals to continue growing strongly in Sydney and Melbourne, but to fall slightly in Perth during 2017. Yields on Australian markets are likely to experience a further slight decline.

Expected business development and profit performance

The Deka Group will continue to pursue the current strategic initiatives for its further development as the *Wertpapierhaus* for the savings banks throughout 2017. This involves implementing the multi-channel strategy to support the future-oriented positioning of the savings banks in online securities business, ensuring that different retail customer segments are addressed in different ways, and strengthening institutional business both inside and outside the *Sparkassen-Finanzgruppe*.

The targets defined in the 2016 forecast report should continue to be attained.

The economic result for 2017 is expected to remain at around the figure seen in 2016. This result will ensure that DekaBank remains able to distribute profits and make the necessary reinvestments as part of the capital management process.

After a positive performance in the first six months of the year, the Asset Management Securities business division will continue striving to increase net sales in retail and institutional business for 2017 as a whole. To this end, the product range will continue to be developed further in the second half of the year.

The Asset Management Real Estate business division is expected to achieve net sales slightly below the previous year's level. Now that sales quotas have largely been placed with open-ended mutual property funds, net sales in institutional business will also be increased through the new club deal series.

The new Asset Management Services business division is focused on building and expanding digital multi-channel management, managing custody accounts, providing custodial services and integrating S Broker into the overall offering. Based on the growth in asset management targeted during the remaining months of 2017, a further increase in the number of custody accounts is expected.

The Capital Markets business division will continue to develop its range of products and solutions. Focal points include structured products, bonds and issuance business, as well as extending infrastructure links with savings banks and institutional customers.

The Financing business division intends to expand the specialised and property financing business and to increase the volume of new business arranged where profitability is adequate. At the same time, the legacy portfolio will continue to be reduced while safeguarding assets.

Expected financial and risk position

Deka Group expects its financial position to remain sound over the further course of 2017, with a slight increase in total assets compared with the position at mid-year, driven mainly by the planned expansion of loan volumes. The Group's liquidity position is expected to remain at a comfortable level. The Common Equity Tier 1 capital ratio (fully loaded) is expected to decline by the end of 2017 due to the expected increase in loan volumes, but will remain above 13%. According to current planning, utilisation of risk capacity will increase in the second half of the year but remain at a non-critical level.

Risk report

Risk policy and strategy

The principles underlying the Deka Group's risk policy and strategy and the organisation of risk management and risk control are largely unchanged compared with the 2016 Group management report. The Deka Group's focus remains on added-value generating operations that are in demand from both the savings banks and their end customers, where risks are strictly limited and for which adequate expertise is available. At the same time, risks are incurred if they are conducive to liquidity management or if they are required to leverage synergies in investment fund business. The framework for business and risk management is provided by the general risk appetite concept (Risk Appetite Framework – RAF), which forms the main basis for determining the adequacy of internal capital and liquidity and is an integral part of the Deka Group's strategy system.

Changes to risk models had, in aggregate, only a minor impact on the Group's overall risk compared with the position at the end of 2016. Changes to the loan portfolio model implemented at the beginning of the year led to a moderate increase in counterparty risk in the first quarter. This increase in risk was fully compensated in the second quarter by portfolio effects due to position changes and the market trend. Besides the introduction of an enhanced model, migration matrices were optimised and the parameterisation of loss ratios was updated. The methodological refinements implemented at the beginning of the year had the effect of reducing business risk overall.

The general limiting of exposures to shadow banking exposures – in line with European Banking Authority (EBA) requirements – was likewise implemented in the new year. Shadow banking entities include, among others, money market funds, credit funds and inadequately regulated credit institutions.

It is planned to take the general interest rate risk for pension obligations and guarantee products into account for the first time in the third quarter of 2017, and this will probably be reflected in a marked decline in risk cover potential and an increase in overall risk. Despite such noticeable effects, utilisation of risk capacity remains at a non-critical level overall.

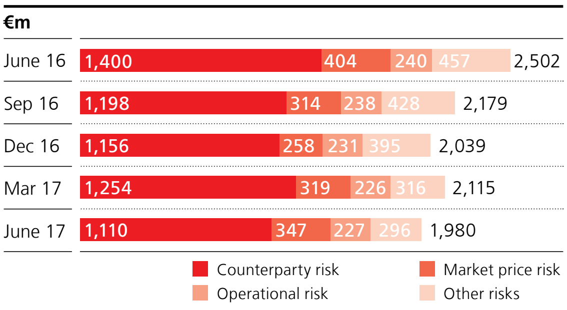
For stress scenarios, at the reporting date of 31 March 2017, the proxy model for market price risk calculation was replaced by integration of the productive model. As expected, this led to slight relief in all scenarios.

Implementation of the 'Principles for effective risk data aggregation and risk reporting' (BCBS 239) continued as planned in the first half of 2017. The related 5th MaRisk amendment, which will also include further rules on outsourcing and IT management, is still in the consultation phase. The changes currently planned as part of Basel IV regarding the Credit Risk Standardised Approach (CRSA) and the Internal Ratings Based (IRB) approach continue to be monitored with regard to their potential economic impact. The same applies with regard to the Fundamental Review of the Trading Book (FRTB) and the intended abolition of the Advanced Measurement Approach (AMA) for operational risks, which could potentially also have an impact on Pillar II of the Basel framework.

DekaBank's overall risk position in the first half of 2017

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. Hence, the report focuses on risks that are relevant from a Group perspective. The definitions of individual risk types are the same as in the 2016 Group management report. The business division-specific risk profiles have been updated to reflect the new divisional structure, without this leading to any significant change at the level of the Deka Group.

Change in Group risk over the course of the year *(Fig. 15)*



Under the liquidation approach, which is used for management purposes, the Deka Group's overall risk (value-at-risk or VaR, with a confidence level of 99.9% and a holding period of one year) stood at €1,980m as at 30 June 2017 (end of 2016: €2,039m). Despite a moderate increase in counterparty risk in some business divisions, a slight decrease was recorded at Group level over the reporting period. Risk-increasing effects of the aforementioned model adjustments and the build-up of bond positions in the Capital Markets business division were essentially offset by contrary effects due to decreased migration risks, individual rating improvements for capital market counterparties and guarantee funds, position reductions in financing business and reduced bond positions in the Treasury corporate centre. The significant increase in market price risks compared with the end of 2016 is due to the build-up of positions in the Capital Markets business division. There were only minor changes in operational risk during the reporting period. The business risk backed by economic capital at the level of the Deka Group decreased considerably due to the aforementioned model adjustments and declining volatilities compared with year-end 2016. There were only minor changes in the risk level of other risk types included in the risk-bearing capacity analysis.

The moderate reduction in overall risk compares with an increase in risk capacity to €5,881m (end of 2016: €5,785m), due in particular to the positive change in the revaluation reserve resulting from actuarial gains related to pension provisions. This was partially offset by a higher deduction for risks arising from pension obligations. The increase in the correction item for the own credit quality effect as a result of lower refinancing costs also had a positive impact. The increase in retained earnings due to partial reinvestment of 2016 net income and net income according to IFRS accrued up to 30 June 2017 together approximately equalled the amount recognised at year-end 2016. At 33.7%, utilisation of risk capacity was close to the level at year-end 2016 (35.2%). It remained at a non-critical level throughout the whole of the reporting period.

With an unchanged capital buffer for stress scenarios, the maximum risk appetite, which does not incorporate subordinated capital (including AT1 capital and perpetuals), increased slightly – in parallel with the increase in risk capacity – to €4,381m compared with year-end 2016 (€4,285m). Therefore, utilisation of risk capacity was also virtually unchanged, standing at 45.2% as at 30 June 2017, after 47.6% at year-end 2016.

The stress scenarios that are run on a regular basis across all risk types also confirmed that risk capacity was assured in all scenarios as at 30 June 2017. In all considered scenarios, risk capacity utilisation during the reporting period and at 30 June 2017 was below the early warning threshold of 80%. Besides the positive market trend and position changes, the model adjustment required by the regulator (integration of productive model for market price risk) had the overall effect of reducing risk in the stress scenarios.

Under the going concern approach, which is examined as a supplementary test, utilisation of available risk cover potential decreased moderately in the first six months of 2017. With the Common Equity Tier 1 capital ratio now standing at 10.9%, utilisation of the remaining risk cover potential (with a confidence level of 95.0% and a holding period of one year) was 24.8% at 30 June 2017 (end of 2016: 30.5%), and therefore remained at a non-critical level. The increase in unallocated risk cover potential due to the decrease in risk-weighted assets (RWA) with reduced overall risk had a particular impact in this respect.

Market price risks

Current risk situation

Market price risk at Deka Group level (measured using value-at-risk with a confidence level of 99.9% and a holding period of one year) increased significantly compared with the position as at year-end 2016 (€258m) to €347m as at 30 June 2017. This was mainly due to a build-up of positions in the Capital Markets business division, which was accompanied by an increase in spread risks. The risk contributions of the other business divisions, on the other hand, decreased slightly overall. This particularly concerned guarantee risks in the Asset Management Securities business division, for which a steeper yield curve and higher fund prices had the effect of reducing risk.

At 30 June 2017, market price risk for the Treasury corporate centre and the Capital Markets business division (measured by value-at-risk with a confidence level of 99.0% and a holding period of ten days) totalled €41.9m (end of 2016: €28.4m). Utilisation of the operating management limit for Treasury and capital markets business increased to 68% (end of 2016: 43%) and therefore remained at a non-critical level.

Value-at-risk Deka Group without guarantee risks[1]
(Confidence level 99%, holding period 10 days) *(Fig. 16)*

€m	30 Jun 2017				31 Dec 2016				
Category	Treasury and capital market business division	AM Services business division (until 31 Dec 2016 S Broker)	Non-core business	Deka Group without guarantees	Treasury and capital market business division	S Broker (from 1 Jan 2017 AM Services business division)	Non-core business	Deka Group without guarantees	Change in risk
Interest rate risk	40.2	2.2	5.2	42.0	28.1	2.3	5.1	29.2	43.8%
Interest rate – general	9.3	2.3	1.8	10.5	13.7	2.6	1.5	14.8	–29.1%
Spread	41.0	1.1	4.8	42.7	29.1	1.2	4.7	30.7	39.1%
Share price risk	2.0	1.4	0.0	2.7	3.3	2.1	0.0	3.2	–15.6%
Currency risk	5.1	0.1	0.7	4.8	4.2	0.1	1.1	3.7	29.7%
Total risk	**41.9**	**2.8**	**5.0**	**43.9**	**28.4**	**3.4**	**5.1**	**29.5**	48.8%

[1] Risk ratios for interest rate risk and total risk taking account of diversification; includes issue-specific risk spread

In the period under review, the VaR of spread risk increased to €42.7m (end of 2016: €30.7m). This was due mainly to the aforementioned build-up of positions by the Strategic Investments unit in capital markets business, which accounted for the largest share of spread risk, and secondarily to management of the liquidity reserve in the Treasury corporate centre. This risk concentration is consistent with the Deka Group's market price risk strategy. As in the previous year, bonds issued by German federal states, run-off institutions and development banks accounted for the majority of positions.

The VaR for general interest rate risk decreased compared with the 2016 year-end position (€14.8m) to €10.5m. The reduction is mainly the result of optimisation of interest rate hedging transactions by Treasury and a general reduction of interest rate option risks in capital markets business.

As in the previous year, currency risk resulted mostly from positions in British pounds and US dollars. It increased to a VaR of €4.8m (end of 2016: €3.7m) and so continued to be of minor significance.

Share price risk decreased compared with year-end 2016 (€3.2m) to €2.7m and thus likewise remained immaterial.

Counterparty risk

Current risk situation

The counterparty risk determined using credit value at risk, or CVaR (confidence level of 99.9% and a holding period of one year), declined moderately in the first half of the year to €1,110m (end of 2016: €1,156m). This trend is largely attributable to reduced migration risks, the reduction of bond positions by the Treasury corporate centre, position reductions in financing business and a slight reduction in volume in property funds. Furthermore, individual rating improvements for capital market counterparties and guarantee products in the Asset Management Securities business division and release of loan loss provisions in ship financing also helped to reduce risk. The risk-reducing effects were partly offset by the risk-increasing model adjustments mentioned above.

Gross loan volume increased by €13.9bn compared with the position at year-end 2016 (€124.3bn), reaching €138.2bn. This was mainly due to deposits at Deutsche Bundesbank and an increase in repo/lending volumes (particularly with central counterparties such as Eurex and LCH.Clearnet). Both factors led to an increase in gross loan volume in the financial institutions risk segment. In this context, loan volume in the funds risk segment also increased due to larger volumes of issued loan collateral. The increase was offset by declines in the savings banks and domestic public sector risk segments, largely because of lower demand for liquidity. The ship portfolio's share of gross loan volume decreased to 0.9% (end of 2016: 1.3%), partly because of sales. The market environment remains difficult, and the ship financing portfolio is therefore being closely followed and monitored on an ongoing basis.

