Deka Group
Interim Report

.Deka

Finanzgruppe

Deka Group at a glance

BUSINESS DEVELOPMENT INDICATORS		30 Jun 2020	31 Dec 2019	Change (%)
Total assets	€m	106,053	97,282	9.0
Total customer assets	€m	309,759	313,412	−1.2
Retail customers	€m	155,215	158,749	−2.2
Institutional customers	€m	154,544	154,662	−0.1
Number of securities accounts	thousand	4,879	4,787	1.9
		1st half 2020	1st half 2019	
Net sales	€m	14,470	6,703	115.9
Retail customers	€m	6,923	4,434	56.1
Institutional customers	€m	7,547	2,269	232.6
PERFORMANCE INDICATORS				
Total income	€m	757.9	771.4	−1.8
Total expenses	€m	595.5	548.3	8.6
Economic result	€m	162.5	223.1	−27.2
Total of profit or loss before tax	€m	244.0	259.7	−6.0
Return on equity (before tax)	%	6.6	9.3	−2.7 %-Points
Cost/income ratio	%	69.4	69.7	−0.3 %-Points
RISK INDICATORS – NORMATIVE PERSPECTIVE		30 Jun 2020	31 Dec 2019	
Own funds (fully loaded)	€m	5,703	5,828	−2.1
Risk-weighted assets	€m	34,489	32,229	7.0
Total capital ratio (fully loaded)	%	16.5	18.1	−1.6 %-Points
Common Equity Tier 1 capital ratio	%	13.0	14.2	−1.2 %-Points
Leverage ratio (fully loaded)	%	4.5	4.9	−0.4 %-Points
MREL Ratio (balance sheet based)	%	19.9	22.0	−2.1 %-Points
Liquidity Coverage Ratio (LCR)	%	149.2	170.6	−21.4 %-Points
RISK INDICATORS – ECONOMIC PERSPECTIVE				
Risk appetite	€m	4,000	3,750	6.7
Total risk	€m	3,272	2,395	36.6
Utilisation of risk appetite	%	81,8	63,9	17.9 %-Points
RATING LONG-TERM (SHORT-TERM)				
Moody's		Aa2 (P-1)	Aa2 (P-1)	
Standard & Poor's		A+ (A-1)	A+ (A-1)	
SUSTAINABILITY RATING				
MSCI-ESG		AA	AA	
ISS-ESG		C+ (Prime)	C+ (Prime)	
imug rating		positive BB	positive BB	
Sustainalytics		Leader (83 Points)	Leader (83 Points)	
KEY EMPLOYEE FIGURES				
Number of employees		4,662	4,723	−1.3
Number of active employees		4,090	4,108	−0.4

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

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Dear Shareholders and Investors,

The first half of 2020 was dominated by the coronavirus crisis. At the Deka Group, we have taken swift and extensive action in response to the difficult environment it has created. We have stabilised our business operations with comprehensive operational crisis management as well as active risk management and appropriate measures to manage liquidity. Over 90% of our employees were quickly able to work from home without any significant disruption, and around 80% of staff continue to do so today. This success means that we can wait to see how the pandemic unfolds before deciding when to return to normal business operations or to encourage more people to return to the office.

Giving good advice in times like these is particularly important, whether face to face or through new technologies. Over the last few months, the expert advice offered by the savings banks, both online and in branches, has helped our institutional and retail customers to respond calmly to the new situation and continue to invest. At €14.5bn in the first half of 2020, net sales were up significantly on the same period of the previous year (€6.7bn). The Deka Group's total customer assets reached €309.8bn (year-end 2019: €313.4bn). With some 356,000 new Deka investment savings plans in the first six months of the year, the Deka Group managed approximately 5.5 million savings plans at the reporting date. Judging by the continued high demand, the investment story for such funds has clearly survived the volatile stock markets intact. We see this as a signal that the securities culture in Germany remains on the right track.

Given the circumstances, business development in the first half of 2020 was satisfactory, though the economic result of €162.5m was down on the comparative figure for the previous year (€223.1m). This was due to increased risk provisions for the transport sector, which was particularly affected by the coronavirus crisis, and an increase in the general provision. The Common Equity Tier 1 capital ratio amounted to 13.0% as at 30 June 2020. This was 1.2 percentage points lower than at the end of the previous year, with the reduction mainly attributable to the coronavirus crisis.

Deka's business model has proven itself in the face of the Covid-19 pandemic, and this stability is also reflected in our capital market and sustainability ratings. Our current capital market ratings from Moody's (Aa2) and S&P (A+) are among the best of any German commercial bank. Our current ratings for sustainability are proof that we go further than most of our rivals in this area. In the "Financials/ Public & Regional Banks" peer group, for example, ISS ESG currently ranks Deka in third place, making us one of the "industry leaders".

We want to build on this strong position and continue to improve. With the Management Agenda 2025, we aim to further enhance Deka's position as a customer-focused, innovative and sustainable *Wertpapierhaus* for the savings banks. We have identified five strategic thrusts – Customer & Sales, Products & Solutions, Sustainability, Digitalisation, and Organisation & Innovation – along with five related action areas containing some 50 different measures. Our ambition is to steadily put these action areas into practice over the next five years, for example by working on end-to-end customer-oriented sales, a strong range of products and services, competitive infrastructure and optimised processes. As well as being our guiding approach, sustainability plays an especially large role as a benchmark for growth and profitability too.

Sustainability is further reflected in our recently agreed location strategy. We are investing in state-of-the-art, sustainable office space at two locations in Frankfurt and implementing flexible new approaches based on the concept of New Work. In so doing, we are also making a clear statement as an employer: Deka is and will remain an important player in the financial centre of Frankfurt.

Sincerely,

Dr. Georg Stocker
CEO

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Interim management report 2020

At a glance

As the *Wertpapierhaus* for the savings banks, the Deka Group is a key part of the *Sparkassen-Finanzgruppe* (Savings Banks Association). In the first half of 2020, the Deka Group further developed its strategic programme DekaPro, which it launched in 2018. With the Management Agenda 2025, Deka Group aims to further enhance its position as a customer-focused, innovative and sustainable *Wertpapierhaus* for the savings banks.

In the first six months of 2020, the Deka Group achieved net sales of €14.5bn, considerably exceeding the figure for the same period of the previous year (€6.7bn). The Group increased net sales in the retail customer segment by €2.5bn year-on-year to €6.9bn. Fund sales rose from €1.6bn to €4.6bn. Sales of certificates to retail customers totalled €2.3bn (H1 2019: €2.8bn). With net sales of €7.5bn, the institutional customer segment recorded a strong increase versus the same period of the previous year (€2.3bn). The institutional investment fund business accounted for a large portion (€6.1bn) of sales (H1 2019: €1.5bn). Certificate sales to institutional customers came to €1.4bn (H1 2019: €0.8bn).

Despite the very positive sales performance, total customer assets fell by €3.7bn compared with year-end 2019 to €309.8bn. This was due to a negative investment performance because of market developments, distributions to investors and maturing certificates in the course of market movements.

The coronavirus pandemic and its impacts on the economy, business cycle and capital markets also affected the Deka Group's performance in the first half of 2020. Deka took swift action in March to adapt its business operations and management processes to the new situation. It used early and active risk management to respond to the crisis, both in terms of market and credit risk in the banking business and with a view to fund management of customers' trust assets. Deka has further stepped up its support for savings banks and institutional customers and converted to digital formats.

Given the circumstances, business development in the first half of 2020 was satisfactory, though the economic result of €162.5m was down on the comparative figure for the previous year (€223.1m). This was principally due to higher risk provisions for the transport sector, which was particularly affected by the coronavirus crisis and an increase in the general provisions.

Income amounted to €757.9m (H1 2019: €771.4m). The decline of 1.8% was primarily due to the higher risk provisions. Net commission income was the main component of the Deka Group's income, accounting for 76% of the total. Expenses of €595.5m were 8.6% above those seen in the first half of 2019 (€548.3m). This was primarily due to the increased bank levy, higher contributions to the deposit guarantee scheme of the *Landesbanken* and *Girozentralen*, and restructuring expenses incurred as part of the strategic cost initiative.

The Deka Group's financial position remains sound.

The Common Equity Tier 1 capital ratio amounted to 13.0% as at 30 June 2020. Mainly due to the coronavirus crisis, this was 1.2 percentage points lower than at the end of the previous year. The leverage ratio, LR (fully loaded) as at 30 June 2020 was 4.5%, down by 0.4 percentage points from the end of 2019, primarily due to the same reasons. The minimum requirement for own funds and eligible liabilities (MREL) ratio as at the reporting date stood at 19.9% (year-end 2019: 22.0%).

The risk-bearing capacity analysis showed a utilisation of risk appetite of 81.8% (year-end 2019: 63.9) and a utilisation of risk capacity of 64.2% (year-end 2019: 50.7%). The liquidity coverage ratio (LCR) stood at 149.2% at mid-year (year-end 2019: 170.6%).

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Deka Group profile and strategy

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

Organisational structure

The Deka Group's activities are divided into five business divisions. Asset management activities are handled by the Asset Management Securities and Asset Management Real Estate business divisions. The Group's banking business is covered by the Capital Markets and Financing business divisions. The fifth business division – Asset Management Services – provides banking services for asset management. The sales units Savings Banks Sales and Institutional Customer Sales serve as the interface with sales partners and customers. The corporate centres support the business divisions and sales departments throughout the value chain.

Corporate governance

Birgit Dietl-Benzin began her work as Chief Risk Officer in June 2020. She took over this role from Manuela Better, who left DekaBank upon the expiry of her contract at the end of May.

The Administrative Board of DekaBank appointed Dr Matthias Danne as deputy CEO with immediate effect at its meeting in early July 2020. The appointment was accompanied by the extension of his contract as a member of the Board of Management for a further five years.

DekaBank is jointly managed by the Board of Management, which comprises five members.

Since the beginning of July, the members' responsibilities have been as follows:

- CEO & Sales: Dr Georg Stocker
- Deputy CEO & Asset Management: Dr Matthias Danne
- Risk (CRO): Birgit Dietl-Benzin
- Finance (CFO) & Operations (COO): Daniel Kapffer
- Banking business: Martin K. Müller

Thorsten Knapmeyer is executive manager and head of sales within the remit of the CEO.

Positioning and role within the *Sparkassen-Finanzgruppe*

DekaBank is a key part of the *Sparkassen*-Finanzgruppe and has a stable business model. The *Wertpapierhaus* of the savings banks continues to prove its resilience even in the coronavirus crisis. This reaffirms the direction we have set with our strategy and sales efforts.

Market and customer trends, accompanied by digitalisation, are an ever growing challenge to our market position. Today, we need to respond faster and more accurately to changes in customer requirements and do our utmost to anticipate them. In addition, the Deka Group also needs to address changing markets: negative interest rates, growing competition and pressure on margins, digitalisation and a continued high level of regulation call for intelligent and innovative solutions. A successful response will only be possible if the Deka Group gears itself even more closely to customer utility and fully exploits the strengths of its employees.

With this aim in mind, Deka has continued to develop its Management Agenda 2025 and incorporated the existing DekaPro programme into it.

The ambition of the Management Agenda is to further build on Deka's position by 2025 as a customer-focused, innovative and sustainable *Wertpapierhaus* for the savings banks.

The Management Agenda has five strategic thrusts:

- *Customer & Sales*: To tackle the growing competition, Deka will adopt a customer-oriented, E2E (end-to-end) approach and focus its sales on the changing needs of its target customers.
- *Products & Solutions*: As an active asset manager that also offers passively managed products as part of its integrated business model (asset management and banking), Deka will continue to create measurable value added for its customers.
- *Sustainability*: Sustainability will be established as a cornerstone of the business model.
- *Digitalisation*: Digitalisation is a key element in the customer interface and the transformation of entire business models. This includes developing competitive products, optimising processes from end to end and positioning Deka as an attractive employer.
- *Organisation & Innovation*: To enable it to respond more quickly and flexibly to the changing requirements of customers and markets, the Deka Group will evolve into a modern and adaptable organisation.

From these strategic dimensions, Deka has defined five action areas that will enable it to achieve the Management Agenda targets by 2025 and has backed them with concrete measures:

- Target customer-oriented sales
- Strong range of products and services
- Growth through sustainability
- Digitalisation and future-proof IT architecture
- Modern organisation, process orientation and innovation

Sustainable corporate governance

Expanding the securities-based product range – both for savings banks and institutional customers – was at the heart of the implementation of the 2020 business strategy for sustainable corporate governance in the first half of the year. For the first time, DekaBank now has sustainable securities products in every product category. DekaBank has already provided the savings banks with an implementation module in anticipation of the MiFID II rules on suitability assessment.

The Deka Group continues to be rated as "very good" by sustainability rating agencies.

See also:
www.deka.de/deka-group/sustainability

- MSCI (2019): AA
- ISS ESG (2020): C+ (Prime), Industry Leader
- imug rating (2020): Positive BB
- Sustainalytics (2017): Leader with 83 points

The annual sustainability report, including the non-financial statement, does not form part of the Group management report. In accordance with the statutory publication deadlines, the 2019 sustainability report was published on time in April 2020 on the Deka Group website, where it will remain accessible for at least ten years.

Market position and awards

With fund assets (according to the BVI, the German Investment Funds Association, as at 31 May 2020) of €123.8bn and a market share of 13.4%, Deka is the fourth-largest provider of mutual securities funds in Germany. It is Germany's second-placed provider of mutual property funds with fund assets (according to the BVI, as at 31 May 2020) of €35.0bn and a market share of 30.7%. Despite a decline in the market volume for certificates in the first three months of 2020, the Deka Group confirmed its position as market leader in the overall market for derivative securities in Germany, where it had a market share of 23.3%.

Deka once again won numerous accolades across all asset classes at the 2020 €uro FundAwards. Awards went to equity, bond and money market funds and to ETFs. In the Capital-Fonds-Kompass 2020 awards in Frankfurt/Main on 19 February, Deka secured a five-star rating for the eighth time. Fund providers were evaluated in the fund quality, service, management and product range categories.

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Economic environment

Macroeconomic conditions

The coronavirus plunged the global economy into a historically deep recession at exceptional pace, with government-imposed lockdown measures exerting a significant impact on every economic sector in every region of the world. After growing by 3.0% in 2019, global gross domestic product fell by 7.6% between the end of 2019 and mid-2020. Governments and central banks have introduced enormous monetary and fiscal stimulus measures to counter this recession. The recovery is already under way after economic activity bottomed out in April in the industrialised nations. The infection rate has eased in these countries – with the exception of the United States – while new infections in many emerging markets, and especially in India and Latin America, hit new highs in June.

The coronavirus pandemic was the dominant topic where economic growth and the capital markets were concerned. Other issues had to take a back seat, including the trade dispute between the United States and China and the European Union's negotiations with the United Kingdom on the future economic relationship.

Despite the stark economic impact of the coronavirus pandemic, there was only a modest rise in unemployment in Germany and elsewhere in the eurozone in the first few months of 2020. Companies whose business operations were severely restricted took advantage of policies such as *Kurzarbeit*, Germany’s system of short-time working, in order to avoid redundancies. This is also likely to have been partly behind the relatively stable development of wages into the spring. Inflation in the eurozone fell to almost zero, chiefly due to the much lower oil price. However, there was only a small let-up in upward price pressure for goods outside the energy sector. Various indicators of inflation expectations have therefore recovered relatively quickly from the coronavirus shock, though they are mostly still below the levels seen at the start of the year. This reinforces the general expectation predating the coronavirus outbreak that the ECB will continue its very expansionary monetary policy for a long time to come in order to move closer to its inflation target.

As the global economy slowed, the world's major central banks had already begun to loosen their monetary policy again in the second half of 2019. The US Federal Reserve (Fed), for example, made a series of cuts in its key rates, and the ECB resumed a small volume of net asset purchases. This monetary policy adjustment appeared to have been completed by the start of 2020. The global spread of the coronavirus then presented the central banks with new major challenges. In response, the central banks focused on maintaining market liquidity, generally through extensive sovereign bond purchases, so as to counteract the extreme risk aversion of many market participants. Once the financial markets had stabilised, the central banks increasingly turned their focus to supporting lending to the real economy. While the ECB could draw upon established instruments such as its targeted longer-term refinancing operations (TLTRO III), the Fed first had to expand its monetary policy toolbox. It followed the example of other central banks by also purchasing corporate bonds and creating targeted lending incentives for banks.

Economic environment for asset management

The MSCI World Index and equity indices in numerous industrialised nations hit new historic highs at the beginning of the year. This was driven partly by growing confidence in the world economy. The trade dispute between the United States and China appeared to be easing, and stable US growth data indicated that there was plenty of momentum left in the global upswing. In addition, there was an increasingly firm expectation that, in view of low inflation rates, central banks in the major economies would continue with their expansionary monetary policies for the foreseeable future, boosting the relative attractiveness of shares. Yields on German government bonds increased only marginally in this environment and remained in negative territory even for the longer maturity ranges. Narrow risk spreads – both for corporate bonds and for sovereign debt of peripheral European countries such as Italy and Spain – reflected the apparently favourable growth outlook and high investment pressure.

But the view of capital market participants changed suddenly from mid-February as the coronavirus reached Europe and the United States. Corporate profit expectations were rendered obsolete, and an abrupt increase in risk aversion led to a significant correction on equity markets. Corporate bonds were hit by the fear of defaults and widespread rating downgrades, while German government bonds and US Treasuries only briefly benefited from their “safe haven” status. The prospect of a sharp rise in government debt put upward pressure on yields, which the central banks have so far countered with their highly expansionary monetary policy. Sovereign bonds in the peripheral countries have been supported not only by the ECB’s asset purchases but also by the recovery fund proposed by the European Commission, which is designed to ease the burden on financially weaker member states. As at the end of June, however, national governments and parliaments had yet to approve the fund. Against the backdrop of the extremely extensive monetary and fiscal policy measures to overcome the coronavirus crisis, the financial markets have staged a recovery. At mid-year, however, prices on the European equity and corporate bond markets had not yet returned to the levels seen at the start of 2020.