Gross loan volume *(Fig. 17)*

€m	30 Jun 2017	31 Dec 2016
Financial institutions	73,352	57,629
Public sector Germany	10,937	12,364
Corporates	12,276	11,836
Savings banks	8,280	10,511
Funds (transactions and units)	15,620	13,567
Property risk	7,178	7,371
Transport and export finance	5,197	5,295
Energy and utility infrastructure	1,316	1,342
Other	4,088	4,422
Total	**138,245**	**124,336**

The expansion of business volume led to an increase in deductible items when converting from gross to net loan volume. The offsetting of reverse repo transactions had a particular impact in this respect. Therefore, net loan volume increased by only €6.9bn compared with the position at the end of 2016 to €56.9bn as at 30 June 2017. This was due first and foremost to larger deposits at Deutsche Bundesbank.

Loan volume in non-core business declined to a gross and net figure of €643m, partly due to the sale of bonds from the former public finance portfolio and securitisations. The remainder of the portfolio mainly consists of structured securities of the former liquid credits portfolio.

Net loan volume *(Fig. 18)*

€m	30 Jun 2017	31 Dec 2016
Financial institutions	25,995	16,270
Public sector Germany	2,402	3,646
Corporates	6,656	6,354
Savings banks	7,789	9,894
Funds (transactions and units)	8,169	7,630
Property risk	1,239	1,277
Transport and export finance	824	938
Energy and utility infrastructure	1,303	1,327
Other	2,496	2,596
Total	**56,874**	**49,931**

Due to the higher volume of repo lending and reverse repo activities with German, French and Luxembourg counterparties as well as the increase in central bank deposits, the loan portfolio was concentrated even more strongly on the eurozone, which accounted for 72.1% compared with 70.9% at the end of 2016. The gross loan volume attributable to Germany increased by €8.7bn to €63.2bn.

In EU countries outside the eurozone, gross loan volume was higher than at year-end 2016, largely due to an increase in reverse repo volume with British counterparties. In OECD countries outside the European Union, gross loan volume increased slightly compared with the level at 31 December 2016, mainly due to bonds with US counterparties.

The gross loan volume relating to borrowers in Italy, Spain, Ireland and Portugal increased slightly to €4.5bn compared with €4.1bn at the end of 2016. Counterparties from the aforementioned countries continued to account for 3.3% of overall gross loan volume. There continued to be no direct loan volume relating to borrowers classified under Greek country risk. The gross loan volume attributable to counterparties in Russia totalling €0.3bn fell slightly by €57m, with around 82% being secured by ECA guarantees issued by the Federal Republic of Germany. In view of the geopolitical situation, exposures in Japan, South Korea and Qatar are also being monitored closely at the present time. Exposures to the United Kingdom are likewise under observation given the likelihood of a hard Brexit. The country limit was already lowered in December 2016.

The gross loan volume remained focused primarily on the short-term segment. In the first half of 2017, the proportion of transactions with a residual maturity of less than one year fell slightly from 45.3% to 45.1%. The share of maturities of ten years or more declined to 3.6% compared with 4.2% at the end of 2016. The average legal residual term of the gross loan volume fell slightly, amounting to 2.7 years (end of 2016: 2.8 years).

The level of risk concentration in the loan portfolio declined slightly in the reporting period. At the end of June 2017, 17.5% (end of 2016: 19.6%) 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). However, there was no change in the number of counterparty clusters. Of the cluster portfolio, 27.7% related to counterparties from the domestic public sector, savings banks and other alliance partners. Only 10.4% of net loan volume related to counterparty clusters. This reflects, in particular, the higher proportion of collateralised transactions within the counterparty clusters.

The shadow banking portfolio has also been limited since the beginning of 2017. In accordance with EBA requirements, DekaBank distinguishes between shadow banking entities according to the principal approach and shadow banking entities according to the fallback approach. Therefore, while an overall limit is imposed on shadow banking entities, limits also depend on whether the principal or fallback approach is used. The existing limits at the level of individual counterparties remain unaffected. At 30 June 2017, around 2% of net loan volume related to shadow banking entities according to the principal approach (limit utilisation 89%) and less than 1% to shadow banking entities according to the fallback approach (limit utilisation 51%). The levels of utilisation are considered acceptable.

The average rating for the gross loan volume and for the net loan volume improved compared with year-end 2016 by one notch to a rating of 2 on the DSGV master scale. The probability of default averaged 12 bps for gross loan volume (end of 2016: 16 bps) and 11 bps for net loan volume (end of 2016: 17 bps). The Bank therefore still achieved its target rating of investment grade for the portfolio as a whole. Both the increase in volumes with counterparties with good ratings such as Deutsche Bundesbank and Eurex and the slight improvement in ratings at some major international banks after routine re-rating had a positive impact on the average rating. 88.9% of net loan volume remained in the same grouping (determined by rating class) as at the end of 2016.

Net loan volume by risk segment and rating *(Fig. 19)*

€m	Average PD in bps	Average rating 30 Jun 2017	30 Jun 2017	Average PD in bps	Average rating 31 Dec 2016	31 Dec 2016
Financial institutions	7	A	25,995	20	3	16,270
Savings banks	1	AAA	7,789	1	AAA	9,894
Corporates	12	2	6,656	14	2	6,354
Public sector international	4	A+	1,887	5	A+	1,887
Public sector Germany	1	AAA	2,402	1	AAA	3,646
Public infrastructure	79	7	476	39	5	568
Transport and export finance	236	9	824	284	10	938
Energy and utility infrastructure	47	5	1,303	71	6	1,327
Propery risk	11	2	1,239	18	3	1,277
Retail portfolio	4	AA–	133	5	A+	141
Funds (transactions and units)	13	2	8,169	14	2	7,630
Total	**11**	**2**	**56,874**	**17**	**3**	**49,931**

Operational risk

Current risk situation

The VaR for operational risk (confidence level of 99.9%, holding period of one year) decreased slightly from €231m at year-end 2016 to €227m. The moderately risk-increasing effect of the regular update of scenario assessments was mitigated by the still small number of new and in particular larger losses to be taken into consideration. The utilisation of allocated risk capital declined to 72.0% as at 30 June 2017 (end of 2016: 74.5%) and so remained at a non-critical level.

The OR loss potential identified in the Group-wide risk inventory increased to €55m (end of 2016: €50m). This reflects a trend across different business divisions and corporate centres towards increased risk assessments, against the backdrop of stricter regulatory requirements and heavier fines, coinciding with rising efficiency demands and cost pressures. 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.

Liquidity risk

Current risk situation

The Deka Group continued to have ample liquidity throughout the reporting period. There were clear positive liquidity balances in all relevant maturity bands of the “combined stress scenario” funding matrix for periods of up to 20 years. This was also the case for the alternative stress scenarios examined and under the going concern approach.

As at 30 June 2017, 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 €10.2bn (end of 2016: €4.6bn). In the maturity band of up to one month, the liquidity surplus totalled €14.2bn (end of 2016: €11.2bn), and in the medium to long-term range (three months) it was €22.6bn (end of 2016: €18.2bn).

The significant rise in the liquidity balance for maturity bands of less than one year reflects the expansion of money market refinancing, which was offset by mainly short-term investment of monies received.

A substantial part of the Group’s liquidity generation and provision was again attributable to business with savings banks and funds. The Deka Group has a high liquidity potential that is readily convertible at short notice. The Group has access to a large portfolio of liquid securities, most of which are eligible as collateral for central bank borrowings, as well as to available surplus cover in the cover pool and corresponding repo transactions.

Combined stress szenario funding matrix of Deka Group as at 30 June 2017 *(Fig. 20)*

€m	D1	> D1 – 1M	> 1M – 12M	> 12M – 5Y	> 5Y – 20Y	> 20Y
Liquidity potential (accumulated)	13,957	19,785	2,466	– 180	20	49
Net cash flows from derivatives (accumulated) [1]	– 178	– 182	– 170	– 1,975	– 3,067	– 3,071
Net cash flows from other products (accumulated)	– 5,622	– 5,372	14,563	15,401	8,414	2,221
Liquidity balance (accumulated)	**8,156**	**14,232**	**16,860**	**13,247**	**5,367**	**– 801**
For information purposes:						
Net cash flows from derivatives by legal maturity (accumulated)	– 178	– 219	– 1,131	– 3,135	– 3,866	– 3,071
Net cash flows from other products by legal maturity (accumulated)	– 4,098	– 12,406	– 15,510	95	2,152	1,469
Net cash flows by legal maturity (accumulated)	**– 4,277**	**– 12,625**	**– 16,641**	**– 3,040**	**– 1,715**	**– 1,601**

[1] Including lending substitute transactions and issued CLNs

As at 30 June 2017, 61.3% of the Group's total refinancing related to repo transactions, money on call and time deposits, and other money market products. The remaining 38.7% of refinancing related to capital market products, primarily with longer maturity profiles, with bearer bonds making up by far the largest proportion of this. The refinancing profile for lending business was balanced in terms of maturity structure. Money market refinancing was 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 13.9% of money market refinancing, while funds represented 21.3%.

The regulatory requirements of the German Liquidity Regulation (*Liquiditätsverordnung* – LiqV) were met throughout the period under review. The average liquidity ratio at Bank level, determined on a daily basis, was 1.70 during the first half of the year (previous year: 1.77). It fluctuated within a range of 1.59 to 1.78. The ratio stood at 1.77 at 30 June 2017 (end of 2016: 1.73). The LCR at Group level was 159.0% at 30 June 2017, and was thus significantly above the 80.0% minimum level stipulated for 2017.

Business risk

During the reporting period, the VaR of business risk fell substantially to €263m (end of 2016: €356m). This was mainly the result of model adjustments due to the updating of risk factors and the use of a VaR approach instead of the general surcharge previously applied in banking business. In the Securities business division, declining volatilities also had the effect of reducing risk.

Further risks

Shareholding risk and property risk

At 30 June 2017, the VaR related to shareholding risk totalled €26m (end of 2016: €20m). With a VaR of €7m (end of 2016: €19m), property fund risk likewise remains an immaterial risk for the Deka Group.

Other risks

Based on the tax authority's opinion set out in the Federal Ministry of Finance (BMF) circular "Tax treatment of cum/cum transactions" of 17 July 2017, tax risks exist in connection with relief from capital yields tax (*Kapitalertragsteuer*) resulting from share transactions around the dividend record date relating to the years 2013 to 2015. In the consolidated interim financial statements, DekaBank has considered all matters in line with the interpretation of the relevant taxation standards.

DekaBank has also initiated a voluntary investigation in order to evaluate whether its involvement enabled third parties to execute securities transactions around the dividend record date and abuse the tax system with so-called "cum-ex trades". This investigation is not yet complete.

In connection with supposed abetment of criminal tax law-related actions in Switzerland and Luxembourg, the German public prosecutor accuses employees of DekaBank subsidiaries of knowingly opening and maintaining accounts for customers accused of tax evasion. DekaBank is cooperating with the public prosecutor. The likely outcome of these legal proceedings cannot yet be assessed at present.

Structured capital market credit products

Structured capital market credit products comprise the securitisation portfolio of DekaBank's former Liquid Credits portfolio, which has not been considered to be strategic since 2009 and is being reduced while safeguarding assets. It is assigned to non-core business.

In terms of volume, this portfolio is no longer a significant part of DekaBank's overall portfolio, given that the business is being wound down. As a result of maturities and repayments, the net nominal value as at 30 June 2017 was only €249.1m (end of 2016: €319.2m).

At 30 June 2017, 99.0% of the portfolio (end of 2016: 99.0%) consisted of investment-grade securities. The remaining portfolio continues to focus on western Europe. As at the end of 2016, 96.4% of the securitisations related to the European market (end of 2016: 91.9%).

Based on current expectations, around half of the remaining securitised positions will be repaid or will expire by the beginning of 2020.

Based on a confidence level of 99% and a holding period of ten days, as at 30 June 2017, the credit spread risk for the securitisation positions in non-core business totalled €1.7m (end of 2016: €1.3m).