The market performance seen in 2020 to date was also reflected in the investment statistics of the German Investment Funds Association BVI. Total net assets fell by 3% in the first five months of 2020 to €3,280.6bn. Net assets in open-ended mutual funds amounted to €1,037.4bn as at 31 May 2020 (year-end 2019: €1,115.7bn), while the net assets of open-ended special funds stood at €1,842.0bn (year-end 2019: €1,875.0bn). At €–5.2bn, net inflows into open-ended mutual funds were considerably down on the figure for the same period of the previous year (€–1.4bn). Equity funds played a major part in this decline with net inflows of €–7.7bn (comparable previous year: €0.6bn). By contrast, demand for open-ended mutual property funds from January to May 2020 remained positive with net sales of €4.6bn, compared to €5.0bn in the same period of the previous year. The sales figure for open-ended special funds for institutional investors remained high at €29.4bn but was down on the comparative figure for the prior-year period (€33.8bn).

Real estate funds continue to offer an attractive risk/reward ratio in the current interest rate environment. Given high real estate prices and limited availability of suitable properties, however, the investment opportunities open to them remain limited. This is restricting their ability to attract new investor funds, particularly given that it is not possible to generate positive margins from liquidity investments. The real estate markets, too, have not been spared the impact of the coronavirus. While markets for office space remain relatively robust with generally low vacancy rates, retail and hotels are taking a greater hit from the impacts of the pandemic, such as temporary shop closures and travel restrictions. The logistics market, by contrast, is benefiting from the growing trend towards online shopping and a sudden increase in demand for space in certain sectors such as food retail. The investment market is generally seeing planned transactions delayed, renegotiated or cancelled. The global transaction volume was significantly below the previous year's level in the first half of 2020.

Economic environment for the banking business

Despite the rapid loosening of monetary policy following the global spread of the coronavirus, money market rates in the Euromarket (EURIBOR fixings) initially rose in the months of March and April. This was likely due to the higher perceived counterparty risk and the increased issuance of short-term sovereign debt instruments. By the middle of the year, however, the ECB’s extensive liquidity supply and expansion of central bank-eligible collateral meant that turbulence on the money market had largely subsided.

Corporate bonds quickly recovered from the sharp widening of spreads. To improve their difficult liquidity position resulting from a lack of cash flow, companies worldwide conducted an unusually high volume of new issues in the first half of 2020. These new issues featured attractive premiums and therefore met with very high demand from investors. Although the ECB’s enormous purchase programmes supported the bond market, the high volume of new issues also meant that risk premiums on existing bonds remained at a high level compared to the start of the year. Covered bonds, too, rapidly recovered from the spread widening as the ECB’s measures provided strong support to this market. The secondary market for covered bonds became increasingly illiquid as banks placed the majority of their new issues as collateral at the ECB as part of the TLTRO III tender.

The significant fall in economic growth and the expansionary monetary policy of central banks during the pandemic have continued to hit the capital markets business. The margins achievable on the market in the Commission Business unit came under pressure as expected, while the high market volatility led to a slightly increased volume. Sales of structured issues and the third-party issues business both developed positively in the first half of 2020.

The coronavirus pandemic dominated market activity in the financing business in the first six months of the year. While competitive pressure on margins for popular low-risk assets continued across all asset classes at the start of the year, the pandemic has caused a significant fall in business activity since early March, especially in transport financing. The number of business opportunities in the real estate financing business fell sharply in the first half of 2020. This was due to the dramatic fall in investment volume and in the number of purchase and sale transactions as a result of the coronavirus. A lack of liquidity in the banking market in some regions meant that terms and conditions were stable, however.

Regulatory environment

The regulatory environment changed only slightly compared with the situation presented in the 2019 Group management report. Changes to regulations, both those already initiated and those in the pipeline, once again influenced the business model and profitability of the Deka Group during the first half of the 2020 financial year. Higher capital requirements for banks could emerge from the results of the annual Supervisory Review and Evaluation Process (SREP), for example in the context of the supervisory review of the internal models under Pillar 1 of the Basel capital framework.

Implementing the regulations described, which comprise the key regulatory issues for the Deka Group, makes major demands in terms of costs and resources.

Supervisory authorities and regulators have enacted numerous, in some cases temporary, relief measures in light of the coronavirus crisis. The measures described below are of potential significance to DekaBank, but have not all been applied:

- The ECB has permitted the institutions under its supervision to temporarily operate below the LCR as well as the capital level defined by the capital conservation buffer and the P2G (Pillar 2 Guidance). DekaBank is not currently making use of this relief measure and has not adjusted its relevant internal thresholds for capital and liquidity management.
- The ECB has temporarily reduced its capital requirements for market price risk in connection with market volatility.
- The Federal Financial Supervisory Authority (BaFin) has announced that the countercyclical capital buffer will be reduced to 0%. The increase to 0.25% that had been planned for July 2020 will therefore no longer be applied.
- Among other measures, the European Banking Authority (EBA) has permitted lower capital deductions for the prudent valuation of items measured at fair value. This applies initially until the end of 2020.
- The ECB has brought forward a change originally planned for the end of the year, which will allow capital other than Common Equity Tier 1 (CET 1) capital to contribute to meeting P2R (the Pillar 2 Requirement). Banks can make long-term use of this change provided they have sufficient Additional Tier 1 (AT1) capital and Tier 2 (T2) capital.
- The CRR has been amended in European law (CRR quick fix). This allows banks to temporarily adjust their regulatory capital for the effects of increased risk provisioning. Other relief measures relate to the measurement of unrealised losses on banks' holdings of public debt and to the capital deduction for software assets. According to the current knowledge the measures in the CRR quick fix do not offer significant relief for DekaBank.

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

The Fundamental Review of the Trading Book (FRTB) contains amended provisions on the calculation of market risk. On 14 January 2019, the Basel Committee published the final standard with slightly reduced risk weightings in the standardised approach compared with under the 2016 Basel standard. The effect of this is to reduce the increase in risk-weighted assets overall. The European Commission adopted the final Delegated Regulation in mid-December 2019 and integrated the changes to the standardised approach under the 2019 Basel standard into CRR II. The beginning of the reporting obligation for the FRTB standardised approach has been postponed and is now expected in September 2021. The new capital requirements will only apply from a later date.

The provisions of the Basel III regulations finalised in December 2017 (also known as Basel IV), which contain, among other things, rules on the output floor and Credit Risk Standardised Approach (CRSA), are not included in CRR II. The Basel Committee had planned initial application on 1 January 2022 but has now postponed this until 1 January 2023. More specifically, the gradual introduction of an output floor is planned. This will stand at 50% upon introduction at the beginning of 2023 and increase to its final level of 72.5% in 2028. The output floor will limit the benefit of internal models as compared to the standardised approach. Deka currently uses the IRB approach for the majority of its lending. For the general components of interest rate and share price risk, it uses an up-to-date internal model for market price risk. It will therefore be particularly affected by the new output floor rules, which may lead to a significant rise in RWAs going forward. In addition, new rules have been agreed on calculating RWAs for CVA risk and operational risk, which are also to be applied starting in 2023. These may also increase RWAs. Draft legislation for implementation at EU level is not yet available.

Alongside CRR II, the European Council reached an agreement on changes to the EU's Bank Recovery and Resolution Directive (BRRD II) and Single Resolution Mechanism Regulation (SRMR II) and published this in June 2019. These primarily concern the translation of international standards on total loss-absorbing capacity (TLAC) into European law and their harmonisation with the minimum requirements for own funds and eligible liabilities for loss absorption and recapitalisation in the event of resolution (MREL). Within this context, the trilogue negotiation partners reached an agreement on the treatment of MREL-eligible liabilities issued prior to the change in legislation until maturity. As the Single Supervisory Mechanism (SSM) applies to the Deka Group, DekaBank again supported the work on a resolution plan for the Deka Group during the reporting year, which will ultimately be the basis for determining MREL.

In March 2018, the ECB published an addendum to the ECB Guidance to banks on non-performing loans. This detailed its expectations regarding the level of prudential provisioning for all loans classified as non-performing exposures (NPEs) for the first time after 1 April 2018. The expectations set out in the document form the basis for an annual supervisory dialogue. Specifically, the addendum provides for full risk coverage for unsecured (secured) NPEs after two (seven) years from the time of NPE classification. In the event of a shortfall in cover, the banks are required either to make a deduction from their Common Equity Tier 1 capital on their own initiative or to provide the supervisory authorities with adequate justification of their divergence from the prudential provisioning expectations. If the ECB does not accept the justification, this could result in higher capital requirements. The amendment to the CRR concerning the minimum loss cover for non-performing exposures was published in the EU Official Journal on 25 April 2019, thereby entering into force. This provides for a mandatory deduction from the Common Equity Tier 1 capital if the actual risk provisions set up by the institutions fall short of the regulatory minimum requirements for the level of risk provisioning. In August 2019, the ECB then amended the addendum to the ECB Guidance to banks on non-performing loans in relation to the minimum loss coverage ratios and clearly defined the interplay between the ECB Guidance and the CRR when it comes to application. The amendments do not affect the timetable or the ability to justify deviation of actual risk provisioning from the minimum loss cover for non-performing exposures. With the amendments to the CRR (CRR quick fix) that entered into force on 27 June 2020 to mitigate the impact of the coronavirus pandemic on banks, preferential treatment for publicly guaranteed NPEs is permitted in terms of the minimum loss coverage, which does not need to be reached until the eighth year after classification as an NPE.

Tax policy developments

At its meeting on 13 March 2018, the EU's Economic and Financial Affairs Council (ECOFIN) reached a political agreement on the planned disclosure regime for cross-border tax arrangements. The related EU administrative cooperation directive 2011/16/EU (DAC 6 Directive) entered into force on 25 June 2018. This obligates intermediaries and taxpayers (including banks and investment management companies) to report information on certain cross-border arrangements to the tax authorities. The first reports are due from 1 July 2020. Tax arrangements for the period after 24 June 2018 and prior to 1 July 2020 must be reported by no later than 31 August 2020. Implementation began in the fourth quarter of 2019 and was completed as scheduled by 30 June 2020. Publication of an explanatory document from the Federal Ministry of Finance (BMF), which is expected to include a white list of products and services judged to be unproblematic, is expected in the third quarter of 2020.

Business development and profit performance in the Deka Group

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

The coronavirus pandemic and its impacts on the economy, business cycle and capital markets also affected the Deka Group's performance in the first half of 2020. Deka took swift action in March to adapt its business operations and management processes to the new situation. The crisis team worked with the departments to analyse the situation on a daily basis at the height of the crisis, looking at key operational processes and formulating cross-divisional measures. Deka therefore remained fully operational at every stage. The frequency and scope of reporting to the Board of Management on business development, operational management and key business processes were increased. Meetings of the Board of Management and senior management committees took place significantly more frequently in order to assess the situation and initiate management measures. Deka used early and active risk management to respond to the crisis, both in terms of market and credit risk in the banking business and with a view to fund management of customers' trust assets. It further stepped up its support for the savings banks and institutional customers and switched to digital formats.

Given the circumstances, business development in the first half of 2020 was satisfactory, though the economic result of €162.5m was down on the comparative figure for the previous year (€223.1m). This was principally due to higher risk provisions for the transport sector, which was particularly affected by the coronavirus crisis and an increase in the general provisions.

Income in the first half of 2020 amounted to €757.9m (H1 2019: €771.4m). The decline of 1.8% was primarily due to higher risk provisioning. Without risk provisions, income would have exceeded the figure for the equivalent period of the previous year. Net commission income was the main component of income, accounting for 76%.

Expenses of €595.5m were 8.6% above those seen in the first half of 2019 (€548.3m). This was primarily due to the increased bank levy, higher contributions to the deposit guarantee scheme of the *Landesbanken* and *Girozentralen* and restructuring expenses incurred as part of the strategic cost initiative. Personnel and operating expenses rose moderately in line with expectations.

In the first six months of 2020, the Deka Group achieved net sales of €14.5bn, considerably exceeding the figure for the same period of the previous year (€6.7bn).

The Group increased net sales in the retail customer segment by €2.5bn year-on-year to €6.9bn. Fund sales rose from €1.6bn to €4.6bn. Equity funds (€2.5bn), real estate funds (€1.6bn) and mixed funds (€0.7bn) accounted for a particularly significant share of this figure. Sales of certificates to retail customers totalled €2.3bn (H1 2019: €2.8bn).

With net sales of €7.5bn, the institutional customer segment recorded a strong increase versus the same period of the previous year (€2.3bn). This positive development was chiefly attributable to the institutional fund business with net sales of €6.1bn (H1 2019: €1.5bn). Certificate sales to institutional customers in the reporting period came to €1.4bn (H1 2019: €0.8bn).

Investors signed up to around 356,000 new Deka investment savings plans in the first half of 2020 (H1 2019: approximately 200,000), meaning that Deka now manages a total of almost 5.5 million contracts.

Deka Group net sales *in €m (Fig. 1)*

	1st half 2020	1st half 2019
Net sales	**14,470**	**6,703**
by customer segment		
Retail customers	6,923	4,434
Institutional customers	7,547	2,269
by product category		
Mutual funds and fund-based asset management	4,558	1,238
Special funds and mandates	5,645	2,201
Certificates	3,711	3,565
ETFs	556	–302

Despite sales performance being well into positive territory at over €14bn, total customer assets fell by €3.7bn compared with year-end 2019 to €309.8bn. This was due to a crisis-related negative investment performance (€–14.0bn), distributions to investors (€–1.9) and maturing certificates (€–2.1bn).

Deka Group total customer assets *in €m (Fig. 2)*

	30 Jun 2020	31 Dec 2019	Change	
Total customer assets	**309,759**	**313,412**	–3,653	–1.2%
by customer segment				
Retail customers	155,215	158,749	–3,534	–2.2%
Institutional customers	154,544	154,662	–118	–0.1%
by product category				
Mutual funds and fund-based asset management	150,668	154,347	–3,679	–2.4%
Special funds and mandates	128,547	127,360	1,187	0.9%
Certificates	22,218	22,670	–452	–2.0%
ETFs	8,326	9,035	–709	–7.8%

See also: Capital adequacy in the first half of 2020: page 34 ff.

The Common Equity Tier 1 capital ratio amounted to 13.0% as at 30 June 2020. This was 1.2 percentage points lower than at the end of the previous year, with the decline mainly attributable to the coronavirus crisis. Common Equity Tier 1 capital amounted to €4,481m (year-end 2019: €4,579m). The decline was mainly due to a larger shortfall of provisions and to the neutralisation of valuation effects for own issues dating from the 2019 financial year. Meanwhile, there was a positive effect from the retention of parts of the profit from the 2019 annual financial statements.

Risk-weighted assets (RWAs) rose by 7.0% from the year-end 2019 figure of €32,229m to €34,489m. The €984m increase in market risk to €10,254m was mainly due to significantly higher general market risks given increased volatility and spread risk in the coronavirus crisis. In particular, rating downgrades linked to the coronavirus crisis led to a €1,005m rise in credit risk to €20,153m. Operational risk increased by €204m to €3,447m. CVA risk came to €635m (year-end 2019: €570m).

The leverage ratio (fully loaded) fell by 0.4 percentage points from its year-end 2019 level to 4.5% at 30 June 2020. A minimum ratio of 3.0% applies from June 2021 onwards.

European banks must hold a minimum volume of own funds and MREL-eligible liabilities in order to provide sufficient loss coverage and recapitalisation in the event of resolution. The balance sheet-based approach calculates the ratio of own funds and MREL-eligible liabilities to own funds and total liabilities (TLOF). At the reporting date, the MREL ratio stood at 19.9% (year-end 2019: 22.0%).

See also: Liquidity adequacy in the first half of 2020: page 37 ff.

The Deka Group had sufficient liquidity, measured using the liquidity balances and LCR throughout the first half of 2020. The LCR was 149.2% at mid-year (year-end 2019: 170.6%), considerably above the minimum requirement of 100%.

Economic risk-bearing capacity was at a non-critical level overall at the end of June 2020. At 81.8%, utilisation of risk appetite was up significantly on the figure as of year-end 2019 (63.9%). This was mainly due to the development of market price, counterparty and business risk given the impact of the coronavirus crisis. At 64.2%, utilisation of risk capacity was significantly above the figure for year-end 2019 (50.7%).

Profit performance of the Deka Group

The economic result as at the end of the first six months of 2020 stood at €162.5m. This was below the figure for the first half of 2019 (€223.1m), due to higher risk provisions and the increase in the general provisions. Income fell by 1.8% to €757.9m (H1 2019: €771.4m). At €595.5m, total expenses were up by 8.6% on the first half of 2019 (€548.3m).

Net interest income of €96.6m was on a level with the €97.5m recorded in the first half of 2019. 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 were key components of net interest income.

Risk provisions in the lending and securities business increased to €–68.9m in the first half of 2020 (H1 2019: €–11.4m), primarily due to the particularly severe impact of the coronavirus crisis on the transport sector. The lending business accounted for €–67.3m (H1 2019: €–10.0) of this total and the securities business for €–1.6m (H1 2019: €–1.5m).

Net commission income stood at €576.7m (H1 2019: €591.4m) and made up 76% of total income. Commission from the investment fund business remained moderately below the previous year's figure, mainly due to provisions for guarantee products. Commission from banking business also fell slightly short of the result for the first half of 2019. In contrast, commission from custody account business exceeded the prior-year level, chiefly due to higher transaction fees.