Interim financial statements

Statement of profit or loss and other comprehensive income for the period from 1 January to 30 June 2017

€m	Notes	1st half 2017	1st half 2016	Change	
Interest and similar income		430.2	445.8	–15.6	–3.5%
Interest expenses		357.9	370.9	–13.0	–3.5%
Net interest income	[6]	**72.3**	**74.9**	–2.6	–3.5%
Provisions for loan losses	[7]	**0.8**	**–74.1**	74.9	101.1%
Net interest income after provisions for loan losses		**73.1**	**0.8**	72.3	(>300%)
Commission income		1,138.8	1,022.3	116.5	11.4%
Commission expenses		566.0	515.7	50.3	9.8%
Net commission income	[8]	**572.8**	**506.6**	66.2	13.1%
Trading profit or loss	[9]	**186.2**	**164.7**	21.5	13.1%
Profit or loss on financial instruments designated af fair value	[10]	**–36.4**	**110.5**	–146.9	–132.9%
Profit or loss from fair value hedges in accordance with IAS 39		**0.5**	**–1.6**	2.1	131.3%
Profit or loss on financial investments	[11]	**19.8**	**–12.8**	32.6	254.7%
Administrative expenses	[12]	**519.1**	**482.9**	36.2	7.5%
Other operating income	[13]	**–7.3**	**32.6**	–39.9	–122.4%
Net income before tax		**289.6**	**317.9**	–28.3	–8.9%
Income taxes	[14]	**97.5**	**103.6**	–6.1	–5.9%
Interest expenses for atypical silent capital contributions		**27.9**	**21.8**	6.1	28.0%
Net income		**164.2**	**192.5**	–28.3	–14.7%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n.a.
Attributable to the shareholders of DekaBank		164.2	192.5	–28.3	–14.7%
Changes not recognised in income					
Items reclassified into profit or loss					
Financial instruments valuation reserve Available for sale		0.0	0.0	0.0	n.a.
Cash flow hedges valuation reserve		16.6	11.6	5.0	43.1%
Current translation reserve		–0.2	–14.0	13.8	98.6%
Deferred taxes on items reclassified into profit or loss		–5.3	–3.7	–1.6	–43.2%
Items not reclassified into profit or loss					
Revaluation gains/losses on defined benefit pension obligations		33.7	–114.8	148.5	129.4%
Revaluation reserve investments accounted for using the equity method		0.1	–1.0	1.1	110.0%
Deferred taxes on items not reclassified into profit or loss		–10.8	37.0	–47.8	–129.2%
Other comprehensive income		**34.1**	**–84.9**	119.0	140.2%
Net income for the period under IFRS		**198.3**	**107.6**	90.7	84.3%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n.a.
Attributable to the shareholders of DekaBank		198.3	107.6	90.7	84.3%

Balance sheet as at 30 June 2017

€m	Notes	30 Jun 2017	31 Dec 2016	Change	
Assets					
Cash reserves	[15]	**11,868.4**	**3,687.6**	8,180.8	221.8%
Due from banks	[16]	**24,294.8**	**20,653.9**	3,640.9	17.6%
(net after provisions for loan losses amounting to)	[18]	(0.3)	(0.2)	0.1	50.0%
Due from customers	[17]	**23,434.4**	**22,840.9**	593.5	2.6%
(net after provisions for loan losses amounting to)	[18]	(153.7)	(333.1)	–179.4	–53.9%
Financial assets at fair value	[19]	**31,855.7**	**34,903.2**	–3,047.5	–8.7%
(of which deposited as collateral)		(5,376.8)	(5,200.0)	176.8	3.4%
Positive market values from derivative hedging instruments		**23.5**	**28.6**	–5.1	–17.8%
Financial investments	[20]	**3,848.5**	**2,968.9**	879.6	29.6%
(net after provisions for loan losses amounting to)		(42.0)	(53.8)	–11.8	–21.9%
(of which deposited as collateral)		(1,775.2)	(774.4)	1,000.8	129.2%
Intangible assets	[21]	**193.7**	**198.1**	–4.4	–2.2%
Property, plant and equipment	[22]	**21.9**	**17.1**	4.8	28.1%
Current income tax assets		**172.8**	**193.6**	–20.8	–10.7%
Deferred income tax		**137.1**	**156.1**	–19.0	–12.2%
Other assets	[23]	**333.0**	**306.7**	26.3	8.6%
Total assets		**96,183.8**	**85,954.7**	10,229.1	11.9%
Liabilities					
Due to banks	[24]	**19,987.0**	**17,362.4**	2,624.6	15.1%
Due to customers	[25]	**28,988.3**	**23,419.1**	5,569.2	23.8%
Securitised liabilities	[26]	**13,361.2**	**11,076.1**	2,285.1	20.6%
Financial liabilities at fair value	[27]	**26,610.8**	**26,519.5**	91.3	0.3%
Negative market values from derivative hedging instruments		**17.8**	**34.4**	–16.6	–48.3%
Provisions	[28]	**281.1**	**358.0**	–76.9	–21.5%
Current income tax liabilities		**31.6**	**58.9**	–27.3	–46.3%
Deferred income tax liabilities		**125.2**	**123.3**	1.9	1.5%
Other liabilities		**610.9**	**745.7**	–134.8	–18.1%
Subordinated capital	[29]	**927.4**	**1,118.5**	–191.1	–17.1%
Atypical silent capital contributions		**52.4**	**52.4**	0.0	0.0%
Equity	[30]	**5,190.1**	**5,086.4**	103.7	2.0%
a) Subscribed capital		191.7	191.7	0.0	0.0%
b) Additional capital components		473.6	473.6	0.0	0.0%
c) Capital reserves		190.3	190.3	0.0	0.0%
d) Reserves from retained earnings		4,269.1	4,293.0	–23.9	–0.6%
e) Revaluation reserve		–100.4	–134.7	34.3	25.5%
f) Currency translation reserve		1.6	1.8	–0.2	–11.1%
g) Accumulated profit/loss (consolidated profit)		164.2	70.7	93.5	132.2%
h) Minority interests		0.0	0.0	0.0	n.a.
Total liabilities		**96,183.8**	**85,954.7**	10,229.1	11.9%

Condensed statement of changes in equity for the period from 1 January to 30 June 2017

€m	Subscribed capital	Additional capital components	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 1 January 2016	**191.7**	**473.6**	**190.3**	**4,119.1**	**67.9**
Net income for the year					192.5
Other comprehensive income					
Net income for the period under IFRS	**–**	**–**	**–**	**–**	**192.5**
Changes in the scope of consolidation [1] and other changes				–23.9	
Distribution					–67.9
Holdings as at 30 June 2016	**191.7**	**473.6**	**190.3**	**4,095.2**	**192.5**
Net income for the year					71.5
Other comprehensive income					
Net income for the period under IFRS	**–**	**–**	**–**	**–**	**71.5**
Changes in the scope of consolidation [1] and other changes				4.5	
Allocations to reserves from retained earnings				193.3	–193.3
Holdings as at 31 December 2016	**191.7**	**473.6**	**190.3**	**4,293.0**	**70.7**
Net income for the year					164.2
Other comprehensive income					
Net income for the period under IFRS	**–**	**–**	**–**	**–**	**164.2**
Changes in the scope of consolidation [1] and other changes				–23.9	
Distribution					–70.7
Holdings as at 30 June 2017	**191.7**	**473.6**	**190.3**	**4,269.1**	**164.2**

[1] Comprises the payment of interest (after tax) in respect of AT1 bonds, which are classified as equity capital under IFRS
[2] Revaluation gains/losses on defined benefit pension obligations

Revaluation reserve					Currency translation reserve	Total before minority interests	Minority interests	Equity
Provisions for pensions [2)]	Cash flow hedges	Financial instruments available for sale	Equity accounted companies	Deferred taxes				
−154.4	**−39.5**	**–**	**−3.3**	**61.5**	**16.2**	**4,923.1**	**–**	**4,923.1**
						192.5		**192.5**
−114.8	11.6	0.0	−1.0	33.3	−14.0	**−84.9**		**−84.9**
−114.8	**11.6**	**0.0**	**−1.0**	**33.3**	**−14.0**	**107.6**	**–**	**107.6**
						−23.9	**–**	**−23.9**
						−67.9		**−67.9**
−269.2	**−27.9**	**0.0**	**−4.3**	**94.8**	**2.2**	**4,938.9**	**–**	**4,938.9**
						71.5		**71.5**
99.7	−1.2	5.1	−0.2	−31.5	−0.4	**71.5**		**71.5**
99.7	**−1.2**	**5.1**	**−0.2**	**−31.5**	**−0.4**	**143.0**	**–**	**143.0**
						4.5	**–**	**4.5**
						–		**–**
−169.5	**−29.1**	**5.1**	**−4.5**	**63.3**	**1.8**	**5,086.4**	**–**	**5,086.4**
						164.2		**164.2**
33.7	16.6	0.0	0.1	−16.1	−0.2	**34.1**		**34.1**
33.7	**16.6**	**0.0**	**0.1**	**−16.1**	**−0.2**	**198.3**	**–**	**198.3**
						−23.9	**–**	**−23.9**
						−70.7		**−70.7**
−135.8	**−12.5**	**5.1**	**−4.4**	**47.2**	**1.6**	**5,190.1**	**–**	**5,190.1**

Condensed statement of cash flows for the period from 1 January to 30 June 2017

€m	1st half 2017	1st half 2016
Cash and cash equivalents at the beginning of the period	**3,687.6**	**3,608.1**
Cash flow from operating activities	9,303.8	4,288.8
Cash flow from investing activities	–747.2	114.9
Cash flow from financing activities	–375.8	–158.5
Cash and cash equivalents at the end of the period	**11,868.4**	**7,853.3**

The definition for the individual cash flow components are the same as in the 2016 consolidated financial statements.

Notes

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 the suitability of net income before tax for the purposes of internally managing the business divisions is limited, the economic result has been defined as the key management indicator. Due to the requirements of IFRS 8, the economic result has also been included in external reporting as material segment information.

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

In addition to the economic result, total customer assets represent another key ratio for the operating segments. Total customer assets primarily comprise the income-relevant fund assets of the mutual and special funds under management (including ETFs) in the Securities and Real Estate business divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner fund, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and master funds. Total customer assets also include DekaBank's own portfolios of €1.2bn (31 December 2016: €1.3bn). 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 mapping the guarantees of guarantee funds, as well as the volume of off-balance sheet counterparty risks.

The following segments are essentially based on the business division structure of the Deka Group, as also used in internal reporting. The segments are defined by the different products and services of the Deka Group. To strengthen governance and achieve an even clearer separation between banking business and asset management, activities were reorganised into five business divisions with effect from 1 January 2017.

Asset Management Securities

The Securities segment comprises all the Deka Group's activities relating to capital-market based asset management for private and institutional customers. In addition to investment funds and structured investment concepts, the product range also includes products from selected international cooperation partners. The Deka Group's investment funds cover all 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 Exchange-Traded Funds (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 with one investment company.

Asset Management Real Estate

The Real Estate 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, as well as property advice for institutional investors. In addition to fund management, fund risk management and development of property (financing)-related products, the segment also covers the purchase and sale of properties and the management of such assets, including all other property-related services (property management).

Asset Management Services

The Asset Management Services 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 supports the sales departments, especially by providing multi-channel solutions. The activities of the Asset Management Services business division complement the asset management services offered by the Asset Management business divisions. As part of the reorganisation of business divisions with effect from 1 January 2017, the business division's services were relocated from the two Asset Management business divisions. This has significantly strengthened governance while achieving a clear separation between business divisions of the capital management companies of the Deka Group and DekaBank.

Capital Markets

The Capital Markets segment is the central product, solution and infrastructure provider, while also providing services in the Deka Group's customer-focused capital markets business. Its role as a securities and risk hub also contributes to the Group's success. The segment focuses on the generation of customer-driven business in the triangle of savings banks, the Deka Group and selected counterparties and business partners, which include external asset managers, banks, insurance companies and pension funds. In this environment, the Capital Markets segment offers a carefully coordinated, competitive range of capital market and credit products. Securities investments of the Deka Group not used as a liquidity reserve are also managed by the Capital Markets business division.

Financing

The Financing segment, while providing refinancing services to savings banks, also engages in specialised and property financing business. The Deka Group pursues an asset management approach in financing business. That is to say, parts of the financing are passed on to savings banks and other institutional investors. The remaining parts are retained on DekaBank's balance sheet under a buy-and-hold strategy and form an essential part of the Deka Group's long assets side. The specialised financing business focuses on selected segments. These include infrastructure financing, ship and aircraft financing and ECA-covered export finance. Property financing was transferred from the Real Estate business division to the Financing business division as part of the reorganisation of business divisions with effect from 1 January 2017. Specialised financing positions concluded before the credit risk strategy was changed in 2010 have been pooled in a legacy portfolio.

Other

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

Non-core business

Business activities that are being discontinued have been pooled in non-core business since 2009. The portfolio essentially comprises securitised products (legacy transactions) and the former public-finance positions. All portfolios are being reduced while safeguarding assets. The prior-year figures in the segment reporting have been updated to reflect the new business division structure, and therefore do not correspond to figures published in the previous year.

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 as well as those allocated on the basis of cost and service accounting.

Effects relevant for management relate to a provision for potential charges that are taken into account within corporate management activities as a result of the use of the economic result for management purposes, but which cannot be reported under IFRS at the present time because they are not sufficiently substantiated.

To cover potential risks that could materialise in the coming months, a general provision was recognised for the first time in the 2012 financial year. As at 30 June 2017, the provision for these effects relevant for management stood at €–210.0m (31 December 2016: €–110.0m). The effect on the economic result, amounting to €–100.0m in the reporting period (first half of 2016: €35.0m), was recognised under Other.