Net financial income was €178.0m, substantially above the figure for the first half of 2019 (€148.0m). This figure includes all income and expense items from the trading book as well as the valuation and sale results from the banking book portfolios.

Net financial income from the trading book improved from €120.9m in the first half of 2019 to €152.2m. A key component was income from the Trading & Structuring unit, which saw a strong increa.se year-on-year. The contribution from the Collateral Trading & Currency unit was down on the figure for the first half of 2019.

Net financial income from the banking book was €25.8m (H1 2019: €27.2m). The increase in the first half of 2020 reflected positive net income from own issues as well as other own credit quality effects. Meanwhile, valuation results on securities in the wake of spread movements had a negative effect. An amount of €50.0m was added to the general provision for potential risks (H1 2019: €0.0bn). Additions to or releases from the general provision are reflected in the economic result, but do not form part of the IFRS profit or loss and are not allocated to specific business divisions.

Other operating profit was €–24.4m (H1 2019: €–54.1m). Actuarial losses of €–19.2m on provisions for pensions had a negative effect. The positive effect from the rise in the actuarial interest rate to 1.25% (year-end 2019: 1.10%) was outweighed by the market-induced fall in the value of plan assets. In the same period of the previous year, actuarial losses of €–57.4m were recognised on provisions for pensions. Actuarial effects are not included in the IFRS profit or loss as they are posted directly to equity (revaluation reserve). However, they are reported in the economic result as part of the profit or loss for the period.

Personnel expenses rose slightly to €276.5m (H1 2019: €269.1m). This was in line with expectations and resulted mainly from wage and salary rises under collective agreements.

Other administrative expenses including depreciation and amortisation rose moderately year-on-year from €218.9m in the first half of 2019 to €224.8m. This resulted particularly from higher consultancy expenses (mainly for projects) and higher expenses for computer equipment and machinery. Meanwhile, expenditure on staff recruitment, temporary staff, postage/telephone/office supplies and travel were down on the first half of the previous year. At €28.0m, depreciation and amortisation charges were slightly up on the previous year's figure (€26.4m).

The annual contribution to the deposit guarantee scheme of the *Landesbanken* and *Girozentralen* amounted to €20.4m (H1 2019: €17.2m). At €52.4m, the bank levy was €12.0m higher than in the comparative period (€40.4m).

Restructuring expenses of €21.5m were incurred in the first six months of 2020. They resulted primarily from the strategic cost initiative, which is focusing on a lasting reduction in personnel and operating expenses through initiatives to improve and consolidate operations. The comparative figure of €2.7m includes expenses in connection with the strategic restructuring of the subsidiary Deka Vermögensmanagement GmbH (DVM) in the Asset Management Securities business division.

The cost/income ratio, i.e. the ratio of total expenses to total income (excluding restructuring expenses and movements in provisions for loan losses and securities business), was 69.4% and therefore on a level with the same period of the previous year (69.7%).

Return on equity (before tax) stood at 6.6% (H1 2019: 9.3%).

Deka Group performance *in €m (Fig. 3)*

	1st half 2020	1st half 2019	Change	
Net interest income	96.6	97.5	–0.9	–0.9%
Risk provisions in the lending and securities business	–68.9	–11.4	–57.5	(< –300%)
Net commission income	576.7	591.4	–14.7	–2.5%
Net financial income	178.0	148.0	30.0	20.3%
Other operating profit	–24.4	–54.1	29.7	54.9%
Total income	**757.9**	**771.4**	–13.5	–1.8%
Administrative expenses (including depreciation and amortisation)	574.0	545.6	28.4	5.2%
Restructuring expenses	21.5	2.7	18.8	(> 300%)
Total expenses	**595.5**	**548.3**	47.2	8.6%
Economic result	**162.5**	**223.1**	–60.6	–27.2%

Business development and profit performance by business division

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

The Asset Management Securities business division posted an economic result of €121.4m in the first half of 2020 due to the difficult environment created by the coronavirus crisis (H1 2019: €172.0m). Net sales painted a positive picture and were significantly up on the previous year at €8.9bn. Despite this, total customer assets fell to €243.5bn due to a market-induced negative investment performance (year-end 2019: €248.5bn).

Net sales and total customer assets

Net sales in the Asset Management Securities business division totalled €8.9bn in the first six months of the year (H1 2019: €1.2bn). Despite the challenging conditions, the retail customer and institutional customer businesses both performed better than in the previous year. Net sales of mutual securities funds (including fund-based asset management) were €2.8bn (H1 2019: €–0.4bn). Sales of equity, bond and mixed funds rose significantly year-on-year. ETFs achieved net sales totalling €0.6bn, thus exceeding the previous year's figures for both ETF equity and ETF bond funds.

Net sales of special funds and mandates (including master funds) grew to €5.5bn (H1 2019: €1.9bn). In particular, securities special funds and master funds showed positive development compared with the same period of the previous year.

Net sales performance in the Asset Management Securities business division *in €m (Fig. 4)*

	1st half 2020	1st half 2019
Net sales	**8,882**	**1,228**
by customer segment		
Retail customers	3,011	127
Institutional customers	5,871	1,101
by product category		
Mutual funds and fund-based asset management	2,824	–369
ETFs	556	–302
Special funds and mandates	5,503	1,899

Despite the positive sales, market developments in the first half of 2020 meant that the business division’s total customer assets of €243.5bn were down by €5.0bn on the figure seen at the end of 2019.

Total customer assets in the Asset Management Securities business division *in €m (Fig. 5)*

	30 Jun 2020	31 Dec 2019	Change	
Total customer assets	**243,519**	**248,520**	–5,001	–2.0%
by customer segment				
Retail customers	108,847	113,336	–4,489	–4.0%
Institutional customers	134,672	135,184	–512	–0.4%
by product category				
Mutual funds and fund-based asset management	115,315	120,561	–5,246	–4.4%
thereof: equity funds	35,637	38,204	–2,567	–6.7%
thereof: bond funds	28,243	30,031	–1,788	–6.0%
thereof: mixed funds	17,150	17,580	–430	–2.4%
ETFs	8,326	9,035	–709	–7.8%
Special funds and mandates	119,878	118,924	954	0.8%

Profit performance in the Asset Management Securities business division

At €121.4m, the division’s economic result saw a market-induced fall compared to the same period of the previous year (€172.0m). This was chiefly attributable to the lower net commission income due to market-induced higher provisions for guarantee products. At €174.0m, expenses were slightly down on the previous year’s figure of €185.7m.

Profit performance in the Asset Management Securities business division *in €m (Fig. 6)*

	1st half 2020	1st half 2019	Change	
Net commission income	314.4	347.3	–32.9	–9.5%
Other income	–3.6	12.3	–15.9	–129.3%
Total income	**310.8**	**359.5**	–48.7	–13.5%
Administrative expenses (including depreciation and amortisation)	173.7	183.0	–9.3	–5.1%
Restructuring expenses	0.3	2.7	–2.4	–88.9%
Total expenses	**174.0**	**185.7**	–11.7	–6.3%
Economic result before income distribution of Treasury function	**136.8**	**173.8**	–37.0	–21.3%
Income distribution of Treasury function	–15.4	–1.9	–13.5	(< –300%)
Economic result	**121.4**	**172.0**	–50.6	–29.4%

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

At €52.8m, the economic result in the Asset Management Real Estate business division exceeded the figure for the first half of 2019 (€44.7m). Net sales remained stable year-on-year despite the current situation. With a sound investment performance, total customer assets stood at €44.0bn.

Net sales and total customer assets

Net sales were almost unchanged year-on-year at €1.9bn. As in previous years, the tried-and-tested quota system for sales to retail customers was maintained. This allows the inflow of funds into the products to be managed efficiently, even in the face of high demand. What is more, the funds' liquidity resources can be limited in the current low interest rate environment. This also helps to prevent excessive investment pressure arising in view of the continuing high real estate prices.

Mutual funds accounted for 92% of the division’s net sales. There was particularly high demand again for products focused on Europe, such as *Deka-ImmobilienEuropa* and *WestInvest InterSelect*.

The net inflow into special funds, individual property funds, credit funds and mandates was €0.1bn, which was lower than the comparative figure for the previous year.

Net sales performance in the Asset Management Real Estate business division *in €m (Fig. 7)*

	1st half 2020	1st half 2019
Net sales	**1,876**	**1,910**
by customer segment		
Retail customers	1,609	1,500
Institutional customers	267	409
by product category		
Mutual property funds	1,734	1,608
Special funds, individual property funds and mandates	142	302

Despite distributions in excess of €0.6bn and the coronavirus crisis, total customer assets in the Asset Management Real Estate business division rose by 4.3% versus the end of 2019 to €44.0bn (year-end 2019: €42.2bn). Of this total, €32.4bn was attributable to products for retail customers. A yield-focused cash management policy and the sales launch of *Deka-ImmobilienMetropolen*, a retail fund that invests globally, contributed to the increase in total customer assets. Euro-denominated mutual property funds achieved an average volume-weighted return of 2.8% (year-end 2019: 3.3%).

Despite travel restrictions and other impacts of the coronavirus crisis, the transaction volume, i.e. purchases and sales of property, rose to around €2bn (H1 2019: €1.1bn). Around 92% of the overall transaction volume concerned a total of 17 contractually secured property purchases. There were 4 disposals, representing around 8% of the transaction volume. Business activities continue to centre on properties in the office, retail, logistics and hotel asset classes.

Total customer assets in the Asset Management Real Estate business division *in €m (Fig. 8)*

	30 Jun 2020	31 Dec 2019	Change	
Total customer assets	**44,022**	**42,222**	1,800	4.3%
by customer segment				
Retail customers	32,446	31,078	1,368	4.4%
Institutional customers	11,576	11,143	433	3.9%
by product category				
Mutual property funds	35,352	33,786	1,566	4.6%
Special funds, individual property funds and mandates	8,669	8,436	233	2.8%

Profit performance in the Asset Management Real Estate business division

The economic result of the Asset Management Real Estate business division stood at €52.8m in the first half of 2020 compared with €44.7m in the prior-year period. The year-on-year increase was due primarily to higher net commission income. This was attributable in particular to commission income from purchasing and construction fees, which was higher than in the previous year. The expenses showed a slight increase compared to the first half of the previous year due to higher personnel expenses as a result of an increased real estate portfolio.

Profit performance in the Asset Management Real Estate business division *in €m (Fig. 9)*

	1st half 2020	1st half 2019	Change	
Net interest income	0.3	–0.2	0.5	225.0%
Net commission income	125.1	113.9	11.2	9.8%
Net financial income	–1.5	0.8	–2.3	–287.5%
Other operating profit	1.1	0.1	1.0	(> 300%)
Total income	**125.0**	**114.6**	10.4	9.1%
Administrative expenses (including depreciation and amortisation)	71.6	69.5	2.1	3.0%
Total expenses	**71.6**	**69.5**	2.1	3.0%
Economic result before income distribution of Treasury function	**53.4**	**45.1**	8.3	18.5%
Income distribution of Treasury function	–0.6	–0.3	–0.3	–76.5%
Economic result	**52.8**	**44.7**	8.1	18.1%

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

The economic result as of the end of June 2020 was €17.8m (H1 2019: €8.8m). The number of securities accounts increased by 92 thousand versus the end of 2019 to 4.9 million. Meanwhile, assets under custody (assets held by the Deka Group in its capacity as custodian bank) fell by 1.6% compared to the end of 2019 to €216.7bn. The digital multichannel management offering was expanded, for example with the S Invest app and the new option to open a joint securities account with the bevestor robo-advisory product.

Business development in the Asset Management Services business division

Due to market developments in the first half of 2020, assets under custody in the Digital Multichannel Management subdivision fell to €134.0bn (year-end 2019: €136.3bn). The number of securities transactions, however, recorded a sharp increase year-on-year to 47.2 million (H1 2019: 36.3 million). This was due to the continued positive sales figures for savings agreements as well as a noticeable rise in the number of transactions via S Broker, which, as the Deka Group's online broker, has benefited from the current situation. As of mid-2020, the robo-advisory service bevestor has been integrated into the multimedia sales of 306 savings banks (year-end 2019: 291) as part of a cooperation model.

Assets under custody fell slightly to €216.7bn (year-end 2019: €220.3bn) due to market developments. The number of custody accounts for which the division is the legal provider rose increased by 92 thousand to 4.9 million in the first half of 2020.

Profit performance in the Asset Management Services business division

The economic result for the Asset Management Services business division was €17.8m in the first half of 2020 (H1 2019: €8.8m). The largest income component was net commission income amounting to €99.6m (H1 2019: €88.2m). The increase was attributable especially to a strong rise in the transaction volume for S Broker. Against this, expenses came to €85.8m (H1 2019: €86.8m).

Profit performance in the Asset Management Services business division *in €m (Fig. 10)*

	1st half 2020	1st half 2019	Change	
Net interest income	0.8	1.7	–0.9	–52.9%
Risk provisions in the lending and securities business	–0.1	–	–0.1	o.A.
Net commission income	99.6	88.2	11.4	12.9%
Net financial income	0.8	3.6	–2.8	–77.8%
Other operating profit	3.0	2.7	0.3	11.1%
Total income	**104.0**	**96.1**	7.9	8.2%
Administrative expenses (including depreciation and amortisation)	85.8	86.8	–1.0	–1.2%
Total expenses	**85.8**	**86.8**	–1.0	–1.2%
Economic result before income distribution of Treasury function	**18.2**	**9.3**	8.9	95.7%
Income distribution of Treasury function	–0.4	–0.5	0.1	20.0%
Economic result	**17.8**	**8.8**	9.0	102.3%

Business development and profit performance in the Capital Markets business division

Due to the impact of the coronavirus crisis, the economic result in the Capital Markets business division of €78.0m was below the comparative figure for the prior-year period (€96.0m). The business division continued to fulfil its important role as the Deka Group’s provider of products, solutions and infrastructure.

Business development in the Capital Markets business division

Despite its solid positioning in repo/lending transactions, among other areas, the Collateral Trading & Currency subdivision fell short of the comparable figure for the previous year due to the persistent low interest rates and high level of market liquidity. The Commission Business subdivision performed positively amid very high market volatility. In the Trading & Structuring subdivision, the crisis kept performance significantly below the previous year’s figure. Net sales of certificates amounted to €3.7bn (H1 2019: €3.6bn). At just shy of €2.3bn, retail customers accounted for the lion's share of demand (H1 2019: €2.8bn). Certificate sales to institutional customers came to €1.4bn (H1 2019: €0.8bn).

Profit performance in the Capital Markets business division

At €78.0m, the division’s economic result in the reporting period was down on the comparative figure for the previous year (€96.0m). This was primarily due to negative valuation results on securities in the wake of spread movements during the coronavirus crisis. At €85.8m, expenses were slightly below the equivalent figure for the previous year.

Profit performance in the Capital Markets business division *in €m (Fig. 11)*

	1st half 2020	1st half 2019	Change	
Net interest income	21.3	32.0	–10.7	–33.4%
Risk provisions in the lending and securities business	–2.0	–0.9	–1.1	–122.2%
Net commission income	32.9	29.3	3.6	12.3%
Net financial income	125.9	136.1	–10.2	–7.5%
Other operating profit	1.1	1.1	0.0	0.0%
Total income	**179.2**	**197.5**	–18.3	–9.3%
Administrative expenses (including depreciation and amortisation)	85.8	89.6	–3.8	–4.2%
Total expenses	**85.8**	**89.6**	–3.8	–4.2%
Economic result before income distribution of Treasury function	**93.3**	**107.9**	–14.6	–13.5%
Income distribution of Treasury function	–15.4	–11.9	–3.5	–29.4%
Economic result	**78.0**	**96.0**	–18.0	–18.8%

Business development and profit performance in the Financing business division

Amid the effects of the coronavirus crisis, the Financing business division recorded a negative economic result of €–31.5m in the first half of 2020 (H1 2019: €35.4m). Gross loan volume in the division posted a moderate fall of around 3% to €26.5bn at mid-year.

Business development in the Financing business division

Gross loan volume in the Specialised Financing subdivision fell slightly to €15.6bn (year-end 2019: €16.1bn). Infrastructure financing accounted for €3.7bn (year-end 2019: €4.0bn), export financing for €1.5bn (year-end 2019: €1.6bn) and public sector financing for €2.7bn (year-end 2019: €2.3bn). Of the transport financing of €4.6bn (year-end 2019: €4.7bn), ship financing accounted for €1.2bn (year-end 2019: €1.3bn) and aircraft financing for €3.4bn (year-end 2019: €3.5bn). Gross loan volume for savings bank financing fell by €0.4bn as against the end of 2019 to €3.0bn.

The legacy portfolio, which primarily contains ship financing loans that were made before the lending risk strategy was changed in 2010, was reduced further to €0.1bn as planned (year-end 2019: €0.2bn).

Gross loan volume in the Real Estate Financing subdivision fell moderately during the first half of 2020 to €11.0bn (year-end 2019: €11.2bn). The volume of commercial property loans fell slightly to €8.5bn (year-end 2019: €8.9bn). In contrast, financing volume in open-ended real estate funds expanded slightly to €2.4bn (year-end 2019: €2.3bn).

Compared to year-end 2019, the average rating for the loan portfolio as a whole according to the DSGV master scale deteriorated by one notch to 6, mainly due to the effects of the coronavirus pandemic. This corresponds to a rating of BB+ on S&P's external rating scale. The average rating for Specialised Financing slipped from 5 to 7 over the same period (S&P: BBB– to BB). The rating for Real Estate Financing changed by one notch from 4 to 5 (S&P: both BBB–). Taking account of collateralised assets, the average rating for Real Estate Financing deteriorated from AA (S&P: A+) to AA– (S&P: A+) on the DSGV master scale.

Due to the crisis, the new business volume in the Financing business division was significantly lower at the end of the first half of 2020 than in the same period of 2019, amounting to €1.9bn (H1 2019: €3.6bn). New business of €0.9bn in Specialised Financing (H1 2019: €2.2bn) and €1.0bn in Real Estate Financing (H1 2019: 1.4bn) fell short of the previous year's figures. This was due to the effects of the coronavirus pandemic. Loans to savings banks accounted for around 4% of total new business in the division (H1 2019: 3%).

The volume of placements also fell as against the comparative figure for 2019 to around €0.3bn as of the end of June 2020. The lion's share of this amount was placed directly with the *Sparkassen-Finanzgruppe*.

Profit performance in the Financing business division

The Financing business division ended the first six months of 2020 with an economic result of €–31.5m (H1 2019: €35.4m). Net interest income was up on the previous year's figure due to higher volumes, while net commission income, which is driven by new business, fell sharply year-on-year due to the coronavirus crisis. Risk provisions rose to €–66.6m in the first half of 2020, especially due to the effects of the coronavirus crisis (H1 2019: €–10.6m). Net financial income of €–13.0m also includes a negative earnings effect from fair value loans. Expenses remained stable year-on-year at €32.4m.

Profit performance in the Financing business division *in €m (Fig. 12)*

	1st half 2020	**1st half 2019**	Change	
Net interest income	69.6	64.8	4.8	7.4%
Risk provisions in the lending and securities business	–66.6	–10.6	–56.0	(< –300%)
Net commission income	5.8	13.7	–7.9	–57.7%
Net financial income	–13.0	–0.9	–12.1	(< –300%)
Other operating profit	–0.1	5.5	–5.6	–101.8%
Total income	**–4.3**	**72.6**	–76.9	–105.9%
Administrative expenses (including depreciation and amortisation)	32.4	32.1	0.3	0.9%
Total expenses	**32.4**	**32.1**	0.3	0.9%
Economic result before income distribution of Treasury function	**–36.7**	**40.5**	–77.2	–190.6%
Income distribution of Treasury function	5.2	–5.0	10.2	204.0%
Economic result	**–31.5**	**35.4**	–66.9	–189.0%

Financial position of the Deka Group

Changes in the Deka Group balance sheet

The Deka Group's total assets rose by 9% relative to the end of 2019 to reach €106.1bn. On the liabilities side were higher volumes in the repo business and increased amounts due to customers. Opposite them on the asset side were increased balances with central banks.

Amounts due from banks and customers rose as against the end of 2019 by €1.1bn to €52.1bn and accounted for almost half of total assets. The change resulted mainly from short-term money market transactions. Financial assets measured at fair value dropped to €28.5bn in the first half of 2020 (year-end 2019: €30.4bn). This was due in particular to the reduction in securities in the banking book as part of active risk management and a volume-driven reduction in equities in connection with synthetic lending transactions. At €11.5bn, financial investments were moderately higher than at the end of the previous year.

Amounts due to banks and customers increased by €14.0bn in the first six months of 2020 to €55.3bn, corresponding to around 52% of total assets. The reason for the change in amounts due to banks was an increase in repo transactions, while amounts due to customers increased largely due to higher balances in current accounts and a rise in short-term time deposits. Securitised liabilities dropped by €7.2bn to €10.5bn, principally due to commercial papers falling due. At €31.9bn, financial liabilities measured at fair value were moderately higher than at the end of 2019. This was mainly due to the development of derivatives from the trading book.

Changes in the Deka Group balance sheet *in €m (Fig. 13)*

	30 Jun 2020	31 Dec 2019	Change	
Total assets	**106,053**	**97,282**	8,771	9.0%
Selected asset items				
Due from banks and customers	52,080	50,950	1,130	2.2%
Financial assets at fair value	28,521	30,442	–1,922	–6.3%
Financial investments	11,455	10,748	707	6.6%
Selected liability items				
Due to banks and customers	55,279	41,248	14,030	34.0%
Securitised liabilities	10,531	17,752	–7,222	–40.7%
Financial liabilities at fair value	31,873	29,903	1,970	6.6%

Capital and Liquidity adequacy

Full details of capital and liquidity adequacy in the first half of 2020 are provided in the risk report section of the Group management report.

See also:
Risk report:
page 33 ff.

Ratings

DekaBank's ratings remained among the best in its peer group of German commercial banks at mid-year. This enables access to the money and capital markets on stable and competitive terms.

The rating assessments from S&P and Moody's reflect the high strategic importance of the Deka Group to the savings bank sector as well as the adequate capital and liquidity base for its business model.

In June 2020, the Moody's rating agency issued its first rating for the DekaBank mortgage register. Deka received the top rating of Aaa with no additional collateral requirements. This was due to the Bank's good credit rating combined with the high quality of real estate loans in the cover pool. DekaBank has thereby opened up a further collateralised funding channel.

Ratings overview *(Fig. 14)*

	Standard & Poor's	Moody's
Bank Ratings		
Issuer Rating	A+ (negative) Issuer Credit Rating	Aa2 (stable) Issuer Rating
Counterparty Rating	A+ Counterparty Credit Rating	Aa2 Counterparty Risk Rating
Deposit Rating	N/A	Aa2 Bank Deposits
Own financial strength	bbb Stand-alone Credit Profile	baa2 Baseline Credit Assessment
Short-term rating	A-1 Short-term Rating	P-1 Short-term Rating
Issuance Ratings		
Preferred Senior Unsecured Debt	A+ Senior Unsecured Debt	Aa2 (stable) Senior Unsecured Debt
Non-Preferred Senior Unsecured Debt	A Senior Subordinated Debt	A1 Junior Senior Unsecured Debt
Public Sector Covered Bonds	N/A	Aaa Public Sector Covered Bonds
Mortgage Covered Bonds	N/A	Aaa Mortgage Covered Bonds

Human resources report

The Deka Group employed a total of 4,662 people as of 30 June 2020 (year-end 2019: 4,723). The number of employees is determined by counting the number of employment contracts (temporary and permanent) in existence at the reporting date, including inactive employees, trainees and interns. The number of earnings-relevant full-time equivalents dropped slightly from 4,108 at the end of 2019 to 4,090. The number includes part-time employees actively involved in work processes in the Deka Group, who are counted *pro rata* on the basis of their working hours.

Forecast report

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Forward-looking statements

The Deka Group's planning is based on the assumptions about future economic development that appear the most probable from a current standpoint. Statements about the expected development in the second half of 2020 are nevertheless subject to uncertainty.

Actual trends in the international capital, money and property markets or in the Deka Group's business divisions may diverge significantly from our assumptions, which are partly based on expert estimates. The Deka Group's risk position is summarised in the risk report. If the risk scenarios referred to in the risk report should materialise, for example as a result of stress situations or counterparty default, this may result in negative differences from the forecast during the remaining months of the 2020 financial year. Conversely, opportunities may result in expectations being exceeded. The latest opportunities report can be found in the Annual Report 2019. There were no significant changes as of mid-2020.

It is still not yet possible in mid-2020 to reach a conclusive estimate as to the effects of the coronavirus pandemic on the world economy. This means that a high degree of uncertainty remains about future market developments. It therefore cannot be ruled out that the earnings, risk and capital situation, along with the corresponding performance indicators, may turn out to be less favourable than presented in the forecast report.

Expected macroeconomic conditions

For 2020 as a whole, DekaBank anticipates a 3.9% decline in global gross domestic product. However, the economy is expected to continue its path out of the coronavirus recession in the second half of the year. Despite considerable support from expansionary monetary and fiscal policy, there will not be a complete economic recovery this year. This is due to the uncertainty associated with restarting national economies after the lockdown. Moreover, global demand continues to be held back by the spread of the coronavirus in emerging market countries, which is significantly more severe at present than in industrialised nations. The uncertainty over a possible second wave of the coronavirus in the coming autumn and winter is also likely to be weighing on sentiment on the financial markets and in the real economy. There is a possibility that the president of the United States Donald Trump may intensify trade policy conflicts with China and Europe to boost his re-election chances. In retaliation for the digital services tax in the European Union, the United States may impose tariffs on the aerospace and automotive industries. Negotiations on a free-trade agreement between the United Kingdom and European Union have not been very constructive. This means that there is still the possibility of a no-trade-deal Brexit at the end of the transition period (end of 2020).

Whereas unemployment appears to have peaked in the United States, it may continue rising in the eurozone in the coming months. Falling but still high unemployment rates are expected for the coming years and are likely to slow wage growth. Despite stabilising oil prices, the inflation rate should therefore remain generally low. In the eurozone, this means inflation of less than 1% in most cases, with the exception of energy and food prices. In this context, the ECB is likely to maintain its highly expansionary monetary policy.

Having directed their first response to the coronavirus pandemic at maintaining a functioning financial system, central banks' focus has now returned to macroeconomic goals. Central banks around the world are seeking to accelerate the economic recovery with extremely favourable financing conditions in order to avert permanent economic damage and bring inflation back into line with their targets in the medium term. In the United States, the Federal Reserve is likely to gradually wind down its securities purchases. Its key interest rates, however, are set to remain at low levels for years to come. To create the most growth-friendly possible financial market environment, the ECB is likely in the near future to emphasise the possibility of further monetary policy loosening, whether in the form of even more extensive asset purchases or another cut in the deposit rate. Even if it does not make use of these monetary policy options, however, it is unlikely to end to its asset purchases altogether or raise key rates for many years.

Expected environment for asset management

The significant recovery in equity markets since mid-March is likely to be followed by a longer period of consolidation in the second half of the year. A swift resumption of economic activity and strong support from monetary and fiscal policy have already been priced in. Although the market environment for equities remains generally favourable, economic and corporate data in the coming months are also likely to have some unwelcome surprises in store. This is likely to put a limit on the upward trend in share indices. No more than a slow rise in yields on long-dated German government bonds should be expected. In the eurozone, the expansionary monetary policy will militate against an excessive increase in yields and risk premiums on the sovereign bond markets. Corporate bonds will benefit both from the gradually subsiding macroeconomic risks and the continuing low interest rate environment.

Real estate asset management remains an appealing asset class. However, investment opportunities for real estate funds remain limited, meaning that restraint is still called for when attracting new inflows. The generally weaker demand triggered by the uncertainty of the crisis is likely to produce rising vacancy rates and downward pressure on rents in the property market, especially in the countries worst hit by the pandemic. Rent incentives will become more important. We expect rising yields in 2020 followed by stabilisation in 2021. In the ongoing low interest rate environment, yields will nevertheless remain at low levels for the foreseeable future, presenting fund management with particular challenges.

Expected environment for the banking business

The ECB's extensive securities purchases and longer-term refinancing operations mean that surplus reserves in the banking system will continue rising and remain at very high levels for years to come. This will push EONIA, EURIBOR and other rates towards the current negative deposit rate of –0.5%. Excess liquidity will also reinforce the structurally already high investment pressure on market participants. As a result, yields on low-risk fixed-interest securities such as German government bonds and covered bonds will also remain negative for the time being, even in the longer maturity ranges. For the somewhat higher-risk securities such as corporate bonds and sovereign bonds issued by the peripheral countries, yield spreads are mostly still a little higher than before the coronavirus outbreak. Here too, however, strong investment pressure will likely result in narrowing spreads if the economic recovery is relatively steady and further geopolitical conflicts are avoided.

The capital markets business will continue to be influenced by high market liquidity and low interest rates throughout the remainder of the year. In this environment, the Deka Group expects only moderate changes. In the financing business, a return to increasing market liquidity, along with investment pressure among institutional investors, will put increasing pressure on margins again, which may be reflected in the terms and conditions offered. The further development of the financing business will depend substantially on the duration of the coronavirus pandemic.

Expected business development and profit performance

The Deka Group is continuing to follow through on its *Wertpapierhaus* strategy. With the Management Agenda 2025, it aims to further enhance its position as a customer-focused, innovative and sustainable *Wertpapierhaus* for the savings banks.

It is not yet possible in mid-2020 to reach a conclusive estimate as to the effects of the coronavirus pandemic on the world economy. This means that a high degree of uncertainty remains about future market developments.

The forecast report in the 2019 Group management report predicted that the economic result for 2020 as a whole would be moderately below that for the 2019 reporting year. There was added that the full-year economic result might fall significantly more sharply from 2019 levels if the coronavirus had a lasting impact on economic growth and the capital markets and in the event of a prolonged or increasingly severe pandemic.

The updated forecast for the interim report takes into account current estimates of the effects of the coronavirus pandemic. Given the aspects noted above, however, it is still associated with a high degree of uncertainty.

For 2020, the Deka Group anticipates that the economic result will be below the prior-year figure. The deviation should be in a range between 20% and 30%. This prediction takes particular account of higher than planned risk provisions in the lending and securities business and lower than originally planned commission-based earnings components due to market conditions.

Despite the negative investment performance in the first half of the year, moderate year-on-year growth in total customer assets is still expected in the fund and certificates business for 2020 as a whole. However, market conditions mean this will not be as high as originally planned. Total net sales are still expected to exceed the previous year's level. The forecast for net sales to retail customers remains slightly up on the 2019 figure, which was well into positive territory. A stronger year-on-year increase is predicted for institutional customer business.

The goal of the Asset Management Securities business division remains unchanged: to be the first choice for savings banks, savings bank customers and institutional customers when it comes to the investment and management of assets. This means consolidating and expanding its market position in the relevant product segments for savings bank customers, achieving profitable growth in institutional business and continuously increasing product and service quality and quality standards so as to be among the best providers of investment services. A year-on-year increase in net sales is expected in the retail business. Equity funds, multi-asset funds, individual asset management products, new asset management funds, ETF-based asset management solutions and ETFs will be at the heart of this. In the institutional customer business, sales of special funds and, in particular, positive developments in institutional mutual funds and ETFs will boost sales performance. In both sales segments, sustainable fund products and services will be steadily expanded by modifying existing products and creating new ones.

Risks for the Asset Management Securities business division lie primarily in the further course of the coronavirus crisis and the resulting impact on the economy as well as in a return to increasing political risks over the medium term. These developments could put pressure on the stock markets and dampen investors' risk appetite, which could trigger fund outflows. In addition, a pronounced stock market correction could negatively affect total customer assets.

The Asset Management Real Estate business division continues to pursue its aim of being the first-choice partner for savings banks and their customers when investing in commercial property. In open-ended mutual property funds for retail customers, the aim is to become the market leader without compromising on quality or stability. *Deka-ImmobilienMetropolen* went on sale at the start of 2020, and another new open-ended mutual property fund for the retail business will join it later in the year. This is the division's response to the ongoing high demand for its real estate products from private investors. It means that, for the first time, private investors can invest in a Deka open-ended real estate fund for property in the Asia-Pacific region. By further tapping market potential and introducing new products, the division also aims to significantly improve its market position in institutional business. This will include expanding the product range to encompass regulated special AIFs (alternative investment funds) in the form of an investment limited partnership. Consistently taking sustainability criteria into account in property purchases and portfolio management will also continue to ensure that Deka remains attractive to sustainability-oriented investors. The division will examine the latest regulatory developments and market initiatives in relation to these aspects and optimise the funds' orientation accordingly. In this way, the division hopes to improve net sales again in the retail business – with sales quotas increased only through the launch of new funds – and in institutional business. The aim is to achieve an overall increase in total customer assets year-on-year.

Risks to the performance of the Asset Management Real Estate business division arise from fierce competition in the transaction markets, which makes transaction planning difficult. While the interest-driven boom is improving sale prospects, it is also putting increased requirements on the structuring of property purchases. In the course of the coronavirus crisis, the uncertain outlook and disruption to travel activities may mean that planned transactions in the investment market are delayed or cancelled. There is also the risk of cyclical changes in value in the event of a downturn on property markets. Overall, a limited fall in rents is expected. Risks also result from continued strong regulatory pressure and the impact of the EU Action Plan on Financing Sustainable Growth, which cannot yet be fully predicted.

For 2020, the Asset Management Services business division continues to aim for an increase in assets under custody in line with the targeted asset management growth. The Digital Multichannel Management subdivision plans to reaffirm its strategic direction with a focus on expanding and integrating the sales processes of physical branches and other channels that offer securities products from the savings banks. Combined with contemporary, innovative services such as the bevestor robo-advisory product (digital asset management), this will ensure and further expand access to the customer interface in the *Sparkassen-Finanzgruppe*. The Depositary subdivision will strive to expand through growth in the Deka Group investment companies' mutual funds and in third-party mandates. It will continue to pursue its vision of establishing itself as the national champion.

There are risks to Digital Multichannel Management from a stagnation of sales, from product development in the custody account business and from delays in the enhancement of the multichannel sales offering. Rising expenses due, among other things, to changes in the regulatory environment could exacerbate these risks. Risks to future performance in the Depositary subdivision include rising pressure on margins for depositaries as well as market-induced outflows of funds, particularly as a result of the coronavirus crisis.

The Capital Markets business division will continue its existing strategic direction as a customer-centric product and solution provider focused on DekaBank's structured products and the derivatives, issuance and trading business. This is the division's response to both regulatory requirements and current market developments. In the certificates business, retail products will be the focus again in 2020. It will also be important to maintain the Deka Group's position as an infrastructure provider with global capital market access. Systematically digitalising the existing platform solution will help to achieve this.

Risks to the performance of the Capital Markets business division arise particularly from the further development of the coronavirus crisis, a drop in customer activity prompted by political or market/economic events and regulatory intervention in the design of products and definition of terms and conditions. Further risks may arise from increased market pressure on fees and greater competition among brokers.

In terms of new business, the Financing business division still plans in 2020 to expand its range in its defined core segments in specialised and real estate financing. Being a quality leader and sought-after financing partner for the savings banks remains its central approach and focus. The coronavirus crisis that began in March is currently determining the development of the financing business. However, the principles of acquiring new business are the same as ever. The business division is pushing ahead with its stability-focused and risk-conscious strategy in a market environment shaped by the current coronavirus crisis.