	Asset Management Securities		Asset Management Real Estate		Asset Management Services		Capital markets		Financing	
	Economic result									
€m	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016
Net interest income	9.2	7.1	2.0	1.9	1.5	–	17.9	21.2	57.6	60.5
Provisions for loan losses	–	–	–	–	–	–	–	0.1	0.7	–74.0
Net commission income	353.7	288.8	91.1	96.3	81.0	70.7	32.5	37.5	15.4	14.3
Net financial income [1]	2.7	–6.7	–0.7	–0.3	0.5	2.6	187.2	189.8	–5.9	–4.6
Other operating income [2]	–4.7	–4.5	0.3	1.0	1.6	37.0	1.0	9.7	0.2	0.3
Total income without contribution of Treasury function	**360.8**	**284.7**	**92.7**	**98.9**	**84.6**	**110.4**	**238.6**	**258.4**	**68.0**	**–3.5**
Administrative expenses (including depreciation)	187.7	185.2	63.9	61.6	73.2	49.9	79.6	82.3	27.2	25.4
Restructuring expenses [2]	–0.6	–	–	–	–	–	–	–	–	–
Total expenses before offsetting against Treasury function	**187.1**	**185.2**	**63.9**	**61.6**	**73.2**	**49.9**	**79.6**	**82.3**	**27.2**	**25.4**
(Economic) result before tax without Treasury function	**173.7**	**99.6**	**28.9**	**37.3**	**11.4**	**60.5**	**159.0**	**176.0**	**40.8**	**–28.9**
Treasury function	–4.9	–3.4	–1.4	–1.2	–0.7	–0.7	–14.3	–9.8	–8.0	–10.0
(Economic) result before tax	**168.8**	**96.1**	**27.4**	**36.1**	**10.6**	**59.8**	**144.6**	**166.2**	**32.8**	**–38.9**
Cost/income ratio [3]	0,52	0,65	0,69	0,62	0,87	0,45	0,33	0,32	0,40	0,36
	30 Jun 2017	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Group risk (value-at-risk) [4]	436	487	79	110	103	115	727	652	392	398
Total customer assets	220,036	209,242	33,687	32,484	–	–	16,714	15,079	–	–
Gross loan volume	6,240	6,368	114	222	777	764	85,271	76,078	20,083	21,700

[1] This includes the results from the trading book portfolio, from the banking book portfolio, from other financial assets as well as from the repurchase of own issues. In addition, this includes the risk provision for securities in the loans and receivable and held to maturity categories in the amount of €+11.8m (first half 2016: €–15.5m).

[2] Restructuring expenses are shown under Other operating income in the consolidated financial statements

[3] Calculation of the cost/income ratio does not take into account the restructuring expenses or the loan loss provision for lending business

In addition, the economic result includes the full interest expense (including accrued interest) in respect of the AT1 bonds in the portfolio, amounting to €–14.1m (first half of 2016: €–14.1m). Distributions made were recorded directly in equity, in accordance with IAS 32.

During the reporting period, the reporting and measurement differences between IFRS net income before tax and internal reporting amounted to €–48.3m (first half of 2016: €–88.1m).

The valuation result not recognised in profit or loss amounted to €–84.4m in the reporting period (previous year: €33.7m). Of this total, €39.5m (first half of 2016: €10.4m) relates to interest rate and currency-related valuation results from original lending and issuance business, €–23.9m (first half of 2016: €–11.7m) is attributable to securities in the held to maturity category, which are offset in IFRS net income before tax by valuation results from the corresponding interest rate swaps, and €–100.0m (first half of 2016: €35.0m) arises from accounting for effects relevant for management.

Other[5]		Total core business		Non-core business		Deka Group		Reconciliation		Deka Group	
Economic result										IFRS result before tax	
1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016
−11.5	−18.3	76.6	72.4	2.3	2.7	78.9	75.1	−6.6	−0.2	72.3	74.9
0.1	−0.2	0.8	−74.1	–	–	0.8	−74.1	–	–	0.8	−74.1
−0.5	−0.7	573.2	506.9	–	–	573.2	506.9	−0.4	−0.3	572.8	506.6
−110.0[6]	93.8[6]	73.9	274.6	4.8	7.7	78.7	282.3	91.4	−21.5	170.1	260.8
29.8	−121.0	28.2	−77.5	–	–	28.2	−77.5	−36.1	110.1	−7.9	32.6
−92.1	**−46.5**	**752.7**	**702.3**	**7.1**	**10.4**	**759.8**	**712.7**	**48.3**	**88.1**	**808.1**	**800.8**
87.1	78.0	518.8	482.4	0.3	0.5	519.1	482.9	–	–	519.1	482.9
–	–	−0.6	–	–	–	−0.6	–	–	–	−0.6	–
87.1	**78.0**	**518.2**	**482.4**	**0.3**	**0.5**	**518.5**	**482.9**	**–**	**–**	**518.5**	**482.9**
−179.2	**−124.6**	**234.5**	**219.9**	**6.8**	**9.9**	**241.3**	**229.8**	**48.3**	**88.1**	**289.6**	**317.9**
29.4	25.0			–	–						
−149.8	**−99.6**	**234.5**	**219.9**	**6.8**	**9.9**	**241.3**	**229.8**	**48.3**	**88.1**	**289.6**	**317.9**
–	–	0,69	0,62	0,04	0,05	0,68	0,61				

30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
258	314	1,948	2,013	56	55	1,980	2,039
–	–	270,438	256,805	–	–	270,438	256,805
25,117	18,427	137,602	123,560	643	777	138,245	124,336

[4] Value-at-Risk uses the liquidation approach with a confidence level of 99.9% and a holding period of one year in each case. Due to the diversification within market price risk between the segments (including Other and non-core business) the risk for core business and the risk for the Deka Group are not cumulative.

[5] No cost/income risk data are presented for the segment Other as these are deemed of limited economic informative value.

[6] This includes effects relevant for management purposes of €–100.0m (first half 2016: €+35.0m) 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.

The valuation result not recognised in profit or loss also takes into account the interest expense arising from the AT1 bonds in the amount of €–14.1m (first half of 2016: €–14.1m).

The Bank also hedges future credit margins on fixed-interest and variable-interest foreign currency loans (original position) against currency fluctuations. The accounting and valuation rules for cash flow hedges were applied to economic hedges. Accordingly, the valuation result from hedging instruments amounting to €16.6m (first half of 2016: €11.6m) is reported in the revaluation reserve with no impact on profit or loss and hence forms part of the economic result. Also recorded in the economic result is the change in the revaluation reserve from actuarial gains and losses in the amount of €33.7m (first half of 2016: €–114.8m). Furthermore, an amount of €0.1m was posted within equity in respect of companies accounted for using the equity method (first half of 2016: €–1.0m).

The other amounts shown in the reconciliation column refer to reporting differences between internal reporting and the consolidated financial statements. Of these, €21.3m (first half of 2016: €14.6m) relates to internal transactions, which are reported in the economic result. The majority of these are included within net interest income, while the corresponding offsetting income effects are reported under net financial income. There are also reporting differences in net financial income and in other operating income from the different allocation of income effects from the repurchases of own issues amounting to €2.2m (first half of 2016: €19.5m) and the recognition through the income statement of the currency translation reserve from derecognition due to the liquidation of the subsidiary ExFin i.L., Zurich, in the first half of 2016 (€14.8m).

General information

2 Accounting principles

Pursuant to Section 37w of the Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) in conjunction with Section 37y No. 2 of the WpHG, these condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The applicable standards and associated interpretations (SIC/IFRIC) 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 were prepared. In preparing the financial statements, particular attention was paid to the requirements of IAS 34 (Interim Financial Reporting).

The consolidated interim financial statements, which are reported in euros, comprise a balance sheet, statement of comprehensive income, condensed statement of changes in equity, condensed cash flow statement 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 interim report was reviewed by our year-end auditor and should be read in conjunction with our audited 2016 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 report is based on the accounting policies applied in the 2016 consolidated financial statements. 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. Among other factors, estimation uncertainties arise in connection with loan loss provisions as well as provisions and other liabilities. Where material estimates were required, the assumptions made are explained in detail below in the notes on the relevant line items.

4 Accounting standards applied for the first time

Apart from the new standards and interpretations detailed below, which could have a material impact on the consolidated financial statements, a number of further standards and interpretations were adopted that are not, however, expected to have a material impact on the consolidated financial statements.

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

Standards and interpretations not yet adopted into European law

Annual Improvements

In December 2016, the IASB published amendments to three standards as part of its Annual Improvements Project for 2014-2016. The amendments to IFRS 12 apply from 1 January 2017, while the amendments to IFRS 1 and IAS 28 are applicable from 1 January 2018. They had not been adopted by the European Union (EU) into European law at the time the financial statements were prepared. The amendments only involve clarifications. The amendments have no impact on the Deka Group's consolidated financial statements.

IAS 7

In January 2016, as part of a disclosure initiative to improve financial statements, the IASB published amendments to IAS 7 "Statement of Cash Flows". In particular, the new rules contain additional disclosure obligations concerning cash flows related to financing activities. The amended standard applies to financial years beginning on or after 1 January 2017. It had not been adopted by the European Union (EU) into European law at the time the financial statements were prepared. The amendments have no material effect on the consolidated financial statements.

IAS 12

Also in January 2016, the IASB published amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses". The amendments exclusively involve clarifications to the requirements for recognition of deferred tax assets for unrealised losses, accounting for deferred tax assets related to assets measured at fair value and other aspects of accounting for deferred taxes. The amended standard applies to financial years beginning on or after 1 January 2017. It had not been adopted by the EU into European law at the time the financial statements were prepared. The amendments have no impact on the Deka Group's consolidated financial statements.

IFRS 16

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

The new standard requires lessees to follow an entirely new approach when presenting leasing contracts in the financial statements. Under IAS 17, the key factor in determining how a lessee should present a lease in its financial statements is whether or not substantially all of the risks and rewards of ownership of the item being leased have been transferred to the lessee. In future, every lease should be presented on the lessee's balance sheet as a financing transaction, in the form of a lease liability and a right-of-use asset. The amount recognised is the present value of the future lease payments, with additional factors being taken into account in relation to the right-of-use asset, for example directly attributable costs. Over the lease term, the lease liability is accreted, while the right-of-use asset is depreciated through the statement of profit or loss and other comprehensive income. The standard provides for exemptions in certain cases, for example short-term leases or leases of low-value assets. The accounting requirements for lessors remain largely unchanged, in particular in terms of the ongoing requirement to classify leases.

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

Standards adopted into European law but not yet applied

IFRS 9

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

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

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

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

For the present, it is not mandatory to implement hedge accounting, and DekaBank does not therefore plan to do so. DekaBank will continue to apply hedge accounting according to IAS 39.

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

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

The effects of applying the standard for the first time will be determined as at 1 January 2018, as part of the IFRS 9 implementation process. The initial application effects result from the new classification requirements and the requirements for determining loan loss provisions. The classification requirements of IFRS 9 mainly affect the measurement of equity investments and loans. A precise quantification of the initial application effects will be carried out in the second half of 2017.

IFRS 15

In May 2014, a new standard was published, IFRS 15 "Revenue from Contracts with Customers", which replaces the previous rules on revenue recognition (IAS 18 "Revenue", IAS 11 "Construction Contracts" and the associated interpretations). The new standard provides a five-step model to be used to determine the amount and timing of revenue recognition. IFRS 15 must be applied to all contracts with customers that cover the sale of goods or the provision of services, with some exceptions, such as financial instruments for which revenue recognition falls within the scope of IFRS 9/IAS 39.

In April 2016, clarifications to IFRS 15 were also published. The clarifications do not contain any changes to the underlying principles of the new standard. They are solely concerned with clarifications and additional transitional relief, which have not yet been adopted into European law, however.

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

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

5 Changes in the scope of consolidation

The consolidated financial statements include – in addition to DekaBank as parent company – a total of 10 (31 December 2016: 10) domestic and 7 (31 December 2016: 7) foreign companies in which DekaBank directly or indirectly holds the majority of voting rights. In addition, 7 structured companies (31 December 2016: 9) are included in the scope of consolidation.

The changes in the first half of 2017 resulted from one merger and one liquidation of structured companies.

A total of 15 (31 December 2016: 15) affiliated companies controlled by the Deka Group were not consolidated because they are of minor significance for the presentation of the net assets, financial position and results of operations of the Group. The shares held in these subsidiaries are reported under financial investments. Likewise, structured entities are not consolidated due to their minor importance to the consolidated financial statements. Units in unconsolidated investment funds are recognised at fair value through profit or loss. These are shown in the balance sheet 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 consolidated financial statements on materiality grounds, are shown in the list of shareholdings (note [37]).