The implications of this crisis are already noticeable and pose a risk to the business division. However, they cannot yet be fully predicted. Risks may also arise from political crises, which could adversely affect the economic outlook for lending segments in which we operate. This could lead to a need for higher loan loss provisions, or to increased capital adequacy requirements as a result of a downgrading of our credit ratings. The long acquisition periods and intense competitive pressure for credit assets may also mean that the intended new business volume and expected returns cannot be achieved.

Expected financial and risk position

Despite the coronavirus crisis, the Deka Group is anticipating a continued sound financial position for the remaining months of the year. Given active risk management and management of the balance sheet structure, total assets at year-end are expected to be slightly below the level as of 30 June 2020.

The Deka Group expects to maintain an adequate capital and liquidity base in both the normative and economic perspective. It continues to aim for a Common Equity Tier 1 capital ratio above the strategic target of 13%. Due to the effects of the coronavirus crisis, it anticipates that this ratio will be on a level with the strategic target at the end of 2020, i.e. approximately equal to the ratio seen at mid-year. As part of risk management measures to optimise portfolios and achieve an appropriate risk/reward ratio have already been initiated..

Balance sheet management will be geared towards ensuring compliance with an appropriate leverage ratio significantly above the 3% mark and with the MREL requirement.

In terms of risk-bearing capacity analysis, risk appetite utilisation is expected to remain at a non-critical level in future. The further development of the market environment will be a major driver of changes in risk in the second half of the year.

The Group’s liquidity position is expected to remain at a sufficient level, and all relevant key figures should continue to be comfortably met.

Risk report

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Risk policy and strategy

The basic principles underlying the Deka Group's risk policy and strategy remain largely unchanged from those described in the Group Management Report for 2019. In order to achieve its commercial objectives, the Deka Group accepts certain risks in line with strategic requirements. These risks are limited by a comprehensive risk management system that covers all types of risk and all business divisions, sales and corporate centres in order to ensure the success of the Deka Group as a business. The framework for business and risk management is provided by the general concept of risk appetite (Risk Appetite Framework – RAF), which forms the main basis for assessing the adequacy of internal capital and liquidity (Internal Capital Adequacy Assessment Process (ICAAP)/Internal Liquidity Adequacy Assessment Process (ILAAP)) and is an integral part of the Deka Group's strategy system.

The first half of 2020 was shaped by the global spread of the coronavirus and its impacts on the real economy and financial markets. Various changes were made to ensure that the models used by the Deka Group for economic risk management purposes continue to reflect the corporate and market situation in an appropriate and timely manner despite this changed environment. For example, the risk-bearing capacity calculation entered a stress phase at the end of the first quarter, which is associated with the additional eligibility of AT1 capital in internal capital. The macroeconomic stress scenarios were revised on an ad hoc basis. In order to avoid the impact of excessive market reactions in connection with the coronavirus crisis and thus excessive procyclical effects in risk management, the observation period for determining historical volatilities in the calculation of economic market price risk was extended. There was also an extension in the averaging period for the calculation of bond segment curves in determining economic counterparty risk.

Risk management and control are reviewed and refined as required on an ongoing basis, taking due account of regulatory requirements.

In respect of the management of non-financial risks (NFR), the Deka Group has initiated a project to implement the Board of Management's guidelines for the establishment of integrated NFR management. Combining the existing assessments, applying a uniform valuation methodology and establishing consolidated NFR reporting will ultimately lead to more efficient and effective processes for identifying, measuring and managing NFR. Implementation of the guidelines has begun this year using selected pilot risk types. In addition to addressing the NFR directly allocated to operational risk (e.g. personnel risks or information technology and security risk), this work will also include enhancements in the management of sustainability risk and reputational risk. As reputational risk is of particular significance to the Deka Group, the Group already applies various complementary approaches to its identification, measurement and management. In the interests of a comprehensive management system for reputational risk, the Deka Group is this year making further efforts to develop its decision- and cause-oriented reputational risk management.

Sustainability risks are being consistently defined for the Deka Group this year for the first time and incorporated into the Deka Group's risk taxonomy. For many years, the issue of sustainability has been strategically and organizationally anchored in the Deka Group and integrated into the business strategy. Positive sustainability ratings are testament to the Deka Group's efforts in sustainable business development, which go beyond those typically seen in the sector. Building on this, the Group aims to

gradually develop a system for systematically managing sustainability risks. It has begun the process this year by designing and implementing an appropriate risk management cycle for a selected business segment. The experience gathered from this will then be used to implement similar cycles in the remaining segments.

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

Capital adequacy in the first half of 2020

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.

The Deka Group held adequate capital throughout the reporting period. In particular, the utilisation of risk capacity and of the risk appetite and the Common Equity Tier 1 capital ratio remained at non-critical levels throughout.

The first half of 2020 was dominated by the Corona pandemic and its impact on the global economy. In terms of the Deka Group's activities, the effects on the financing and securities business have been especially significant. Travel bans and border closures hit the tourism and transport industry particularly hard. The almost complete collapse in air passenger traffic has presented enormous difficulties for airlines in particular, and in turn for aircraft financing and manufacture. However, the effects of the global economic slump have also been felt more widely in the transport sector. Quarantine rules and restrictions on public life such as closed shopping centres, restaurants and hotels have also negatively affected the real estate market.

On capital markets, the effects were evident primarily in falling share prices and rising bond yields. At one point, the major share indices had lost almost 40% of their value. The higher bond yields were driven principally by high uncertainty among investors and the resulting high liquidity premiums. Measures by central banks and governments, however, led growth rates to recover in the second quarter and share prices to increase with declining market volatility. Bond yields fell overall by mid-year, though there were increasing defaults in the second quarter. The continuation of this recovery in the second half of 2020 will depend on a possible second wave of Covid-19.

See also:
Economic report: page 10 ff.
Forecast report: page 28 ff.

Please see the economic report and forecast report for further information on the general economic environment.

Economic perspective (current situation)

During the reporting period, the models employed by the Deka Group for economic risk management continued to reflect the corporate and market situation in an appropriate and timely manner, taking into account the methodological changes applied. The Deka Group's total risk (value-at-risk – VaR; confidence level 99.9%; holding period one year) stood at €3,272m at the end of the first half of the year. As such, it showed a significant increase relative to the position at the end of 2019 (€2,395m), mainly due to the effects of the coronavirus crisis. There were increases in all risk types.

Over the same period, risk capacity rose to €5,095m (year-end 2019: €4,726m). This was driven particularly by the eligibility of AT1 capital when risk-bearing capacity moved into the stress phase. The utilisation of risk capacity was up significantly as against the end of 2019 (50.7%) to 64.2%, although it remains at a non-critical level.

Utilisation of allocated risk capital was non-critical both at Deka Group level ad in all business divisions. Risk appetite, which increased from €3,750m at the end of 2019 to €4,000m, was 81.8% utilised as of 30 June 2020 (year-end 2019: 63.9%). The increase in risk appetite was enabled by the higher risk capacity and was concentrated on market price and business risks, which were particularly affected by the coronavirus crisis.

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

	30 Jun 2020	31 Dec 2019	Change	
Counterparty risk	1,499	1,354	145	10.7%
Investment risk	49	44	5	12.2%
Market price risk	967	363	605	166.8%
Operational risk	276	259	16	6.3%
Business risk	481	375	105	28.0%
Total risk	**3,272**	**2,395**	877	36.6%

Normative perspective (current situation)

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 Deka Group's regulatory own funds as of 30 June 2020 stood at €5,703m (31 December 2019: €5,828m).

The slight decline in Common Equity Tier 1 capital by 2.2% to €4,481m was mainly due to a larger shortfall of provisions and to the neutralisation of valuation effects for own issues dating from the 2019 financial year. Meanwhile, there was a positive effect from the retention of parts of the profit from the 2019 annual financial statements.

Tier 2 capital amounted to €748m (year-end 2019: €775m). This change was due to the reduced eligibility of Tier 2 capital instruments under the CRR in the last five years before maturity.

Risk-weighted assets rose by €2,259 m from the year-end 2019 figure of €32,229m to €34,489m as of 30 June 2020. The €984m increase in market risk to €10,254m was mainly due to significantly higher general market risks given increased volatility and spread risk in the coronavirus crisis. The €1,005m rise in credit risk to €20,153m resulted particularly from rating downgrades linked to the coronavirus crisis. Operational risk increased by €204m to €3,447m. CVA risk came to €635m (year-end 2019: €570m).

As of 30 June 2020, the Common Equity Tier 1 capital ratio stood at 13.0% (year-end 2019: 14.2%). The Tier 1 capital ratio as of the reporting date was 14.4% (year-end 2019: 15.7%). The total capital ratio fell from 18.1% as of 31 December 2019 to 16.5% at the reporting date.

Taking account of the requirements of the SREP (Supervisory Review and Evaluation Process), DekaBank had to comply at Group level with a phase-in Common Equity Tier 1 capital ratio of at least 9.04% as at 30 June 2020. This capital requirement is made up of the Pillar 1 minimum requirement (4.5%) plus the Pillar 2 requirement (P2R) (1.5%), the capital conservation buffer (2.5%), the countercyclical capital buffer (0.04% as of 30 June 2020) and the capital buffer for other systemically important banks (0.5%). The capital requirement for the total capital ratio with transitional provisions (phase-in) was 12.54%. Both requirements were clearly exceeded at all times.

Deka Group own funds *in €m (Fig. 16)*

	30 Jun 2020		31 Dec 2019	
	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 (CET 1) capital	4,481	4,481	4,579	4,579
Additional Tier 1 (AT 1) capital	474	484	474	489
Tier 1 capital	**4,954**	**4,965**	**5,053**	**5,069**
Tier 2 (T2) capital	748	748	775	775
Own funds	**5,703**	**5,713**	**5,828**	**5,844**
Credit risk	20,153	20,153	19,147	19,147
Market risk	10,254	10,254	9,269	9,269
Operational risk	3,447	3,447	3,243	3,243
CVA risk	635	635	570	570
Risk-weighted assets	**34,489**	**34,489**	**32,229**	**32,229**
%				
Common Equity Tier 1 capital ratio	**13.0**	**13.0**	**14.2**	**14.2**
Tier 1 capital ratio	**14.4**	**14.4**	**15.7**	**15.7**
Total capital ratio	**16.5**	**16.6**	**18.1**	**18.1**

The leverage ratio determined in accordance with the Delegated Regulation of 17 January 2015, i.e. the ratio of Tier 1 capital to total assets (leverage ratio exposure), adjusted in line with regulatory requirements, stood at 4.5% as at 30 June 2020 (year-end 2019: 4.9%). Taking account of the phase-in provisions, the leverage ratio for the Deka Group was 4.5% (year-end 2019: 4.9%). The decrease was attributable to a €99m reduction in Tier 1 capital, accompanied by a €7,078m increase in leverage ratio exposure – in line with the development of total assets. This was at all times substantially above the minimum leverage ratio of 3.0% to be adhered to from June 2021 onwards.

The MREL ratio as at the reporting date was 19.9% (year-end 2019: 22.0%), considerably above the statutory minimum. The balance sheet-based approach calculates the ratio of own funds and MREL-eligible liabilities to own funds and total liabilities (TLOF). Compared against 31 December 2019, there was a slight reduction in own funds and MREL-eligible liabilities to €18.9bn. As of the reporting date, this figure was composed of own funds of €5.7bn, senior non-preferred issues of €9.5bn, senior preferred issues of €3.5bn and unsecured subordinated liabilities of €0.1bn. Own funds and total liabilities saw a moderate rise to €94.8bn over the same period.

Macroeconomic stress tests

Macroeconomic stress testing incorporates both the economic and normative perspectives. The macroeconomic scenarios were revised on an ad hoc basis as of 31 March 2020 in view of the coronavirus crisis. Both the base scenario (reflects the expected development) and stress scenarios have been adjusted given the current developments in the global economy. The description and parameters, especially of the hypothetical stress scenarios, have been amended accordingly. Some hypothetical and historical scenarios have been temporarily withdrawn given their lack of relevance to the current crisis.

The in-depth analysis of the results of the macroeconomic stress scenarios in both perspectives also takes into account their probability of occurrence and lead time, as well as the possible mitigation measures available if necessary. Under this approach, the internal thresholds were complied with at all times during the reporting period and at the end of June in all the scenarios examined, and no action was required in relation to capital adequacy.

Liquidity adequacy in the first half of 2020

The Deka Group continued to have ample liquidity, measured using the liquidity balances and LCR, throughout the first half of 2020. No internal limits or emergency triggers were breached at any time, even in the severe stress situation in the money and capital markets caused by the Corona pandemic from March 2020 onwards. There were also no infringements of the minimum LCR (external requirement).

Economic perspective

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. Limits and emergency triggers were complied with throughout the reporting period.

As at 30 June 2020, 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 €7.7bn (year-end 2019: €5.5bn). In the maturity band of up to one month, the liquidity surplus totalled €4.4bn (year-end 2019: €11.8bn), and in the medium range (three months) it was €12.3bn (year-end 2019: €12.7bn).

In relation to the net cash flows of approximately €8.1bn on day 1, the Deka Group has a high liquidity potential (around €13.2bn) that is readily convertible at short notice. The Group has access to a large portfolio of liquid securities, which are eligible as collateral for central bank borrowings, as well as to available surplus cover in the cover pool and corresponding repo transactions. The strict requirements concerning the liquidity potential ensure that the securities used for this purpose can generate liquidity even in a stressed market environment.

"Combined stress scenario" funding matrix of Deka Group as at 30 June 2020 *in €m (Fig. 17)*

	D1	>D1 to D5	>D5 to1M	>1M to 3M	>3M to 12M	>12M to 5Y	>5Y to 20Y	>20Y
Liquidity potential (accumulated)	13,166	15,401	15,579	14,633	1,810	–466	–43	34
Net cash flows from derivatives (accumulated)[1]	–414	–398	–60	1,176	3,026	1,739	743	587
Net cash flows from other products (accumulated)	–7,660	–7,289	–11,118	–3,521	5,343	7,631	2,075	–1,109
Liquidity balance (accumulated)	**5,092**	**7,714**	**4,401**	**12,288**	**10,179**	**8,904**	**2,775**	**–488**
For information purposes:								
Net cash flows from derivatives by legal maturity (accumulated)[1]	–561	–594	–665	–660	–1,136	–3,043	–2,044	587
Net cash flows from other products by legal maturity (accumulated)	–5,923	–10,178	–15,700	–15,678	–19,180	–4,666	–3,701	–2,008
Net cash flows by legal maturity (accumulated)	**–6,484**	**–10,772**	**–16,365**	**–16,338**	**–20,316**	**–7,709**	**–5,745**	**–1,421**

[1] Including lending substitute transactions and issued CLNs

As at 30 June 2020, 60.8% (year-end 2019: 58.6%) of total refinancing related to repo transactions, overnight and time deposits and other money market products. The remainder of the refinancing concerned capital market products, primarily with longer maturity profiles. The refinancing profile for lending business was well balanced, given the maturity structure.

The coronavirus crisis has resulted in a change in the refinancing profile. The proportion of refinancing from other banks has declined, while refinancing via funds, alliance partners, public sector counterparties and ECB tenders has increased. The Bank has continued to reduce the volume of evergreen financing.

Normative perspective

The regulatory requirements in relation to the LCR were met throughout the period under review. In percentage terms, the increase in cash outflows was greater than that in holdings of high-quality, liquid assets. This resulted in a reduction in the liquidity coverage ratio compared to 31 December 2019. The LCR as at 30 June 2020 stood at 149.2% (year-end 2019: 170.6%). The average during the first half of 2020 was 164.8% (average for the first half of 2019: 141.8%). The LCR fluctuated within a range from 138.7% to 199.7%. It was thus always substantially above the minimum limit of 100.0% applicable in 2020.

Both perspectives (macroeconomic stress tests)

The internal thresholds were complied with in both perspectives at all times, even in the macroeconomic stress testing.

Individual risk types

Counterparty risk

Current risk situation

Counterparty risk, as determined on the basis of the credit value at risk (CVaR) with a confidence level of 99.9% and a holding period of one year, rose significantly in the first half of 2020 to €1,499m (year-end 2019: €1,354m). Risk capital allocated to counterparty risk stood at €1,775m (year-end 2019: €1,835m) and was 84.5% utilised (year-end 2019: 73.8%). The level of risk capacity utilisation therefore remained non-critical.

The risk development was primarily due to widening spreads, especially for corporates, and rating migrations as a result of the coronavirus crisis. Changes in positions in the Capital Markets business division and a stabilisation of spread curves in June 2020 countered this trend. The position changes formed part of the measures for optimisation of portfolios as part of risk management. Further risk-mitigating effects are anticipated from these measures. Although the poorer credit ratings already factor in the material effects on creditworthiness currently foreseen as a result of the crisis, further deteriorations in ratings cannot be ruled out.

The risk position of the cluster portfolio was assessed using an expected shortfall redistribution. The result was a significant increase in absolute terms compared with the end of 2019. The relative share of the cluster portfolio in the overall portfolio also rose slightly. Risk concentration remained in line with the Deka Group's credit risk strategy.

Gross loan volume increased slightly by €1.8bn from the end of 2019 (€141.5bn) to reach €143.3bn. A significant portion of the increase related to the financial institutions risk segment, which was affected in particular by the increased deposits with the Bundesbank. Declines in bond and equity transactions and repo lending volumes had a compensatory effect in this segment. In the lending business, volume fell due to a variety of loans for infrastructure, transport, export and real estate, the vast majority of which were secured. The ship portfolio's share of gross loan volume fell to 0.9% (year-end 2019: 1.0%). As the market environment remains difficult, the aircraft financing and ship financing portfolios are still being closely followed and monitored on an ongoing basis. In the funds risk segment, the decline in the gross loan volume was characterised primarily by a smaller volume of partly secured fund units. Meanwhile, the higher volume in the public sector international risk segment, largely due to the rise in bond transactions, had a risk-increasing effect.

Gross loan volume *in €m (Fig. 18)*

	30 Jun 2020	31 Dec 2019
Financial institutions	67,216	63,226
Savings banks	11,182	10,548
Corporates	11,562	13,792
Public sector International	4,884	3,953
Public sector Germany	11,429	11,532
Transport and export finance	6,190	6,402
Property risks	11,286	11,492
Funds (transactions and units)	15,475	16,186
Other	4,076	4,416
Total	**143,299**	**141,548**

As a result of the above effects, net loan volume rose by €10.5bn to €75.7bn as at 30 June 2020, thus exhibiting a substantially larger rise than gross volume. This was due in particular to the collateralisation of repo lending transactions and bond and equity transactions, the decline in which is only reflected to a limited extent in the net loan volume. Net loan volume increased significantly in the financial institutions risk segment, for example. The aircraft portfolio's share of net loan volume rose to 0.7% (year-end 2019: 0.5%). Considerable adjustments were made to the value of aircraft collateral as a result of the Corona pandemic.

Net loan volume *in €m (Fig. 19)*

	30 Jun 2020	31 Dec 2019
Financial institutions	30,782	20,826
Savings banks	10,972	10,292
Corporates	6,226	6,970
Public sector International	1,020	1,254
Public sector Germany	9,889	9,168
Transport and export finance	765	589
Property risks	2,727	2,600
Funds (transactions and units)	9,270	9,157
Other	4,076	4,416
Total	**75,728**	**65,273**

Due to a decrease in repo lending transactions with international counterparties in the United Kingdom, the gross loan volume in EU countries outside the eurozone fell proportionately from 16.8% to 14.9%. The same applies to the OECD excluding the EU: here, the share of gross loan volume fell from 12.6% to 10.6% due to the reduction in business with counterparties in Switzerland and the United States. Meanwhile, the eurozone share climbed by 4.1 percentage points to 72.1% as at 30 June 2020 due to higher deposits with the Bundesbank.

Gross loan volume by region *in €m (Fig. 20)*

	30 Jun 2020	31 Dec 2019
Eurozone	103,344	96,322
EU excluding eurozone	21,351	23,750
OECD excluding EU	15,260	17,862
International organisations	44	91
Other countries	3,300	3,524
Total	**143,299**	**141,548**

The gross loan volume in relation to Germany increased by €5.6bn to €63.7bn. The gross loan volume attributable to borrowers in Italy and Spain declined moderately to €4.3bn from €4.6bn at the end of 2019. The fall was mainly related to repo transactions with Spanish counterparties and Italian government bonds.

Gross loan volume by regional concentration *in €m (Fig. 21)*

	30 Jun 2020	Percentage of Gross loan volume
Germany	63,654	44.4%
United Kingdom	20,125	14.0%
Luxembourg	14,407	10.1%
France	9,718	6.8%
Belgium	6,951	4.9%
Spain	3,297	2.3%
Netherlands	2,061	1.4%
Italy	993	0.7%
Other	22,094	15.4%
Total	**143,299**	**100.0%**

The gross loan volume remained focused primarily on the short-term segment. The proportion of transactions with a time to maturity of less than one year was 42.3% at the end of the first half of 2020 (year-end 2019: 44.4%). The proportion of maturities longer than ten years was 8.1%, compared with 7.5% at 31 December 2019. The average legal residual term of gross lending was 3.7 years (year-end 2019: 3.5 years).

The level of risk concentration in the loan portfolio fell slightly during the first half of 2020. As at 30 June, 18.3% (year-end 2019: 20.9%) of total gross loan volume was attributable to borrower units with a gross limit of at least €2.5bn or an overall net limit of at least €1.0bn (counterparty clusters). The number of counterparty clusters rose by one to 27. Of the gross loan volume attributable to the cluster portfolio, 38.4% related to counterparties in the German public sector, the savings banks and other alliance partners. A total of 17.4% of net loan volume related to counterparty clusters (year-end 2019: 17.9%).

As was the case at 31 December 2019, the amount of net loan volume related to shadow banking entities as at 30 June 2020 was less than 3% under the principal approach (limit utilisation 42%) and less than 1% under the fallback approach (limit utilisation 46%). The utilisation figures are considered acceptable, especially given that the shadow banking entities have an average rating of 3 on the DSGV master scale.

The average rating for the gross loan volume deteriorated by one notch to a rating of 3 on the DSGV master scale. The average probability of default rose to 18 bps (year-end 2019: 14 bps, which was partly due to deteriorating credit ratings for high-volume counterparties in the financial institutions risk segment and for various aircraft, ship and real estate financing as a result of the Corona pandemic. The average rating for the net loan volume remained stable at A– with an unchanged average probability of default of 9 bps (year-end 2019: 9 bps).

Net loan volume by risk segment and rating *in €m (Fig. 22)*

	Average PD in bps	Average rating 30 Jun 2020	30 Jun 2020	Average PD in bps	Average rating 31 Dec 2019	31 Dec 2019
Financial institutions	5	A+	30,782	7	A	20,826
Savings banks	1	AAA	10,972	1	AAA	10,292
Corporates	17	3	6,226	14	2	6,970
Public sector International	5	A+	1,020	7	A	1,254
Public sector Germany	1	AAA	9,889	1	AAA	9,168
Public infrastructure	21	3	1,031	20	3	1,273
Transport and export finance	151	8	765	79	7	589
Energy and utility infrastructure	51	6	2,727	42	5	2,749
Property risks	11	2	2,727	10	A–	2,600
Retail portfolio	3	AA	317	3	AA	394
Funds (transactions and units)	11	2	9,270	11	2	9,157
Total	**9**	**A–**	**75,728**	**9**	**A–**	**65,273**

The Bank continues to achieve its target rating of investment grade (5 or better) for the portfolio as a whole without difficulty. 90.3% of net loan volume remained in the same grouping (determined by rating class) as at the end of 2019.

Market price risks

Current risk situation

Market price risk at Deka Group level (measured using VaR with a confidence level of 99.9% and a holding period of one year) increased significantly compared with the position as at the end of 2019 (€363m) to €967m. The strong increase was primarily attributable to a higher risk from guarantee products due to nosediving stock markets (especially in the first quarter), falling interest rates and increased volatilities in the coronavirus crisis.

Utilisation of the allocated risk capital for market price risk stood at €1,265m (year-end 2019: €1,070m). This represents a moderate utilisation level of 76.5%.

Market price risk for the Deka Group (excluding guarantees) as at 30 June 2020 was €72.4m (year-end 2019: €41.8m), measured as the VaR with a confidence level of 99.0% and a holding period of ten days. The sudden significant increase was due to developments on the financial markets triggered by the Corona pandemic. The crisis and the developments on financial markets triggered a sharp rise in spread risk in all business divisions and in the Treasury corporate centre. To avoid further procyclical effects in risk management, the observation period for calculating historical volatilities was extended. The measures already initiated to optimise portfolios in consideration of an appropriate risk/reward ratio are also beginning to have a risk-mitigating effect.

Utilisation of the operational management limit at Deka Group level (excluding guarantees) stood at €106.0m as of the reporting date. This represented a utilisation level of 68% and was therefore non-critical.

Deka Group value-at-risk excluding guarantee products[1] (confidence level 99%, holding period ten days)
in €m (Fig. 23)

Category	30 Jun 2020 Asset Management Securities business division	Asset Management Real Estate business division	Asset Management Services business division	Capital Markets business division	Treasury	Deka Group excluding guarantees	Change in risk vs 31 Dec 2019
Interest rate risk	5.5	0.2	4.9	56.7	15.5	72.6	40.9%
Interest rate (general)	0.5	0.2	4.3	4.1	4.5	9.0	–53.7%
Credit spread risk	5.3	0.0	2.5	56.9	15.6	73.0	33.8%
Share price risk	3.3	0.7	0.2	4.9	2.4	6.0	15.3%
Currency risk	0.3	0.0	0.1	1.6	4.0	5.5	29.8%
Total risk	**6.8**	**0.8**	**4.9**	**56.0**	**15.9**	**72.4**	42.3%

[1] Risk ratios for interest rate risk and total risk taking account of diversification. Includes issue-specific credit spread risk.

The VaR for general interest rate risk (excluding risks on guarantee products) decreased from €13.8m at year-end 2019 to €9.0m. The reduction began in the first quarter with a tighter management of risk (adjustments to hedges).

In the first six months of 2020, the VaR for credit spread risk rose to €73.0m (year-end 2019: €48.3m). This sharp increase was due to the Corona crisis, which was accompanied by a sharp rise in volatility. In line with the business model, risk concentration in terms of spread risk was mainly attributable to German and US bonds issued by the public sector, financial institutions and corporates.

Share price risk increased compared with year-end 2019 (€5.1m) to €6.0m and thus remained less significant.

Currency risk also rose from €3.8m to €5.5m in the reporting period. Currency risk at the reporting date resulted principally from positions in US dollars and sterling.

Share price and currency risk increased primarily due to market volatility. However, both risk types remain of minor significance.

Operational risk

Current risk situation

The VaR for operational risk (confidence level of 99.9%, holding period of one year) increased moderately from €259m at year-end 2019 to €276m. This change resulted from higher estimated risk for various loss scenarios as well as from a relatively large number of newly or retrospectively recorded loss events, particularly in connection with the Corona pandemic. Cash expenditure was incurred primarily for disinfection and protective measures, additional laptops and software licences for home-office working and the cancellation of events and business travel. As these adjustments already incorporate forecasts of costs and expenses up to the end of the year, no significant further increase in risk is expected, provided the pandemic remains under control. Risk capital allocated to operational risk stood at €335m (year-end 2019: €335m). Utilisation of this amount was 82.3%. Utilisation thus remains at a non-critical level.

The OR loss potential identified in the Group-wide risk inventory increased to €61m (year-end 2019: €56m) due to the updated risk indicators used in the scenario analyses (e.g. market volatilities and transaction volumes) and to changes in various risk assessments in light of the Corona pandemic. In contrast to VaR, which is an upper limit for losses with a specific probability that the limit will not be exceeded, loss potential is an expected value that results from the estimated frequency of occurrence and scale of losses of all OR scenarios in the Deka Group.

Based on the Federal Ministry of Finance (BMF) circular of 17 July 2017 on the tax treatment of cum/cum transactions, tax risks exist in connection with relief from capital yields tax (*Kapitalertragsteuer*) on share transactions made around the dividend record date in the years 2013 to 2015. All matters are reported in the consolidated financial statements as at 30 June 2020 in accordance with DekaBank's interpretation of the relevant tax regulations and accounting standards.

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

Business risk

The VaR of business risk was €481m as at 30 June 2020, significantly higher than the level of €375m at the end of the previous year. The increase in risk was predominantly due to the market shocks during the Corona pandemic, which resulted in higher volatilities in the Asset Management Securities, Asset Management Services and Capital Markets business divisions. The increased risk capital allocation of €560m (year-end 2019: €440m) was 85.8% utilised. A further increase in business risk in connection with the Corona pandemic, particularly stemming from potential renewed market turbulence and thus increased market volatility, cannot be ruled out.

Further risks

Shareholding risk

The VaR of shareholding risk was €49m at 30 June 2020 and was therefore up on the level of €44m at the previous year-end. The reason for the increase in risk was the significant increase in the IFRS carrying value of an equity investment as a result of the current fair value measurement in accordance with IFRS 9 as part of the regular remeasurement of equity investments at mid-year. The risk capital allocated to shareholding risks was reduced to €65m (year-end 2019: €70m). Utilisation of this amount was 75.1%. Based on current information, we do not anticipate any greater impacts on shareholding risk as a result of the Corona pandemic.

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Interim financial statements

Statement of profit or loss and other comprehensive income
for the period from 1 January to 30 June 2020

€m	Notes	1st half 2020	1st half 2019	Change	
Interest income[1]		506.1	535.9	–29.8	–5.6%
Interest expenses		417.2	459.4	–42.2	–9.2%
Net interest income	[6]	**88.9**	**76.5**	12.4	16.2%
Risk provisions in the lending and securities business	[7], [21]	**–68.9**	**–11.4**	–57.5	(< -300%)
Net interest income after provisions		**20.0**	**65.1**	–45.1	–69.3%
Commission income		1,329.0	1,210.9	118.1	9.8%
Commission expenses		752.3	619.5	132.8	21.4%
Net commission income	[8]	**576.7**	**591.4**	–14.7	–2.5%
Net income from the derecognition of financial assets measured at amortised cost	[9]	**4.8**	**1.5**	3.3	220.0%
Trading profit or loss	[10]	**279.3**	**47.9**	231.4	(> 300%)
Profit or loss on financial assets mandatorily measured at fair value	[11]	**–29.1**	**99.8**	–128.9	–129.2%
Profit or loss on financial instruments designated at fair value	[12]	**11.3**	**8.7**	2.6	29.9%
Profit or loss from fair value hedges	[13]	**–17.9**	**–9.8**	–8.1	–82,7%
Profit or loss on financial investments	[14]	**–0.0**	**1.7**	–1.7	–100.0%
Administrative expenses	[15]	**574.0**	**545.6**	28.4	5.2%
Other operating profit	[16]	**–27.1**	**–1.0**	–26.1	(< -300%)
Total of profit or loss before tax		**244.0**	**259.7**	–15.7	–6.0%
Income taxes	[17]	**101.7**	**79.6**	22.1	27.8%
Interest expenses for atypical silent capital contributions		**23.5**	**27.4**	–3.9	–14.2%
Total of profit or loss		**118.8**	**152.7**	–33.9	–22.2%
Thereof:					
Attributable to non-controlling interests		–	–	–	o.A.
Attributable to the shareholders of DekaBank		118.8	152.7	–33.9	–22.2%
Changes not recognised in profit or loss	[31]				
Items reclassified to profit or loss					
Change in reserve for financial assets measured at fair value through other comprehensive income		–10.9	–4.4	–6.5	–147.7%
Change of the foreign currency basis spread of hedging derivatives		16.7	N/A	N/A	N/A
Change in currency translation reserve		–0.1	0.0	–0.1	n/a
Deferred taxes on items reclassified to profit or loss		–1.9	1.4	–3.3	–235.7%
Items not reclassified to profit or loss					
Revaluation gains/losses on defined benefit pension obligations		–19.2	–57.4	38.2	66.6%
Change in valuation reserve for own credit risk of financial liabilities designated at fair value		4.6	2.4	2.2	91.7%
Revaluation reserve investments accounted for using the equity method		–	–	–	n/a
Deferred taxes on items not reclassified to profit or loss		–9.4	19.0	–28.4	–149.5%
Other comprehensive income		**–20.2**	**–39.0**	18.8	48.2%
Comprehensive income for the period under IFRS		**98.6**	**113.7**	–15.1	–13.3%
Thereof:					
Attributable to non-controlling interests		–	–	–	n/a
Attributable to the shareholders of DekaBank		98.6	113.7	–15.1	–13.3%

[1] The line item interest income includes interest income calculated using the effective interest method. In total, interest income of €262.5m (previous year: €298.0m) was recognised for financial assets not measured at fair value through profit or loss. In the second half of 2019, negative interest for financial assets that are not measured at fair value through profit or loss was also recognised for the first time. The prior-year comparative figure for interest income reported under interest income, which is calculated using the effective method, was adjusted accordingly.