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

6 Net interest income

In addition to interest income and expenses, this item includes pro-rated reversals of premiums and discounts from financial instruments. Net interest income from items in the trading book and the associated refinancing expenses are not included as they are reported in trading profit or loss. Under IAS 32, silent capital contributions are classified as debt and the payments to typical silent partners are reported in interest expenses.

€m	1st half 2017	1st half 2016	Change
Interest income from			
Lending and money market transactions	208.8	244.1	–35.3
Interest rate derivatives (economic hedges)	72.7	74.4	–1.7
Fixed-interest securities and debt register claims	73.3	68.9	4.4
Hedge derivatives (hedge accounting)	29.9	30.9	–1.0
Negative interest from liabilities	33.7	17.9	15.8
Current income from			
Shares and other non fixed-interest securities	9.6	7.3	2.3
Equity investments	2.2	2.3	–0.1
Total interest income	**430.2**	**445.8**	–15.6
Interest expenses for			
Interest rate derivatives (economic hedges)	132.2	138.8	–6.6
Liabilities	128.3	141.2	–12.9
Securitised liabilities	34.1	36.6	–2.5
Hedge derivatives (hedge accounting)	14.9	13.4	1.5
Subordinated liabilities and profit participation capital	18.1	18.3	–0.2
Typical silent capital contributions	2.4	4.0	–1.6
Negative interest from money market transactions and fixed-interest securities	27.9	18.6	9.3
Total interest expenses	**357.9**	**370.9**	–13.0
Net interest income	**72.3**	**74.9**	–2.6

7 Provisions for loan losses

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

€m	1st half 2017	1st half 2016	Change
Allocations to provisions for loan losses	–34.0	–93.8	59.8
Reversal of provisions for loan losses	34.4	18.6	15.8
Income on written-down receivables	0.4	1.1	–0.7
Provisions for loan losses	**0.8**	**–74.1**	74.9

The risk provision for securities in the ‘loans and receivables’ and ‘held to maturity’ categories is reported under profit or loss on financial investments (note [11]).

8 Net commission income

€m	1st half 2017	1st half 2016	Change
Commission income from			
Investment fund business	1,025.1	924.9	100.2
Securities business	77.9	62.5	15.4
Lending business	24.1	21.8	2.3
Other	11.7	13.1	–1.4
Total commission income	**1,138.8**	**1,022.3**	116.5
Commission expenses for			
Investment fund business	536.8	497.6	39.2
Securities business	18.5	8.9	9.6
Lending business	8.7	8.1	0.6
Other	2.0	1.1	0.9
Total commission expenses	**566.0**	**515.7**	50.3
Net commission income	**572.8**	**506.6**	66.2

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

9 Trading profit or loss

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

€m	1st half 2017	1st half 2016	Change
Sales and revaluation results	73.1	129.1	–56.0
Net interest income and current income from trading transactions	123.5	45.5	78.0
Commission on trading transactions	–10.4	–9.9	–0.5
Trading profit or loss	**186.2**	**164.7**	21.5

10 Profit or loss on financial instruments designated at fair value

This item includes profit or loss on financial instruments allocated to the 'designated at fair value' sub-category as well as the profit or loss on derivatives in the banking book. Interest and dividend income are reported in net interest income along with refinancing expenses and income from reinvestments.

€m	1st half 2017	1st half 2016	Change
Sales and revaluation results	–31.8	112.8	–144.6
Foreign exchange profit or loss	–4.5	–2.3	–2.2
Commission	–0.1	–	–0.1
Profit or loss on financial instruments designated at fair value	**–36.4**	**110.5**	–146.9

In the reporting period, the valuation result from financial instruments designated at fair value included a net expense of €4.0m, which was attributable to creditworthiness-related changes in value.

11 Profit or loss on financial investments

€m	1st half 2017	1st half 2016	Change
Sales and valuation results from shareholdings	–1.0	–0.6	–0.4
Reversal of/allocation to risk provision for securities	11.8	–15.5	27.3
Write-backs arising from increase in value of equity-accounted companies	–	2.6	–2.6
Net income from investments valued at equity	9.0	0.7	8.3
Net income from financial investments	**19.8**	**–12.8**	32.6

12 Administrative expenses

€m	1st half 2017	1st half 2016	Change
Personnel expenses	261.4	241.7	19.7
Operating expenses	248.9	232.1	16.8
Depreciation of property, plant and equipment and intangible assets	8.8	9.1	–0.3
Administrative expenses	**519.1**	**482.9**	36.2

Operating expenses include the contribution to the European Union's Single Resolution Fund amounting to €35.3m (30 June 2016 or whole-year contribution for 2016: €34.4m).

13 Other operating income

The breakdown of other operating income is as follows:

€m	1st half 2017	1st half 2016	Change
Income from repurchased debt instruments	**–2.3**	**–19.6**	17.3
Other operating profit	6.8	66.1	–59.3
Other operating expenses	11.8	13.9	–2.1
Other operating income	**–7.3**	**32.6**	–39.9

14 Income taxes

Based on the corporation tax and trade tax rates applicable for 2017, the combined tax rate for the companies in the DekaBank fiscal group is unchanged compared with the previous year at 31.9%. In accordance with its articles of incorporation, DekaBank is obliged to refund to shareholders that portion of corporation tax payable by the shareholders (7.21% of 15.825% including solidarity surcharge), as DekaBank is treated for tax purposes as an atypical silent partnership. As in the previous year, this portion of the tax expense is shown as part of income tax expenses.

Notes to the consolidated balance sheet

15 Cash reserves

€m	30 Jun 2017	31 Dec 2016	Change
Cash on hand	4.6	4.9	–0.3
Balances with central banks	11,863.8	3,682.7	8,181.1
Total	**11,868.4**	**3,687.6**	8,180.8

16 Due from banks

€m	30 Jun 2017	31 Dec 2016	Change
Domestic borrowers	16,852.0	14,049.0	2,803.0
Foreign borrowers	7,443.1	6,605.1	838.0
Due from banks before risk provision	**24,295.1**	**20,654.1**	3,641.0
Provisions for loan losses	–0.3	–0.2	–0.1
Total	**24,294.8**	**20,653.9**	3,640.9

17 Due from customers

€m	30 Jun 2017	31 Dec 2016	Change
Domestic borrowers	4,231.5	5,230.5	–999.0
Foreign borrowers	19,356.6	17,943.5	1,413.1
Due from customers before risk provision	**23,588.1**	**23,174.0**	414.1
Provisions for loan losses	–153.7	–333.1	179.4
Total	**23,434.4**	**22,840.9**	593.5

18 Provisions for loan losses

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

€m	30 Jun 2017	31 Dec 2016	Change
Provisions for loan losses – due from banks			
Specific valuation allowances	–	–	–
Portfolio valuation allowances for creditworthiness risks	0.3	0.2	0.1
Provisions for loan losses – due from customers			
Specific valuation allowances	134.5	310.6	–176.1
Portfolio valuation allowances for creditworthiness risks	19.2	17.5	1.7
Portfolio valuation allowances for country risks	–	5.0	–5.0
Total	**154.0**	**333.3**	–179.3

The following tables show the movement in provisions for loan losses:

€m	Opening balance 1 Jan 2017	Addi-tions	Allo-cation	Utili-sation	Reversal	Disposals	Reclassi-fications	Currency effects	Closing balance 30 Jun 2017
Provisions for loan losses – due from banks									
Specific valuation allowances	–	–	–	–	–	–	–	–	–
Portfolio valuation allowances for creditworthiness risks	0.2	–	0.1	–	–	–	–	–	0.3
Sub-total	**0.2**	**–**	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.3**
Provisions for loan losses – due from customers									
Specific valuation allowances	310.6		29.8	166.4	27.5	–	–	–12.0	134.5
Portfolio valuation allowances for creditworthiness risks	17.5	–	3.7	–	2.0	–	–	–	19.2
Portfolio valuation allowances for country risks	5.0	–	–	–	4.9	–	–	–0.1	–
Sub-total	**333.1**	**–**	**33.5**	**166.4**	**34.4**	**–**	**–**	**–12.1**	**153.7**
Provisions for credit risks									
Specific risks	0.3	–	–	–	–	–	–	–	0.3
Portfolio risks	0.7	–	0.4	–	–	–	–	–	1.1
Sub-total	**1.0**	**–**	**0.4**	**–**	**–**	**–**	**–**	**–**	**1.4**
Total	**334.3**	**–**	**34.0**	**166.4**	**34.4**	**–**	**–**	**–12.1**	**155.4**

€m	Opening balance 1 Jan 2016	Addi-tions	Allo-cation	Utili-sation	Reversal	Disposals	Reclassi-fications	Currency effects	Closing balance 30 Jun 2016
Provisions for loan losses – due from banks									
Specific valuation allowances	2.1	–	–	1.4	0.6	–	–	–0.1	0.0
Portfolio valuation allowances for creditworthiness risks	0.3	–	–	–	0.1	–	–	–	0.2
Sub-total	**2.4**	**–**	**–**	**1.4**	**0.7**	**–**	**–**	**–0.1**	**0.2**
Provisions for loan losses – due from customers									
Specific valuation allowances	185.2	0.3	218.4	95.8	5.9	–	–1.1	9.5	310.6
Portfolio valuation allowances for creditworthiness risks	32.9	–	2.0	–	17.4	–	–	–	17.5
Portfolio valuation allowances for country risks	3.9	–	1.7	–	0.7	–	–	0.1	5.0
Sub-total	**222.0**	**0.3**	**222.1**	**95.8**	**24.0**	**–**	**–1.1**	**9.6**	**333.1**
Provisions for credit risks									
Specific risks	0.4	–	–	0.1	1.0	–	1.1	–0.1	0.3
Portfolio risks	1.4	–	–	–	0.7	–	–	–	0.7
Sub-total	**1.8**	**–**	**–**	**0.1**	**1.7**	**–**	**1.1**	**–0.1**	**1.0**
Total	**226.2**	**0.3**	**222.1**	**97.3**	**26.4**	**–**	**–**	**9.4**	**334.3**

Key ratios for provisions for loan losses:

%	30 Jun 2017	31 Dec 2016
Reversal / allocation ratio as at reporting date[1] (Quotient from net allocation and lending volume)	0.00	–0.76
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.68	0.37
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.57	0.51
Net provisioning ratio as at the reporting date (Quotient from provisions for loan losses and lending volume)	0.64	1.30

[1] Reversal ratio shown without leading sign

The calculations of the above key ratios are based on a lending volume in the balance sheet of €24.5bn (31 December 2016: €25.7bn).

Provisions for loan losses by risk segment:

	Valuation allowances and provisions for loan losses		Utilisation including payments received on written-down receivables[1]		Net allocations to[2] / reversals of valuation allowances and provisions for loan losses	
€m	**30 Jun 2017**	**31 Dec 2016**	**1st half 2017**	**1st half 2016**	**1st half 2017**	**1st half 2016**
Customers						
Transport & export finance	139.2	281.7	134.1	1.0	–3.5	–67.6
Public infrastructure	2.0	40.9	32.1	24.1	2.9	–0.8
Property risks	1.2	1.6	–0.2	–	0.4	0.9
Energy and utility infrastructure	10.2	8.6	–	–	1.9	–7.5
Corporates	1.3	–	–	–	–1.3	–0.1
Other	1.2	1.3	–	–	0.1	–0.1
Total customers	**155.1**	**334.1**	**166.0**	**25.1**	**0.5**	**–75.2**
Banks	**0.3**	**0.2**	**–**	**–**	**–0.1**	**–**
Total	**155.4**	**334.3**	**166.0**	**25.1**	**0.4**	**–75.2**

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

19 Financial assets at fair value

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

€m	30 Jun 2017	31 Dec 2016	Change
Held for Trading			
Debt securities and other fixed-interest securities	4,922.2	5,309.9	−387.7
Bonds and debt securities	4,868.4	5,214.8	−346.4
Money market securities	53.8	95.1	−41.3
Shares and other non fixed-interest securities	1,231.8	1,107.2	124.6
Shares	792.5	643.1	149.4
Investment fund units	439.3	464.1	−24.8
Promissory note loans	821.4	1,026.1	−204.7
Positive market values from derivative financial instruments (trading)	5,689.9	7,194.8	−1,504.9
Total – held for trading	**12,665.3**	**14,638.0**	−1,972.7
Designated at Fair Value			
Debt securities and other fixed-interest securities	17,890.5	18,695.4	−804.9
Bonds and debt securities	17,890.5	18,695.4	−804.9
Money market securities	–	–	–
Shares and other non fixed-interest securities	951.5	1,016.4	−64.9
Shares	12.8	15.9	−3.1
Investment fund units	928.5	980.7	−52.2
Other non fixed-interest securities	10.2	19.8	−9.6
Promissory note loans	0.3	297.4	−297.1
Positive market values from derivative financial instruments (economic hedges)	348.1	256.0	92.1
Total – designated at fair value	**19,190.4**	**20,265.2**	−1,074.8
Total	**31,855.7**	**34,903.2**	−3,047.5

20 Financial investments

€m	30 Jun 2017	31 Dec 2016	Change
Loans and receivables			
Debt securities and other fixed-interest securities	793.1	674.3	118.8
Held to maturity			
Debt securities and other fixed-interest securities	3,055.0	2,309.4	745.6
Available for sale			
Debt securities and other fixed-interest securities	–	–	–
Shares and other non fixed-interest securities	–	–	–
Shareholdings			
Equity investments	25.2	30.8	−5.6
Shares in companies valued at equity	15.9	6.9	9.0
Shares in affiliated, non-consolidated companies	1.1	1.1	–
Shares in associated companies not accounted for under the equity period	0.2	0.2	–
Financial investments before risk provisions	**3,890.5**	**3,022.7**	867.8
Risk provision	−42.0	−53.8	11.8
Total	**3,848.5**	**2,968.9**	879.6

21 Intangible assets

€m	30 Jun 2017	31 Dec 2016	Change
Purchased goodwill	**148.1**	**148.1**	–
Software			
Purchased	27.3	29.6	–2.3
Developed in-house	2.8	3.5	–0.7
Total software	**30.1**	**33.1**	–3.0
Other intangible assets	15.5	16.9	–1.4
Total	**193.7**	**198.1**	–4.4

As in the previous period, the 'purchased goodwill' item includes €95.0m from the acquisition of Landesbank Berlin Investment GmbH and €53.1m from the acquisition of WestInvest Gesellschaft für Investmentfonds mbH.