Statement of financial position as at 30 June 2020

€m	Notes	30 Jun 2020	31 Dec 2019	Change	
Assets					
Cash reserves	[18]	**12,626.5**	**3,826.9**	8,799.6	229.9%
Due from banks	[19]	**24,022.4**	**22,581.2**	1,441.2	6.4%
(net after risk provisions amounting to)	[21]	(0.2)	(0.2)	0.0	0.0%
Due from customers	[20]	**28,057.3**	**28,368.5**	–311.2	–1.1%
(net after risk provisions amounting to)	[21]	(145.3)	(89.3)	56.0	62.7%
Financial assets at fair value	[22]	**28,520.6**	**30,442.2**	–1,921.6	–6.3%
a) Trading portfolio		22,616.6	23,225.1	–608.5	–2.6%
b) Financial assets mandatorily measured at fair value		5,904.0	7,217.1	–1,313.1	–18.2%
c) Financial assets designated at fair value		–	–	–	n/a
(of which deposited as collateral)		(6,991.1)	(8,783.0)	–1,791.0	–20.4%
Positive market values of derivative hedging instruments		**191.8**	**132.7**	59.1	44.5%
Financial investments	[23]	**11,454.9**	**10,747.6**	707.3	6.6%
a) Financial assets measured at amortised cost		5,552.0	5,395.1	156.9	2.9%
b) Financial assets measured at fair value through other comprehensive income		5,886.5	5,336.1	550.4	10.3%
c) Shares in at-equity accounted companies		16.4	16.4	–0.0	0.0%
(net after risk provisions amounting to)	[21]	(9.3)	(7.9)	1.4	17.7%
(of which deposited as collateral)		(2,208.7)	(1,840.1)	368.6	20.0%
Intangible assets	[24]	**184.5**	**183.7**	0.8	0.4%
Property, plant and equipment	[25]	**160.8**	**179.0**	–18.2	–10.2%
Current income tax assets		**176.1**	**171.6**	4.5	2.6%
Deferred income tax assets		**299.9**	**300.4**	–0.5	–0.2%
Other assets		**358.4**	**348.2**	10.2	2.9%
Total assets		**106,053.2**	**97,282.0**	8,771.2	9.0%
Liabilities					
Due to banks	[26]	**25,881.3**	**17,548.8**	8,332.5	47.5%
Due to customers	[27]	**29,397.3**	**23,699.6**	5,697.7	24.0%
Securitised liabilities	[28]	**10,530.6**	**17,752.1**	–7,221.5	–40.7%
Financial liabilities at fair value	[29]	**31,873.2**	**29,902.9**	1,970.3	6.6%
a) Trading portfolio		31,158.2	28,993.0	2,165.2	7.5%
b) Financial liabilities designated at fair value		715.0	909.9	–194.9	–21.4%
Negative market values of derivative hedging instruments		**281.4**	**368.5**	–87.1	–23.6%
Provisions	[30]	**618.7**	**527.9**	90.8	17.2%
Current income tax liabilities		**86.2**	**75.5**	10.7	14.2%
Deferred income tax liabilities		**9.5**	**4.4**	5.1	115.9%
Other liabilities		**914.7**	**1,014.1**	–99.4	–9.8%
Subordinated capital		**826.1**	**824.3**	1.8	0.2%
Atypical silent capital contributions		**52.4**	**52.4**	–	0.0%
Equity	[31]	**5,581.8**	**5,511.5**	70.3	1.3%
a) Subscribed capital		191.7	191.7	–	0.0%
b) Additional capital components		473.6	473.6	–	0.0%
c) Capital reserve		190.3	190.3	–	0.0%
d) Retained earnings		4,704.9	4,733.3	–28.4	–0.6%
e) Revaluation reserve		–152.7	–132.6	–20.1	–15.2%
f) Currency translation reserve		0.0	0.1	–0.1	–100.0%
g) Accumulated profit/loss (consolidated profit)		174.0	55.1	118.9	215.8%
h) Minority interest		–	–	–	n/a
Total liabilities		**106,053.2**	**97,282.0**	8,771.2	9.0%

Condensed statement of changes in equity for the period from 1 January to 30 June 2020

€m	Subscribed capital	Additional capital components	Capital reserve	Retained earnings	Consolidated profit/loss	Provisions for pensions[1]	Change of the foreign currency basis spread of hedging derivatives
Equity as at 1 January 2019	**191.7**	**473.6**	**190.3**	**4,614.1**	**63.3**	**–184.8**	**N/A**
Total of profit or loss	–	–	–	–	152.7	–	N/A
Other comprehensive income	–	–	–	–	–	–57.4	N/A
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**152.7**	**–57.4**	**N/A**
Changes in the scope of consolidation and other changes[2]	–	–	–	–35.0	–	–	N/A
Allocation to reserves from retained earnings	–	–	–	–	–	–	N/A
Distribution	–	–	–	–	–63.3	–	N/A
Equity as at 30 June 2019	**191.7**	**473.6**	**190.3**	**4,579.1**	**152.7**	**–242.2**	**N/A**
Total of profit or loss	–	–	–	–	56.6	–	–
Other comprehensive income	–	–	–	–	–	18.8	2.5
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**56.6**	**18.8**	**2.5**
Changes in the scope of consolidation and other changes[2]	–	–	–	–	–	–	–
Allocation to reserves from retained earnings	–	–	–	154.2	–154.2	–	–
Distribution	–	–	–	–	–	–	–
Equity as at 31 December 2019	**191.7**	**473.6**	**190.3**	**4,733.3**	**55.1**	**–223.4**	**2.5**
Total of profit or loss	–	–	–	–	118.8	–	–
Other comprehensive income	–	–	–	–	–	–19.2	16.7
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**118.8**	**–19.2**	**16.7**
Changes in the scope of consolidation and other changes[2]	–	–	–	–28.4	0.1	–	–
Allocation to reserves from retained earnings	–	–	–	–	–	–	–
Distribution	–	–	–	–	–	–	–
Equity as at 30 June 2020	**191.7**	**473.6**	**190.3**	**4,704.9**	**174.0**	**–242.6**	**19.2**

[1] Revaluation gains/losses on defined benefit obligations

[3] Comprises the payment of interest of the Additional Tier 1 bond, which is classified as equity capital under IFRS.

Revaluation reserve				Currency translation reserve	Total before minority interest	Minority interest	Equity
Equity-accounted companies	Financial assets measured at fair value through other comprehensive income	Own credit risk of financial liabilities designated at fair value	Deferred taxes				
−6.6	**28.7**	**−8.8**	**56.1**	**0.0**	**5,417.6**	**–**	**5,417.6**
–	–	–	–	–	152.7	–	152.7
–	−4.4	2.4	20.4	0.0	−39.0	–	−39.0
–	**−4.4**	**2.4**	**20.4**	**0.0**	**113.7**	**–**	**113.7**
6.6	–	–	–	–	−28.4	–	−28.4
–	–	–	–	–	–	–	–
–	–	–	–	–	−63.3	–	−63.3
–	**24.3**	**−6.4**	**76.5**	**0.0**	**5,439.6**	**–**	**5,439.6**
					56.6		56.6
–	−11.8	2.8	2.9	0.1	15.3	–	15.3
–	**−11.8**	**2.8**	**2.9**	**0.1**	**71.9**	**–**	**71.9**
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	**12.5**	**−3.6**	**79.4**	**0.1**	**5,511.5**	**–**	**5,511.5**
–	–	–	–	–	118.8	–	118.8
–	−10.9	4.6	−11.3	−0.1	−20.2	–	−20.2
–	**−10.9**	**4.6**	**−11.3**	**−0.1**	**98.6**	**–**	**98.6**
–	–	–	–	–	−28.3	–	−28.3
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	**1.6**	**1.0**	**68.1**	**0.0**	**5,581.8**	**–**	**5,581.8**

Condensed statement of cash flows for the period from 1 January to 30 June 2020

€m	1st half 2020	1st half 2019
Cash and cash equivalents at the start of the period	3,826.9	15,302.5
Cash flow from operating activities	8,867.7	1,013.7
Cash flow from investing activities	–4.3	–7.5
Cash flow from financing activities	–63.8	–188.4
Cash and cash equivalents at the end of the period	**12,626.5**	**16,120.3**

The definitions of the individual cash flow components are the same as those in the 2019 consolidated financial statements. The statement of cash flows is of minor importance for banks as it does not provide any information about the actual liquidity position. For details of Deka Group's liquidity risk management, please see the risk report (Annual Report 2019).

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Segment reporting

1 Segmentation by operating business divisions

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

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

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

Another key indicator for the operating segments, in addition to the economic result, is total customer assets. Total customer assets primarily comprise the income-relevant assets of the mutual and special funds under management (including ETFs) in the Asset Management Securities and Asset Management Real Estate 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, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and master funds. Total customer assets also include fund units of €1.7bn (31 December 2019: €1.7bn). These mainly relate to start-up financing for newly launched investment funds.

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

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

Asset Management Securities
The Asset Management Securities reporting segment focuses on the active fundamental and quantitative management of mutual securities funds and special funds, advisory mandates and asset management concepts, passive exchange-traded funds and combinations of these forms of investment, such as ETF-based asset management products for private investors and institutional customers alike. This offering is rounded off by services covering all aspects of the fund value chain. These include, in particular, asset servicing, which is used by institutional investors to pool their investments in master funds. In addition to investment funds

and asset management concepts, the product range also includes products from selected international cooperation partners. The Deka Group's investment funds cover all major asset classes: equity, bond, money market and mixed funds, capital protected funds and combinations of these funds.

Asset Management Real Estate

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

Asset Management Services

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

Capital Markets

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

Financing

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

Other

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

	Asset Management Securities		Asset Management Real Estate		Asset Management Services		Capital Markets	
	Economic result							
€m	1st half 2020	1st half 2019	1st half 2020	1st half 2019	1st half 2020	1st half 2019	1st half 2020	1st half 2019
Net interest income	−0.3	1.7	0.3	−0.2	0.8	1.7	21.3	32.0
Risk provisions in the lending and securities business	–	–	–	–	−0.1	–	−2.0	−0.9
Net commission income	314.4	347.3	125.1	113.9	99.6	88.2	32.9	29.3
Net financial income[1]	−0.6	13.6	−1.5	0.8	0.8	3.6	125.9	136.1
Other operating income[3]	−2.7	−3.0	1.1	0.1	3.0	2.7	1.1	1.1
Total income without income distribution from Treasury function	**310.8**	**359.5**	**125.0**	**114.6**	**104.0**	**96.1**	**179.2**	**197.5**
Administrative expenses (including depreciation and amortisation)	173.7	183.0	71.6	69.5	85.8	86.8	85.8	89.6
Restructuring expenses[3]	0.3	2.7	–	–	–	–	–	–
Total expenses	**174.0**	**185.7**	**71.6**	**69.5**	**85.8**	**86.8**	**85.8**	**89.6**
(Economic) result before tax excluding income distribution Treasury function	**136.8**	**173.8**	**53.4**	**45.1**	**18.2**	**9.3**	**93.3**	**107.9**
Income distribution of Treasury function[4]	−15.4	−1.9	−0.6	−0.3	−0.4	−0.5	−15.4	−11.9
(Economic) result before tax	**121.4**	**172.0**	**52.8**	**44.7**	**17.8**	**8.8**	**78.0**	**96.0**
Cost/income ratio[5]	0.56	0.51	0.57	0.61	0.82	0.90	0.47	0.45
	30 Jun 2020	**31 Dec 2019**	**30 Jun 2020**	**31 Dec 2019**	**30 Jun 2020**	**31 Dec 2019**	**30 Jun 2020**	**31 Dec 2019**
Group risk (value-at-risk)[7]	1,240	666	86	100	179	143	1,070	861
Total customer assets	243,519	248,520	44,022	42,222	–	–	22,218	22,670
Gross loan volume[8]	6,732	6,823	199	252	769	749	78,138	86,765

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

[2] This includes effects relevant for management purposes of €–50.0m (first half 2019: €0.0m) 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.

[3] Restructuring expenses are disclosed in total profit or loss before tax under Other operating profit.

[4] From 2020, the distribution of expenses from the Treasury corporate centre is shown within the line item "administrative expenses (including depreciation and amortistion)". As a result of the change in presentation, the profit or loss before Treasury function in the previous year and therefore in the line items "Total expenses" and "(Economic) result excluding income distribution Treasury function" changes. The cost/income ratio was also adjusted. The (Economic) result of the business segments does not change as a result of this shift.

Financing		Other		Deka Group		Reconciliation		Deka Group	
		Economic result						Total profit or loss before tax (IFRS)	
1st half 2020	**1st half 2019**	**1st half 2020**	**1st half 2019**	**1st half 2020**	**1st half 2019**	**1st half 2020**	**1st half 2019**	**1st half 2020**	**1st half 2019**
69.6	64.8	5.0	−2.4	96.6	97.5	−7.7	−21.0	88.9	76.5
−66.6	−10.6	−0.2	–	−68.9	−11.4	–	–	−68.9	−11.4
5.8	13.7	−1.1	−1.0	576.7	591.4	–	–	576.7	591.4
−13.0	−0.9	66.5[2]	−5.2[2]	178.0	148.0	70.4	1.8	248.4	149.8
−0.1	5.5	−26.9	−60.4	−24.4	−54.1	18.8	55.8	−5.6	1.7
−4.3	**72.6**	**43.2**	**−69.0**	**757.9**	**771.4**	**81.5**	**36.6**	**839.5**	**808.0**
32.4	32.1	124.6	84.5	574.0	545.6	–	–	574.0	545.6
–	–	21.2	–	21.5	2.7	–	–	21.5	2.7
32.4	**32.1**	**145.8**	**84.6**	**595.5**	**548.3**	**–**	**–**	**595.5**	**548.3**
−36.7	**40.5**	**−102.6**	**−153.6**	**162.5**	**223.1**	**81.5**	**36.6**	**244.0**	**259.7**
5.2	−5.0	26.6	19.7	–	–	–	–	–	–
−31.5	**35.4**	**−75.9**	**−133.9**	**162.5**	**223.1**	**81.5**	**36.6**	**244.0**	**259.7**
0.52	0.39	–[6]	–[6]	0.69	0.70				
30 Jun 2020	**31 Dec 2019**	**30 Jun 2020**	**31 Dec 2019**	**30 Jun 2020**	**31 Dec 2019**				
556	512	222	178	3,272	2,395				
–	–	–	–	309,759	313,412				
26,538	27,300	30,922	19,659	143,299	141,548				

[5] Calculation of the cost/income ratio does not take into account the restructuring expenses and risk provisions in the lending and securities business.
[6] No cost/income ratio is presented for the segment Other because as this is deemed of limited economic informative value.
[7] Value-at-risk for risk capacity with confidence level of 99.9% and holding period of one year. Due to the diversification within market price risk the risk for the Deka Group are not cumulative.
[8] As of March 31, 2020, the offsetting of over-collateralization was refined by means of a comprehensive, cause-based allocation in accordance with the underlying transactions.

Reconciliation of segment results to the IFRS result

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

During the financial year, the reporting and measurement differences between internal reporting and the total profit or loss before tax under IFRS amounted to €–81.5m (first half of 2019: €–36.6m).

The result not recognised in profit or loss was €–68.3m during the reporting period (first half of 2019: €16.3m). Of this total, €–4.2m (first half of 2019: €30.4m) was attributable primarily to interest- and currency-related valuation results in respect of financial instruments recognised at amortised cost. The result not recognised in profit or loss also includes the total interest expense (including accrued interest) of €–14.1m on the AT1 bonds (first half of 2019: €–14.1m). Distributions made were recorded directly in equity, in accordance with IAS 32. In addition, a general provision to cover potential risks that could materialise in the coming months was recognised for the first time in the 2012 financial year. At the end of the first half of 2020, the provision for these effects in the management accounts was €–220.0m (first half of 2019: €–170.0m). The effect on the economic result in the line item net financial income in the Other segment was €–50.0m (first half of 2019: €0.0m).

The change of €–8.7m in the revaluation reserve before tax (first half of 2019: €–52.8m) was also included in the economic result. Of this, €–19.2m (first half of 2019: €–57.4m) was attributable to the change in the revaluation reserve for provisions for pensions.

The other amounts shown in the reconciliation column concern differences in presentation between management reporting and the consolidated financial statements. Of these, €21.5m (first half of 2019: €35.1m) relates to internal transactions that are reported in the economic result. The majority of these are included within net interest income, while the corresponding offsetting income effects are reported under net financial income. There are also reporting differences in net financial income and other operating profit from the different allocation of income effects from the repurchases of own issues.

General information

2 Accounting principles

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

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

The present consolidated interim report has been reviewed by our year-end auditor and should be read in conjunction with our audited 2019 consolidated financial statements. The majority of disclosures on risks relating to financial instruments are presented in the risk report section of the interim management report.

3 Accounting policies

The interim consolidated financial statements are based on the same accounting policies as those in the consolidated financial statements for 2019, with the exception of accounting standards applied for the first time as set out in note [4], “Accounting standards applied for the first time and to be applied in future”. In accordance with IAS 34, the accounting recognition of a transaction is based on an independent evaluation as at the current reporting date and not in anticipation of the consolidated financial statements.

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

Both discretionary decisions and estimates are necessary as part of IFRS accounting. These are made in accordance with the relevant standard and reviewed on an ongoing basis. They are based on experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances. However, the actual course of events may differ from these expectations, especially in the current macroeconomic environment, which is marked by major uncertainty as a result of the covidvirus crisis. Where discretionary management decisions or estimates have a material impact on items or scenarios, these are explained in detail either in the section on accounting policies or in the notes to the relevant items.

Discretionary decisions, estimates or a combination of the two arise in connection with, *inter alia*, the recognition of risk provisions in the lending and securities business (see note [7] and note [21] “Risk provisions in the lending and securities business”), the impairment test for goodwill (see note [24] “Intangible assets”), the recognition of provisions (see note [30] “Provisions”) and the fair value measurement of financial instruments (see note [32] “Fair value disclosures for financial instruments”).

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

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

European Electronic Single Format

On 18 June 2020, the Bundestag (German lower house) adopted the Act on the Further Implementation of the Transparency Directive Amending Directive (*Gesetz zur weiteren Umsetzung der Transparenzrichtlinie-Änderungsrichtlinie*) in respect of a single electronic format for annual financial reports. The Act serves to provide further details regarding the regulatory technical standard published in the Official Journal of the European Union on 29 May 2019 as Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 (“ESEF Regulation”). This will require companies that issue securities in the EU to publish their annual financial reports in an EU-wide standardised digital format (ESEF) using Extensible Hypertext Markup Language (XHTML). For IFRS financial statements, additional XBRL tags must be embedded in the XHTML format. The new reporting standard must be applied to financial years beginning on or after 1 January 2020. The Deka Group is currently preparing for the introduction of the new ESEF requirements and for implementation at year-end.

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

Standards and interpretations not yet adopted into European law

Amendment to IAS 1

In January 2020, the IASB published amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The amendments clarify that the classification of liabilities as current or non-current must be based on the rights that exist as of the reporting date. The classification therefore does not depend on the entity's expectations about whether it will exercise its right to defer settlement of the liability. The changes come into effect for financial years beginning on or after 1 January 2023. In May 2020, the IASB published an exposure draft "Classification of Liabilities as Current or Non-Current – Deferral of Effective Date", which proposed to defer the date of initial application from 1 January 2022 to 1 January 2023. Voluntary early adoption is permitted. Implementation of the amendments will have no material effect on the consolidated financial statements.