22 Property, plant and equipment

€m	30 Jun 2017	31 Dec 2016	Change
Plant and equipment	18.3	14.7	3.6
Technical equipment and machines	3.6	2.4	1.2
Total	**21.9**	**17.1**	4.8

23 Other assets

€m	30 Jun 2017	31 Dec 2016	Change
Amounts due from investment funds	146.9	125.7	21.2
Amounts due from non-banking business	14.0	22.3	–8.3
Amounts due or refunds from other taxes	0.6	0.7	–0.1
Other miscellaneous assets	135.9	129.1	6.8
Prepaid expenses	35.6	28.9	6.7
Total	**333.0**	**306.7**	26.3

24 Due to banks

€m	30 Jun 2017	31 Dec 2016	Change
Domestic banks	13,461.7	13,150.2	311.5
Foreign banks	6,525.3	4,212.2	2,313.1
Total	**19,987.0**	**17,362.4**	2,624.6
Of which:			
Collateralized registered bonds and promissory notes	200.9	199.1	1.8
Uncollateralized registered bonds and promissory notes	2,757.8	2,797.7	–39.9

25 Due to customers

€m	30 Jun 2017	31 Dec 2016	Change
Domestic banks	17,464.6	16,523.3	941.3
Foreign banks	11,523.7	6,895.8	4,627.9
Total	**28,988.3**	**23,419.1**	5,569.2
Of which:			
Collateralized registered bonds and promissory notes	1,542.2	1,633.3	–91.1
Uncollateralized registered bonds and promissory notes	1,258.1	1,262.8	–4.7

26 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Under IAS 39, own bonds held by the Group with a nominal amount of €0.1bn (31 December 2016: €0.2bn) were deducted from the issued bonds.

€m	30 Jun 2017	31 Dec 2016	Change
Unsecured bonds issued	7,676.3	8,100.6	−424.3
Covered debt securities issued	230.4	224.8	5.6
Money market securities issued	5,454.5	2,750.7	2,703.8
Total	**13,361.2**	**11,076.1**	2,285.1

27 Financial liabilities at fair value

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

€m	30 Jun 2017	31 Dec 2016	Change
Held for Trading			
Trading issues	16,699.7	15,063.5	1,636.2
Securities short portfolios	904.8	772.8	132.0
Negative market values from derivative financial instruments (trading)	6,499.6	7,409.5	−909.9
Total – held for trading	**24,104.1**	**23,245.8**	858.3
Designated at fair value			
Issues	1,817.4	2,116.7	−299.3
Negative market values from derivative financial instruments (economic hedges)	689.3	1,157.0	−467.7
Total – designated at fair value	**2,506.7**	**3,273.7**	−767.0
Total	**26,610.8**	**26,519.5**	91.3

Issues can be broken down by product type as follows:

€m	30 Jun 2017	31 Dec 2016	Change
Held for Trading			
Unsecured trading issues			
Bearer bonds issued	13,228.6	11,601.0	1,627.6
Registered bonds issued	1,113.8	1,094.3	19.5
Promissory note loans raised	2,357.3	2,368.3	−11.0
Total	**16,699.7**	**15,063.5**	1,636.2
Designated at fair value			
Unsecured trading issues			
Bearer bonds issued	328.1	364.7	−36.6
Registered bonds issued	308.1	342.1	−34.0
Promissory note loans raised	259.0	329.0	−70.0
Covered issues	922.2	1,080.9	−158.7
Total	**1,817.4**	**2,116.7**	−299.3

The fair value of issues in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €12.2m (31 December 2016: €8.9m).

28 Provisions

€m	30 Jun 2017	31 Dec 2016	Change
Provisions for pensions and similar commitments	165.8	235.9	–70.1
Provisions for restructuring measures	23.6	27.2	–3.6
Provisions for legal risks	7.4	7.4	–
Provisions for operational risks	0.9	0.6	0.3
Provisions for credit risks	1.4	1.0	0.4
Provisions for human resources	0.4	0.5	–0.1
Provisions in investment fund business	69.8	72.6	–2.8
Sundry other provisions	11.8	12.8	–1.0
Total	**281.1**	**358.0**	–76.9

The actuarial interest rate underlying the calculation of pension provisions stood at 2.20% as at 30 June 2017, 0.25 percentage points above the actuarial interest rate applied at 31 December 2016. Actuarial valuations were used to calculate a revaluation gain of €33.7m (31 December 2016: a revaluation loss of €15.1m), which was recognised in other comprehensive income.

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

The Deka Group’s range of products includes investment funds with guarantees of various types. At maturity of the fund or at the end of the investment period, the capital management company guarantees the capital invested less charges, or the unit value at the start of the respective investment period. The amount of the provision is determined from the forecast shortfall at the guarantee date, which represents the difference between the expected and guaranteed unit value. As at the reporting date, €2.2m (31 December 2016: €2.4m) was set aside based on the changes in the respective fund assets. As at the reporting date, the guarantees covered a maximum volume of €3.6bn (31 December 2016: €3.9bn) as at the respective guarantee dates. The market value of the corresponding fund assets totalled €3.9bn (31 December 2016: €4.1bn). These also include the funds described below with a forecast return performance amounting to a volume of €1.8bn (31 December 2016: €2.4bn).

Investment funds, whose return is forecast and published on the basis of current money market interest rates set by the Group, exist in two fund varieties with and without a capital guarantee. The level of the provision is determined using potential loss scenarios taking account of the risks related to liquidity, interest rate and spreads. As at the reporting date, provisions of €40.8m (31 December 2016: €40.1m) had been established. The underlying total volume of the funds amounted to €6.4bn (31 December 2016: €6.5bn), of which €1.8bn (31 December 2016: €2.4bn) related to funds with a capital guarantee and €4.6bn (31 December 2016: €4.1bn) to funds without a capital guarantee.

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

29 Subordinated capital

€m	30 Jun 2017	31 Dec 2016	Change
Subordinated liabilities	900.5	906.6	–6.1
Capital contributions of typical silent partners	26.9	211.9	–185.0
Total	**927.4**	**1,118.5**	–191.1

Terminated silent capital contributions in the amount of €177.5m were repaid in the reporting period.

30 Equity

€m	30 Jun 2017	31 Dec 2016	Change
Subscribed capital	286.3	286.3	–
Less own shares	94.6	94.6	–
Additional capital components (AT1 bonds)	473.6	473.6	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings	4,269.1	4,293.0	–23.9
Revaluation reserve			
For provisions for pensions	–135.8	–169.5	33.7
For cash flow hedges	–12.5	–29.1	16.6
For financial instruments available for sale	5.1	5.1	–
For equity-accounted companies	–4.4	–4.5	0.1
Applicable deferred taxes	47.2	63.3	–16.1
Total revaluation reserve	**–100.4**	**–134.7**	34.3
Currency translation reserve	1.6	1.8	–0.2
Consolidated profit/loss	164.2	70.7	93.5
Total	**5,190.1**	**5,086.4**	103.7

Other disclosures

31 Fair value data 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 using generally recognised valuation models.

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

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

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

In the Deka Group, financial instruments are classified by balance sheet line item and IFRS categories in accordance with IFRS 7. The following table shows the fair values of financial assets and liabilities, classified by balance sheet item or IFRS category, compared to the respective book values.

	30 Jun 2017		31 Dec 2016	
€m	**Fair value**	**Book value**	**Fair value**	**Book value**
Asset items				
Cash reserves	11,868.4	11,868.4	3,687.6	3,687.6
Due from banks	24,434.5	24,294.8	20,835.2	20,653.9
Due from customers	23,674.4	23,434.4	23,122.1	22,840.9
Financial assets at fair value	31,855.7	31,855.7	34,903.2	34,903.2
Positive market values from derivative hedging instruments	23.5	23.5	28.6	28.6
Financial investments	3,876.4	3,848.5	2,983.3	2,968.9
Loans and receivables	761.9	791.7	632.9	672.4
Held to maturity	3,072.2	3,014.5	2,311.4	2,257.5
Available for sale	42.3	42.3	39.0	39.0
Other assets	200.0	200.0	183.9	183.9
Total assets items	**95,932.9**	**95,525.3**	**85,743.9**	**85,267.0**
Liability items				
Due to banks	20,113.4	19,987.0	17,521.7	17,362.4
Due to customers	29,228.5	28,988.3	23,691.8	23,419.1
Securitised liabilities	13,428.4	13,361.2	11,164.2	11,076.1
Financial liabilities at fair value	26,610.8	26,610.8	26,519.5	26,519.5
Negative market values from derivative hedging instruments	17.8	17.8	34.4	34.4
Subordinated capital	1,012.6	927.4	1,217.8	1,118.5
Other liabilities	194.8	194.8	230.7	230.7
Total liabilities items	**90,606.3**	**90,087.3**	**80,380.1**	**79,760.7**

For short-term financial instruments or those due on demand, fair value corresponds to the amount payable as at the reporting date. The carrying value therefore represents a reasonable approximation to the fair value. These include, *inter alia*, the cash reserve, overdraft facilities and demand deposits owed to banks and customers, as well as financial instruments included in the other assets or liabilities items. In the following description of the fair value hierarchy, financial assets amounting to €12,880.8m (31 December 2016: €4,565.5m) and financial liabilities amounting to €10,759.3m (31 December 2016: €10,729.3m) are not allocated to any level of the fair value hierarchy.

Shares in affiliated unlisted companies and other equity investments in the amount of €42.3m (31 December 2016: €39.0m) included in financial investments allocated to the available for sale category, for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at cost in accordance with IAS 39.46c. There is currently no intention to sell these assets. These financial instruments are not allocated to any level of the fair value hierarchy in the table below.

Fair value hierarchy

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

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

Level 2 (Valuation method based on observable market data): Financial instruments whose fair value can be determined either from similar financial instruments traded on active and liquid markets, 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 table below shows the fair values of the financial instruments carried in the balance sheet at fair value and the fair value of the financial instruments not carried in the balance sheet at fair value, allocated to the respective level of the fair value hierarchy.

	Prices on active markets (Level 1)		Valuation method based on observable market data (Level 2)		Valuation method not based on observable market date (Level 3)	
€m	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Financial assets at fair value						
Debt securities, other fixed-interest securities and loan claims	14,858.3	12,942.4	6,686.3	9,884.3	2,089.8	2,502.2
Shares and other non-fixed-interest securities	2,089.3	1,996.3	94.0	127.2	–	–
Derivative financial instruments						
Interest-rate-related derivatives	0.1	0.1	4,647.4	5,705.2	27.1	15.8
Currency-related derivatives	–	–	198.1	225.9	–	–
Share-price and other price-related derivatives	156.2	329.7	1,005.3	1,170.6	3.8	3.5
Positive market values from derivative hedging instruments	–	–	23.5	28.6	–	–
Assets measured at amortised cost						
Due from banks	–	–	19,173.5	14,338.6	4,909.9	6,150.4
Due from customers	–	–	9,045.2	7,770.4	14,167.9	15,003.9
Financial investments	2,007.1	1,254.9	931.2	656.6	895.8	1,032.8
Total	**19,111.0**	**16,523.4**	**41,804.5**	**39,907.4**	**22,094.3**	**24,708.6**
Financial liabilities at fair value						
Securities short portfolios	823.4	647.1	81.4	125.7	–	–
Derivative financial instruments						
Interest-rate-related derivatives	0.1	0.9	4,890.4	5,923.5	44.6	139.9
Currency-related derivatives	–	–	222.4	214.0	–	–
Share-price and other price-related derivatives	497.9	665.8	1,532.7	1,621.0	0.8	1.4
Trading issues/issues	–	–	17,590.3	16,472.4	926.8	707.8
Negative market values from derivative hedging instruments	–	–	17.8	34.4	–	–
Liabilities measured at amortised cost						
Due to banks	–	–	19,653.6	14,008.4	82.0	2,565.2
Due to customers	–	–	18,504.0	12,701.4	537.9	1,439.9
Securitised liabilities	–	–	13,428.4	11,164.2	–	–
Subordinated capital	–	–	88.3	–	924.2	1,217.8
Total	**1,321.4**	**1,313.8**	**76,009.3**	**62,265.0**	**2,516.3**	**6,072.0**

Reclassifications

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

	Reclassifications from level 1 to level 2		Reclassifications from level 2 to level 1	
€m	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Financial assets at fair value				
Debt securities, other fixed-interest securities and loan receivables	145.9	3,487.9	2,189.2	925.6
Financial liabilities at fair value				
Securities short portfolios	3.4	68.3	32.0	4.0

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

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

Fair value hierarchy level 1

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

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

Fair value hierarchy level 2

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

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

Provided that they are not products traded on the stock market, derivative financial instruments are in principle measured using standard valuation models, such as the Black-Scholes model, the Black-76 model, the SABR model, the Bachelier model, the G1PP model or the local volatility model. The models are always calibrated using observable market data.

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

Interest rate swaps and interest rate/currency swap agreements as well as unlisted interest rate futures are measured on the basis of the discounted cash flow model using the market interest rates applying to the remainder of the term of the financial instruments. The tenor structures of the individual interest rates are taken into account by means of separate forward interest rate curves. Discounting is carried out using the respective currency-specific interest rate curve. This is used for bootstrapping the forward yield curve.

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

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. For tranched basket credit swaps, a Gaussian Copula model is used, whose parameters are determined on the basis of iTraxx and CDX index tranche 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 discount rate adjusted for credit risk. The discount rate applied takes into account the collateral criteria agreed at the time of concluding the genuine securities repurchase agreement.

Fair value hierarchy level 3

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

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

The bonds and debt securities in the designated at fair value category and reported under assets at fair value essentially relate to plain vanilla bonds and non-synthetic securitisation positions. Since 2009, the Bank has been winding down the latter whilst safeguarding assets. Determining the fair value of plain vanilla bonds involves the use of credit spreads that are not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the plain vanilla bonds could have been €0.69m higher or lower.

The fair value of non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations or via spreads derived from indicative quotations for comparable bonds. These quotations are obtained from various brokers as well as from market price providers, such as S&P. The bid-ask spreads from the available price indications for the individual securitisation positions were used to determine a cautious bid-ask spread, which was used as an estimate for price sensitivity. Using this bid-ask spread, a variation range of 0.46 percentage points averaged across the portfolio was obtained. On this basis, the market value of the securitisation positions concerned could have been €0.55m higher or lower.

The bonds and debt securities in the held for trading category and reported under assets at fair value are plain vanilla bonds measured using credit spreads not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the market value of the positions concerned could have been €2.6m higher or lower.

The Bank also allocates to level 3 a limited number of equity and interest rate derivatives or issues with embedded equity and interest rate derivatives, for example if unobservable valuation parameters are used which are significant for their valuation. For equity and interest rate derivatives whose valuation requires correlations, the Bank typically uses historical correlations with the respective share prices or interest rate fixings, or changes to these. The sensitivity of the equity option positions concerned as at 30 June 2017 was around €–4.6m. For interest rate derivatives based on an index spread, the sensitivity in terms of the correlation between the relevant reference indices is mapped via shifts in the model parameters. The resulting change in the correlation is approximately +7.0%, giving rise to a measurement difference of €+0.1m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty amounts to an equity vega of 1.25, resulting in a value of approximately €2.4m as at 30 June 2017. 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 2017, this results in a value of €0.6m.

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

As at 30 June 2017, 99.8% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.

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

Performance of financial instruments in fair value hierarchy level 3

The movement in financial instruments carried at fair value in the balance sheet in level 3 is shown in the table below. This is based on fair values (excluding accrued interest).

	Financial assets at fair value					Financial liabilities at fair value		
€m	Debt securities, other fixed-interest securities and loan receivables	Shares and other non-fixed-interest securities	Interest-rate-related derivatives	Share-price and other price-related derivatives	Securities short portfolios	Interest-rate-related derivatives	Share price and other price-related derivatives	Trading issues/issues
As at 1 January 2016	**2,395.1**	**–**	**15.7**	**7.6**	**–**	**32.9**	**8.2**	**528.2**
Additions through purchase	1,084.5	0.1	16.3	0.5		2.2	0.8	23.8
Disposals through sale	620.5	0.1				–	0.1	
Additions through issues								346.7
Maturity/repayments	548.6	–		6.2			7.1	184.5
Transfers								
To level 3	332.0		0.8	1.9		64.1	–	52.7
From level 3	195.6	–	15.7	1.4	–	14.0	0.5	72.2
Changes arising from measurement/disposal								
Recognised in profit or loss	48.6	–		1.0		−38.3	–	−10.7
Recognised in other comprehensive income								
As at 31 Dec 2016	**2,495.5**	**–**	**17.1**	**3.4**	**–**	**123.5**	**1.3**	**705.3**
Additions through purchase	495.4		9.3	0.2		–	0.1	
Disposals through sale	237.0						0.7	
Additions through issues								386.2
Maturity/repayments	375.4			0.3		56.4		154.9
Transfers								
To level 3	362.7		2.8	0.1		2.8	–	31.8
From level 3	650.5		0.8	–	–	10.1	–	48.6
Changes arising from measurement/disposal								
Recognised in profit or loss	−6.1		1.5	0.4		16.0	−0.1	−4.8
Recognised in other comprehensive income	–					–	–	
As at 30 June 2017	**2,084.6**	**–**	**29.9**	**3.8**	**–**	**43.8**	**0.8**	**924.6**

In the first half of the year, positive market values from debt securities, other fixed-interest securities and loan receivables amounting to €650.5m and negative market values from issues/trading issues in the amount of €48.6m were transferred from level 3. Furthermore, negative market values from debt securities, other fixed-interest securities and loan receivables amounting to €362.7m and negative market values from trading issues/issues in the amount of €31.8m were transferred to level 3. This was due to a more detailed analysis of the market data used for valuation.

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

Result for financial instruments in fair value hierarchy level 3 as at the reporting date

	Financial assets at fair value					
	Debt securities, other fixed-interest securities and loan claims		Interest-rate related derivatives		Share-price and other price-related derivatives	
€m	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
All realised profits or losses of the period recognised in the total result:						
Statement of profit or loss and other comprehensive income						
Net interest income	0.5	0.3	–	–	–	–
Trading profit or loss	2.6	–0.6	–	–	–	–
Profit or loss on financial instruments designated at fair value	0.8	5.7	–	–	–	–
All unrealised profits or losses of the period recognised in the total result:						
Net interest income	0.5	1.0	–	–	–	–
Trading profit or loss	–14.9	92.5	1.5	–	0.4	–0.1
Profit or loss on financial instruments designated at fair value	4.3	–4.5	–	–	–	–

Measurement processes for financial instruments in fair value hierarchy level 3

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

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.

	Financial liabilities at fair value					
	Interest-rate related derivatives		Share-price and other price-related derivatives		Trade issues / issues	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	–	–	–	–	–	–
	–	–	–	–	0.9	3.7
	–	–	–	–	–	
	–	–	–	–	–	–
	16.0	−90.0	−0.1	0.7	−5.8	41.0
	–	–	–	–	–	

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 annually. 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 are 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. If model risks are present, a corresponding model reserve is taken into account.

32 Information on the quality of financial assets

Impaired exposure and provisions for loan losses by risk segment

€m	Financial institu-tions	Trans-port and export finance	Energy and utility infra-structure	Property risks	Public infra-structure	Corpo-rates	Other	Total 30 Jun 2017	Total 31 Dec 2016
Impaired gross loan volume [1]	–	276.8	34.8	–	–	45.5	1.3	358.4	720.4
Collateral [2]	–	69.3	0.0	–	–	–	–	69.3	163.6
Impaired net loan volume [1]	–	207.5	34.8	–	–	45.5	1.3	289.1	556.8
Provisions for loan losses	4.0	139.2	11.4	1.3	2.0	38.6	1.0	197.5	388.1
Specific valuation allowances	–	127.5	6.7	–	–	36.7	0.2	171.1	347.2
Provisions	–	0.1	–	–	–	–	0.2	0.3	0.3
Portfolio valuation allowances for country risks	–	–	–	–	–	–	–	–	5.0
Portfolio valuation allowances for credit-worthiness risk	4.0	11.6	4.7	1.3	2.0	1.9	0.6	26.1	35.6

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

In addition to provisions for loan losses of €155.4m (31 December 2016: €334.3m) in the lending business, provisions for loan losses also include provisions for financial investments amounting to €42.1m (31 December 2016: €53.8m).

Non-performing exposures

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corpo-rates	Other	Total 30 Jun 2017	Total 31 Dec 2016
Non-performing exposures [1]	383.2	63.9	–	–	71.4	1.2	519.7	807.3
Collateral [2]	125.8	–	–	–	25.3	–	151.1	213.1
Provisions for loan losses	131.6	8.7	–	–	36.7	0.4	177.4	355.0

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

Exposures with forbearance measures

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

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corpo-rates	Other	Total 30 Jun 2017	Total 31 Dec 2016
Forborne exposures[1]	368.9	77.0	–	–	–	–	445.9	798.8
of which performing	3.7	20.1	–	–	–	–	23.8	94.7
of which non-performing	365.2	56.9	–	–	–	–	422.1	704.1
Collateral[2]	115.4	–	–	–	–	–	115.4	196.8
Provisions for loan losses	131.0	5.2	–	–	–	–	136.2	309.6

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

Key ratios for non-performing and forborne exposures:

%	30 Jun 2017	31 Dec 2016
NPE ratio at the reporting date (Quotient from non-performing exposures and maximum credit risk)	0.55	0.96
NPE coverage ratio, including collateral, at the reporting date (Quotient from provisions for loan losses, including collateral, and non-performing exposures)	63.21	70.37
Forborne exposures ratio at the reporting date (Quotient from forborne exposures and maximum credit risk)	0.47	0.95

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.36a, using credit-risk bearing financial assets and the corresponding off-balance sheet liabilities. As at the reporting date it amounted to €94.7bn (31 December 2016: €84.1bn).

33 Credit exposure in individual European countries

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

	30 Jun 2017			31 Dec 2016		
€m	**Nominal[1]**	**Carrying value**	**Fair value**	**Nominal[1]**	**Carrying value**	**Fair value**
Ireland						
Debt securities (held to maturity category)	4.0	4.5	4.5	4.0	4.6	4.5
Debt securities (designated at fair value category)	2.7	3.3	3.3	–	–	–
Credit default swaps (protection seller transaction)	28.0	1.1	1.1	15.0	0.4	0.4
Credit default swaps (protection buyer transaction)	–28.0	–1.1	–1.1	–16.0	–0.4	–0.4
Italy						
Debt securities (held to maturity category)	10.0	11.2	10.9	10.0	11.3	11.2
Debt securities (designated at fair value category)	59.9	60.4	60.4	88.7	89.1	89.1
Security forward contracts	–50.0	0.5	0.5	–	–	–
Credit default swaps (protection seller transaction)	208.2	0.5	0.5	162.1	–0.5	–0.5
Credit default swaps (protection buyer transaction)	–87.0	0.2	0.2	–91.5	0.9	0.9
Credit Linked Notes[2] (held for trading category)	–10.4	–10.5	–10.5	–10.0	–10.1	–10.1
Portugal						
Debt securities (designated at fair value category)	0.3	0.4	0.4	–	–	–
Credit default swaps (protection seller transaction)	17.0	–1.4	–1.4	17.0	–2.3	–2.3
Credit default swaps (protection buyer transaction)	–17.0	1.4	1.4	–17.0	2.3	2.3
Spain						
Debt securities (held to maturity category)	5.0	5.8	5.8	5.0	6.0	6.0
Debt securities (designated at fair value category)	12.9	13.8	13.8	39.2	39.8	39.8
Debt securities (held for trading category)	190.0	233.7	233.7	190.0	239.3	239.3
Security forward contracts	–35.0	–4.7	–4.7	–35.0	–4.9	–4.9
Total return swap (protection buyer transaction)	–155.0	1.2	1.2	–155.0	–4.0	–4.0
Credit default swaps (protection seller transaction)	42.1	0.3	0.3	42.8	0.3	0.3
Credit default swaps (protection buyer transaction)	–16.0	–0.4	–0.4	–16.0	–0.3	–0.3
Credit Linked Notes[2] (held for trading category)	–9.8	–10.0	–10.0	–7.8	–8.1	–8.1
Total	**171.9**	**310.2**	**309.9**	**225.5**	**363.4**	**363.2**

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

In addition to exposure to the government of Spain, the Bank also has exposure to Spanish banks. This mainly relates to bonds with a nominal value of €375.1m (31 December 2016: €301.2m), including bonds in the held to maturity category, and loans and receivables with a nominal value of €135.0m (31 December 2016: €55.0m). The remaining bonds are measured at fair value through profit or loss. There are also receivables from securities repurchase agreements and collateralised securities lending transactions amounting to €1,500.9m (31 December 2016: €1,151.5m), offset by liabilities from securities repurchase agreements and collateralised securities lending transactions amounting to €253.9m (31 December 2016: €83.2m). The receivables and liabilities were allocated to the loans and receivables and other liabilities categories, respectively.

DekaBank's exposure to Italian banks results primarily from bonds with a nominal value of €174.3m (31 December 2016: €222.5m). This includes bonds in the held to maturity category with a nominal value of €54.0m (31 December 2016: €53.6m). The remaining bonds are measured at fair value through profit or loss. There are also receivables from securities repurchase agreements and collateralised securities lending transactions amounting to €77.7m (31 December 2016: €107.8m), offset by liabilities from securities repurchase agreements and collateralised securities lending transactions amounting to €147.4m (31 December 2016: €134.1m). The receivables and liabilities were allocated to the loans and receivables and other liabilities categories, respectively. In addition to direct exposure, indirect exposures also exist through credit default swaps referencing these counterparties. Protection seller positions with a nominal value of €48.1m (31 December 2016: €48.6m) are offset by protection buyer positions with a nominal value of €163.2m (31 December 2016: €107.6m).

DekaBank also holds loan receivables with a value of €200.8m (31 December 2016: €212.8m) allocated to the loans and receivables category in respect of companies that are majority state-owned by Russia. There is no exposure to Ukraine. As was already the case at the end of the previous year, there was no exposure to borrowers classified under Greek country risk as at the reporting date.

34 Derivative transactions

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

	Nominal value		Positive fair values [1]		Negative fair values [1]	
€m	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Interest rate risks	520,271.8	502,082.5	10,598.8	12,408.1	9,974.0	11,691.1
Currency risks	24,879.9	25,033.9	628.4	590.5	1,003.9	1,540.8
Share price and other price risks	45,871.3	42,220.8	1,217.6	1,516.1	2,142.1	2,344.7
Total	**591,023.0**	**569,337.2**	**12,444.8**	**14,514.7**	**13,120.0**	**15,576.6**
Net amount presented on the balance sheet			**6,061.5**	**7,479.4**	**7,206.7**	**8,600.9**

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

35 Capital and reserves under banking supervisory law

As at 30 June 2017, the capital and reserves under banking supervisory law and the capital ratios have been 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 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 2017 CRR / CRD IV (without transitional provisions)	30 Jun 2017 CRR / CRD IV (with transitional provisions)	31 Dec 2016 CRR / CRD IV (without transitional provisions)	31 Dec 2016 CRR / CRD IV (with transitional provisions)
Common Equity Tier 1 (CET 1) capital	4,198	4,293	3,978	4,216
Additional Tier 1 (AT 1) capital	474	436	474	348
Tier 1 capital	**4,672**	**4,728**	**4,451**	**4,564**
Tier 2 (T2) capital	**830**	**824**	**838**	**801**
Own funds	**5,502**	**5,553**	**5,289**	**5,366**

The increase in Tier 1 capital is mainly due to the reinvestment of profits from the 2016 financial year.

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

€m	30 Jun 2017 CRR / CRD IV (without transitional provisions)	30 Jun 2017 CRR / CRD IV (with transitional provisions)	31 Dec 2016 CRR / CRD IV (without transitional provisions)	31 Dec 2016 CRR / CRD IV (with transitional provisions)
Credit risk	14,553	14,553	15,038	15,038
Market risk	4,577	4,577	4,478	4,478
Operational risk	2,834	2,834	2,887	2,887
CVA risk	1,314	1,314	1,411	1,411
Risk-weighted assets (Total risk exposure amount)	**23,278**	**23,278**	**23,813**	**23,813**

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

€m	30 Jun 2017 CRR / CRD IV (without transitional provisions)	30 Jun 2017 CRR / CRD IV (with transitional provisions)	31 Dec 2016 CRR / CRD IV (without transitional provisions)	31 Dec 2016 CRR / CRD IV (with transitional provisions)
Common Equity Tier 1 capital ratio	18.0	18.4	16.7	17.7
Tier 1 capital ratio	20.1	20.3	18.7	19.2
Total capital ratio	23.6	23.9	22.2	22.5

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

36 Contingent and other liabilities

€m	30 Jun 2017	31 Dec 2016	Change
Irrevocable lending commitments	1,310.9	702.3	608.6
Other liabilities	102.7	102.7	–
Total	**1,413.6**	**805.0**	608.6

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

In a circular dated 17 July 2017, the Federal Ministry of Finance (BMF) defined rules for the tax treatment of cum/cum transactions, and noted, *inter alia*, that certain cum/cum arrangements are to be regarded as an abuse within the meaning of section 42 of the German Tax Code (*Abgabenordnung* – AO). In light of the said BMF circular, based on a preliminary analysis, it cannot be ruled out that some cum/cum transactions performed by DekaBank in the years concerned will be regarded as unlawful by the tax authorities. However, DekaBank sees no compelling reasons why the share transactions concerned may be viewed as an abuse of legal options for tax planning schemes under tax law and believes there is ultimately little likelihood of action being taken against it in that regard. Consequently, it is not seen as necessary to create provisions for potential financial burdens arising from the possible refusal by tax authorities to allow relief from capital yields tax (*Kapitalertragsteuer*). Since a degree of uncertainty remains as to the final decision by the tax authorities and tax courts on the tax treatment of the share transactions concerned, the possibility of a financial burden in this regard – which is not reliably quantifiable at present – cannot be entirely ruled out.

37 List of shareholdings

The following information on shareholdings is based on the supplementary requirements of German law pursuant to Section 315a of the German Commercial Code. Therefore, no comparative information in respect of the previous period is presented.

The parent company DekaBank Deutsche Girozentrale, Frankfurt/Berlin, is entered in Commercial Register A at the District Court of Frankfurt am Main under number HRA 16068.

Consolidated subsidiaries (affiliated companies):

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

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

Consolidated subsidiaries (structured entities):

Name, registered office	Shares in fund assets in %
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
Masterfonds S Broker, Frankfurt/Main	100.00

Joint ventures and associated companies consolidated at equity:

Name, registered office	Equity share in %
Joint ventures	
S PensionsManagement GmbH, Cologne	50.00
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00

Joint ventures and associated companies not consolidated at equity:

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

Unconsolidated subsidiaries (affiliated companies):

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

Unconsolidated structured entities:

Name, registered office	Fund assets in €m	Share in capital / fund assets in %
Deka-BR 45, Frankfurt/Main	6.4	100.00
Deka-Relax 30, Frankfurt/Main	0.5	99.54
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	78.8	99.13
Deka-Relax 50, Frankfurt/Main	0.5	97.14
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	9.8	87.70
Deka-Relax 70, Frankfurt/Main	0.6	81.71
Deka Deutsche Boerse EUROGOV® Germany 10+ UCITS ETF, Frankfurt/Main	51.2	73.89
Deka Eurozone Rendite Plus 1-10 UCITS ETF, Frankfurt/Main	25.3	73.47
Deka-BasisStrategie Aktien, Frankfurt/Main	18.2	67.81
Deka PB ManagerMandat, Frankfurt/Main	58.4	66.05
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	50.4	60.64
Deka-Globale Renten High Income, Frankfurt/Main	49.4	58.98
Deka-Multi Asset Ertrag, Luxembourg	36.6	57.67
Deka-EuroFlex Plus, Luxembourg	103.8	53.10
Deka MSCI Japan UCITS ETF, Frankfurt/Main	40.1	49.51
Deka EURO iSTOXX ex Fin Dividend+ UCITS ETF, Frankfurt/Main	215.6	24.49
Deka Oekom Euro Nachhaltigkeit UCITS ETF, Frankfurt/Main	20.2	22.99
Comtesse DTD Ltd., London	–	9.99[1]

[1] Differing voting rights 25.1%

38 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 own mutual funds and special funds where the holding of the Deka Group exceeds 10.0% as at the reporting date are shown as subsidiaries, associated companies or other related parties in accordance with their equity holding.

Transactions with related parties are carried out under normal market terms and conditions as part of the ordinary business activities of the Deka Group. These 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 balances with banks from the temporary investment of liquid funds. The tables below show the extent of these transactions.

Business relationships with shareholders of DekaBank and unconsolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Asset items				
Due from customers	45.0	45.0	5.5	5.5
Financial assets at fair value	–	–	8.6	28.0
Other assets	–	–	0.3	0.5
Total asset items	**45.0**	**45.0**	**14.4**	**34.0**
Liability items				
Due to customers	126.0	39.7	23.6	49.3
Total liability items	**126.0**	**39.7**	**23.6**	**49.3**

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

	Joint ventures / associated companies		Other related parties	
€m	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Asset items				
Due from customers	–	0.3	–	–
Financial assets at fair value	–	–	2.1	2.9
Other assets	0.4	0.2	0.2	0.3
Total asset items	**0.4**	**0.5**	**2.3**	**3.2**
Liability items				
Due to customers	322.2	115.6	21.6	399.7
Financial liabilities af fair value	32.7	33.3	–	0.2
Total liability items	**354.9**	**148.9**	**21.6**	**399.9**

39 Additional miscellaneous information

No major developments of particular significance occurred after the reporting date of 30 June 2017.

The consolidated interim financial statements were approved for publication on 9 August 2017 by Deka-Bank'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 net assets, financial position and results of operations 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 am Main, 9 August 2017

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger

Dr. Stocker

Better

Dr. Danne

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, Berlin/Frankfurt am Main, for the period from January 1 to June 30, 2017 that are part of the semi annual financial report according to § 37 w 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 10, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski	Fox
Wirtschaftsprüfer	Wirtschaftsprüfer

Administrative Board and Board of Management of DekaBank

(as of 15 July 2017)

Administrative Board

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

Helmut Schleweis
First Deputy Chairman
Chairman of the Management Board of Sparkasse Heidelberg, Heidelberg
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

Representatives elected 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
President of the Rhineland Savings Banks and Giro Association, Düsseldorf
Chairman of the Audit Committee

Prof. Dr. Liane Buchholz
Chairwoman of the Savings Banks Association Westphalen-Lippe, Münster
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee
Member of the Audit Committee

Carsten Claus
Chairman of the Management Board of Kreissparkasse Böblingen, Böblingen
Member of the Audit 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

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

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

Georg Sellner
Chairman of the Management Board of Stadt- und Kreis-Sparkasse Darmstadt, Darmstadt
Deputy Chairman of the Audit Committee

Walter Strohmaier
Chairman of the Management Board of Sparkasse Niederbayern-Mitte, Straubing
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee
Member of the Audit Committee

Dr. jur. Harald Vogelsang
Spokesman of the Management Board of Hamburger Sparkasse AG, Hamburg
President of the Hanseatic Savings Banks and Giro Association

Alexander Wüerst
Chairman of the Management Board of Kreissparkasse Köln, Cologne
Member of the General and Nominating Committee
Member of the Remunerating 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
Executive Director of the Association of German Cities, Berlin

Prof. Dr. Hans-Günter Henneke
Managing Member of the Presiding Board of the Germany County Association, Berlin

Roland Schäfer
Mayor of the City of Bergkamen and President of the German Association of Towns and Municipalities, Berlin
Member of the General and Nominating Committee
Member of the Remunerating Supervision Committee

Board of Management

Michael Rüdiger
CEO

Dr. Georg Stocker
Deputy CEO

Manuela Better

Dr. Matthias Danne

Martin K. Müller

Executive Manager

Manfred Karg

Internet website
The specialist terms used are explained in the interactive online version of this report, which you can view in English or German on our website at www.dekabank.de under "Investor Relations/Reports". Previously published annual reports and interim reports are also available for download here.

External Reporting & Rating
Email: investor.relations@deka.de
Phone: +49 (0) 69 71 47-0

This report was finalised in August 2017

Concept and design
Edelman.ergo GmbH,
Cologne, Frankfurt/Main, Berlin, Munich

Photography/Picture credits
Olaf Hermann, Langen

Gender clause
In this annual 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.

DekaBank
Deutsche Girozentrale
Mainzer Landstraße 16
60325 Frankfurt
P.O. Box 11 05 23
60040 Frankfurt
Germany

Phone: + 49 (0) 69 71 47 - 0
Fax: + 49 (0) 69 71 47 - 13 76
www.dekabank.de

Finanzgruppe