Annual Improvements

In May 2020, the IASB published amendments to four standards (IFRS 1, IFRS 9, IFRS 16 and IAS 41) as part of its Annual Improvements Project for 2018-2020. The amendment to IFRS 9 clarifies which fees should be included in the "10% test" when determining whether to derecognise a financial liability. Only fees paid or received between the lender and borrower or paid or received by the lender or borrower on the other's behalf should be included in the test. The amendment to IFRS 16 involves the deletion of an illustrative example of the recognition of lease incentives in the form of a reimbursement by the lessor for leasehold improvements. Application of the new rules is mandatory for financial years beginning on or after 1 January 2022. Voluntary early adoption is permitted. The amendments have no effect on the consolidated financial statements.

IBOR reform

With regard to the change in reference interest rates in connection with the IBOR reform, the IASB has published the exposure draft for phase 2 of the IBOR project. According to this, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are planned. The planned amendments relate to the accounting treatment of certain modifications to contractual payment flows that are necessary as a direct result of the IBOR reform. The exposure draft also stipulates exceptions that allow hedge accounting to continue under certain conditions. The adoption of the above regulations is scheduled for August 2020.

DekaBank has decided to take a project-based approach to implementation of the IBOR reform, with the involvement of all the affected areas. Changes to individual systems or the introduction of new products based on risk-free rates will be accompanied by corresponding new product activities at operational level. Another important milestone in the reform was successfully implemented at the end of July 2020 when the standard discount curve used by central counterparties, including LCH and Eurex, for euro products switched from EONIA to €STR. The extensive preparations for CCP-cleared products ensured that the change of discount curve went smoothly. Furthermore, the necessary adjustments to the relevant systems have either already been made or are in the process of implementation. As successors have not yet been determined for all existing reference interest rates, it has been ensured during implementation that the respective new functionality has a high level of flexibility. As part of the changes scheduled for the second half of 2020, preparations are under way for the discount curves for USD products to switch to the new USD risk-free rate SOFR. Changes to bilateral transactions are another important line of action.

5 Changes in the scope of consolidation

In addition to DekaBank as the parent company, the consolidated interim financial statements include a total of 11 (31 December 2019: 11) domestic companies and 5 (31 December 2019: 6) foreign companies in which DekaBank directly or indirectly holds the majority of the voting rights. The scope of consolidation also includes 4 structured entities (31 December 2019: 5).

The changes in the scope of consolidation are due to the deconsolidation of two companies (including one structured entity). The Deka Group no longer controls (within the meaning of IFRS 10) the structured entity Treasury Two Shipping Limited, Majuro (Marshall Islands), as the business relationship was terminated in the first half of 2020. In addition, International Fund Management S.A., Luxembourg was liquidated in the first half of 2020.

DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg was renamed Deka Verwaltungsgesellschaft Luxembourg S.A., Luxembourg during the reporting period.

A total of 10 (31 December 2019: 10) affiliated companies controlled by the Deka Group were not consolidated because they are of minor significance for the presentation of the Group’s financial position and financial performance. The interests held in these subsidiaries are reported under financial assets at fair value. Likewise, structured entities are not consolidated if they are of minor significance to the consolidated interim financial statements. Units in unconsolidated investment funds are measured at fair value through profit or loss. These are shown in the statement of financial position under financial assets at fair value.

The subsidiaries (affiliated companies and structured entities), joint ventures and associated companies, as well as the companies (affiliated and structured entities) and equity investments not included in the scope of consolidation on materiality grounds are shown in the list of shareholdings (note [37] “List of shareholdings”).

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

6 Net interest income

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

€m	1st half 2020	1st half 2019	Change
Interest income from			
Financial assets measured at amortised cost	**312.3**	**338.6**	–26.3
thereof: lending and money market transactions	264.5	286.7	–22.2
thereof: fixed-interest securities	47.8	51.9	–4.1
Financial assets measured at fair value through other comprehensive income	**6.5**	**10.6**	–4.1
thereof: fixed-interest securities	6.5	10.6	–4.1
Financial assets measured at fair value through profit or loss	**103.3**	**113.4**	–10.1
Trading portfolio			
thereof: lending and money market transactions	18.4	8.4	10.0
thereof: interest rate derivatives (economic hedges)	62.8	68.8	–6.0
Financial assets mandatorily measured at fair value through profit or loss			
thereof: lending and money market transactions	6.4	13.4	–7.0
thereof: fixed-interest securities	13.3	19.4	–6.1
thereof: current income from shares and other non-fixed-interest securities	1.5	2.5	–1.0
thereof: current income from equity investments	0.9	0.9	0.0
Hedge derivatives (hedge accounting)	**10.6**	**12.5**	–1.9
Negative interest from liabilities	**73.4**	**60.8**	12.6
Total interest income	**506.1**	**535.9**	–29.8
Interest expenses for			
Financial liabilities measured at amortised cost	**131.5**	**153.3**	–21.8
thereof: lending and money market transactions	61.0	79.1	–18.1
thereof: securitised liabilities	54.9	56.4	–1.5
thereof: subordinated liabilities	15.6	17.8	–2.2
Financial liabilities measured at fair value through profit or loss	**170.9**	**219.9**	–49.0
Trading portfolio			
thereof: lending and money market transactions	1.5	–7.6	9.1
thereof: interest rate derivatives (economic hedges)	152.9	202.0	–49.1
Financial liabilities designated at fair value			
thereof: lending and money market transactions	16.5	22.0	–5.5
thereof: securitised liabilities	–	3.5	–3.5
Hedge derivatives (hedge accounting)	**56.2**	**34.6**	21.6
Negative interest on money-market transactions and fixed-interest securities	**58.6**	**51.6**	7.0
Total interest expenses	**417.2**	**459.4**	–42.2
Net interest income	**88.9**	**76.5**	12.4

7 Risk provisions in the lending and securities business

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

€m	1st half 2020	1st half 2019	Change
Allocation to risk provisions/provisions for credit risks	–73.9	–19.9	–54.0
Reversal of risk provisions/provisions for credit risks	6.4	9.3	–2.9
Direct write-downs on receivables	–0.2	–	–0.2
Income on written-down receivables	0.4	0.7	–0.3
Net income from modifications in the lending business (stage 3 or POCI)	–	–	–
Risk provisions in the lending business	**–67.3**	**–9.9**	–57.4
Allocation to risk provisions	–2.5	–1.9	–0.6
Reversal of risk provisions	0.9	0.4	0.5
Direct write-downs on securities	–	–	–
Net income from modifications in the securities business (stage 3 or POCI)	–	–	–
Risk provisions in the securities business	**–1.6**	**–1.5**	–0.1
Risk provisions in the lending and securities business	**–68.9**	**–11.4**	–57.5

Risk provisions in the lending and securities business increased to €– 68.9m in the first half of 2020 (first half 2019: €– 11.4m), primarily due to the particularly severe impact of the coronavirus crisis on the transport sector.

8 Net commission income

Net commission income by type of service is as follows:

€m	1st half 2020	1st half 2019	Change
Commission income from			
Investment fund business	1,212.9	1,106.9	106.0
Securities business	94.4	78.9	15.5
Lending business	8.4	14.6	–6.2
Other	13.3	10.5	2.8
Total commission income	**1,329.0**	**1,210.9**	118.1
Commission expenses for			
Investment fund business	707.8	580.8	127.0
Securities business	38.9	35.0	3.9
Lending business	2.6	1.1	1.5
Other	3.0	2.6	0.4
Total commission expenses	**752.3**	**619.5**	132.8
Net commission income	**576.7**	**591.4**	–14.7

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

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

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

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

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

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

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

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

Of the net commission income of €576.6m, €314.4m relates to the Asset Management Securities business division, €125.1m to the Asset Management Real Estate business division, €99.6m to the Asset Management Services business division, €32.9m to the Asset Management Capital Markets business division and €5.8m to the Asset Management Financing business division.

9 Net income from the derecognition of financial assets measured at amortised cost

This item comprises the net income from the early disposal of financial assets measured at amortised cost. In the first half of 2020, receivables and loans have been derecognised due to early repayments made by debtors.

€m	1st half 2020	1st half 2019	Change
Gains arising from the derecognition of financial assets measured at amortised costs	4.8	1.5	3.3
Losses arising from the derecognition of financial assets measured at amortised costs	0.0	0.0	0.0
Profit or loss arising from the derecognition of financial assets measured at amortised costs	**4.8**	**1.5**	3.3

10 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments measured at fair value through profit or loss. It also includes the result from currency translation of banking book portfolios. Net interest income from derivative and non-derivative financial instruments in the trading book, together with any related refinancing expenses, are also reported under this item. However, net interest income from economic hedging derivatives is reported under net interest income.

€m	1st half 2020	1st half 2019	Change
Sale and valuation results	394.4	103.7	290.7
Net interest income and current income from trading transactions	–105.9	–49.0	–56.9
Commission	–9.2	–6.8	–2.4
Trading profit or loss	**279.3**	**47.9**	231.4

The year-on-year change in trading profit or loss resulted mainly from positive valuation effects for own issues due to the current spread development.

11 Profit or loss on financial assets mandatorily measured at fair value

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

€m	1st half 2020	1st half 2019	Change
Sale and valuation results	–29.6	99.2	–128.8
Commission	0.5	0.6	–0.1
Profit or loss on financial assets mandatorily measured at fair value	**–29.1**	**99.8**	–128.9

The decline in profit on financial assets mandatorily measured at fair value was primarily due to negative valuation results on securities in the wake of spread movements.

12 Profit or loss on financial instruments designated at fair value

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

€m	1st half 2020	1st half 2019	Change
Sale and valuation results	11.3	8.7	2.6
Commission	–	–	–
Profit or loss on financial instruments designated at fair value	**11.3**	**8.7**	2.6

13 Profit or loss from fair value hedges

The net valuation result is composed as follows, grouped by the type of risk hedged:

€m	1st half 2020	1st half 2019	Change
Interest rate fair value hedges			
Net valuation result from hedging financial assets	–2.4	–10.6	8.2
Net valuation result from hedging financial liabilities	–6.6	0.8	–7.4
Currency fair value hedges			
Net valuation result from hedging financial assets	–8.9	N/A	N/A
Profit or loss from fair value hedges	**–17.9**	**–9.8**	–8.1

14 Profit or loss on financial investments

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

€m	1st half 2020	1st half 2019	Change
Sale results	–0.0	1.7	–1.7
Commission	–	–	–
Net income from equity-accounted companies	–0.0	–0.0	0.0
Profit or loss on financial investments	**–0.0**	**1.7**	–1.7

15 Administrative expenses

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

€m	1st half 2020	1st half 2019	Change
Personnel expenses	276.5	269.1	7.4
Other administrative expenses	269.5	250.0	19.5
Depreciation and amortisation of	28.0	26.5	1.5
Property, plant and equipment	1.9	2.1	–0.2
Intangible assets	6.4	5.3	1.1
Right-of-use assets for leases	19.7	19.1	0.6
Administrative expenses	**574.0**	**545.6**	28.4

Other administrative expenses include the full-year contribution to the European Union's Single Resolution Fund of €52.4m (30 June 2019: €40.4m) and the annual contribution to the deposit guarantee scheme of the *Landesbanken* and *Girozentralen* amounting to €20.4m (30 June 2019: €17.2m).

16 Other operating profit

The breakdown of other operating profit is as follows:

€m	1st half 2020	1st half 2019	Change
Income from repurchased debt instruments	**–0.8**	**–1.7**	0.9
Other operating income	8.6	22.1	–13.5
Other operating expenses	34.9	21.4	13.5
Other operating profit	**–27.1**	**–1.0**	–26.1

The increase in other operating expenses was mainly due to restructuring expenses of €21.5m incurred in the first half of 2020 that primarily resulted from the strategic cost initiative.

17 Income taxes

Based on the corporation tax and trade tax rates applicable for 2020, the combined tax rate for the companies in the DekaBank fiscal group is unchanged compared with the previous year at 31.9%. DekaBank is treated for tax purposes as an atypical silent partnership, as a result of which part of its corporation tax liability is directly borne by its shareholders. In accordance with its articles of incorporation, DekaBank is obliged to reimburse shareholders for the portion of corporation tax (45.58% of 15.825% including solidarity surcharge, i.e. a total of 7.21%) that they bear. As in the previous year, this portion is disclosed as an income tax expense.

Notes to the statement of financial position

18 Cash reserves

€m	30 Jun 2020	31 Dec 2019	Change
Cash on hand	3.4	3.4	0.0
Balances with central banks	12,623.1	3,823.5	8,799.6
Total	**12,626.5**	**3,826.9**	8,799.6

19 Due from banks

Amounts due from banks can be broken down by business type as follows:

€m	30 Jun 2020	31 Dec 2019	Change
Current accounts	456.9	303.3	153.6
Daily and time deposits	8,953.2	8,188.5	764.7
Lending business	2,999.1	3,219.6	–220.5
Genuine repurchase agreements and collateralised securities lending transactions	11,613.4	10,870.0	743.4
Due from banks before risk provisions	**24,022.6**	**22,581.4**	1,441.2
Risk provisions in the lending business	–0.2	–0.2	0.0
Total	**24,022.4**	**22,581.2**	1,441.2

The breakdown of amounts due from banks by region is as follows:

€m	30 Jun 2020	31 Dec 2019	Change
Domestic banks	11,207.0	10,380.9	826.1
Foreign banks	12,815.6	12,200.5	615.1
Due from banks before risk provisions	**24,022.6**	**22,581.4**	1,441.2
Risk provisions in the lending business	–0.2	–0.2	0.0
Total	**24,022.4**	**22,581.2**	1,441.2

20 Due from customers

Amounts due from customers can be broken down by business type as follows:

€m	30 Jun 2020	31 Dec 2019	Change
Current accounts	962.3	411.4	550.9
Daily and time deposits	1,476.2	1,188.8	287.4
Lending business	22,518.1	22,334.5	183.6
Genuine repurchase agreements and collateralised securities lending transactions	3,246.0	4,523.1	–1,277.1
Due from customers before risk provisions	**28,202.6**	**28,457.8**	–255.2
Risk provisions in the lending business	–145.3	–89.3	56.0
Total	**28,057.3**	**28,368.5**	–311.2

The breakdown of amounts due from customers by region is as follows:

€m	30 Jun 2020	31 Dec 2019	Change
Domestic borrowers	8,772.0	7,902.2	869.8
Foreign borrowers	19,430.6	20,555.6	–1,125.0
Due from customers before risk provisions	**28,202.6**	**28,457.8**	–255.2
Risk provisions in the lending business	–145.3	–89.3	56.0
Total	**28,057.3**	**28,368.5**	–311.2

21 Risk provisions in the lending and securities business

Default risks in lending and securities business are recognised through provisions, including provisions for credit risks from off-balance sheet commitments. The accumulated provisions for debt instruments in the AC measurement category are offset against the gross carrying amounts on the asset side. For debt instruments in the FVOCI measurement category, the provisions are reported on the liabilities side in other comprehensive income (OCI). Risk provisions for credit risks from off-balance sheet commitments are reported on the liabilities side under provisions. The risk provisions set up in the first half of 2020 were as follows:

€m	30 Jun 2020	31 Dec 2019	Change
Risk provisions in the lending business	**146.6**	**90.4**	56.2
Risk provisions for loan losses – due from banks	0.2	0.2	0.0
Risk provisions for loan losses – due from customers	145.3	89.3	56.0
Provisions for credit risks from off-balance sheet commitments	1.1	0.9	0.2
Risk provisions in the securities business	**10.4**	**8.8**	1.6
Risk provisions for securities[1]	10.4	8.8	1.6
Total	**157.0**	**99.2**	57.8

[1] Including risk provisions for financial assets measured at fair value through other comprehensive income

In view of the coronavirus crisis, the key assumptions and parameters used in determining risk provisions have been reviewed and updated as part of the risk management process. This primarily involved re-rating (reviewing allocation to the respective rating grade) of counterparties particularly affected by the coronavirus crisis and reviewing and adjusting collateral values.

Taking a holistic view of all quantitative and qualitative indicators is a particularly central requirement in the coronavirus crisis. This should focus on changes in credit default risk throughout the lifetime of the instrument. In taking this approach, companies should examine the impact of current events on long-term economic development and place greater weight on scenarios involving long-term stability. This avoids attaching excessive weight to short-term developments. To meet these requirements, the Monitoring Committee has established a review process for the transfer of financial instruments between stages. This takes a case-by-case approach to avoid the wholesale transfer of financial instruments to stage 2. The process analyses the reasons for the transfer and allocates financial instruments to stage 2 of the impairment model if there is a lasting increase in the risk of default over the remaining life. The development of impairments in each of the three stages over the first half of 2020 and a breakdown of impairments by risk segment are shown in the tables at the end of this note.

The review process described above also reflects the guidance published by the EBA on 25 March 2020: “Statement on the application of the prudential framework regarding default, forbearance and IFRS 9 in light of COVID-19 measures”.

The Expected Credit Loss (ECL) is calculated using prospective information, including macroeconomic factors. Macroeconomic forecasts are produced based on the process used by the Macro Research department for the purposes of preparing the official research opinion (baseline scenario) of the Deka Group using a large volume of external information. The statements relate to the analysis and forecasting of fundamental economic data and financial market indicators. They have been adjusted in light of the current circumstances. The baseline scenario represents the most probable event and is supplemented by a positive and a negative scenario to cover a wide range of possible macroeconomic developments. In the first half of 2020, the probabilities of occurrence remained at 70.0% for the baseline scenario (unchanged), 15.0% for the negative scenario (31 December 2019: 25.0%) and 15.0% for the positive scenario (31 December 2019: 5.0%). The forecast horizon is three years and the forecast covers those countries in which the Deka Group is primarily active.

In the first half of 2020, assets with amortised cost before contract modifications in the amount of €640.0m were subject to insignificant modifications (of which €141.1m relate to Level 2 and 3 exposures). These modifications led to a negative modification result of €1.1m (of which €0,0m relate to Level 2 and 3 exposures). The contractual amendments were agreed bilaterally and were largely attributable to the impact of the coronavirus crisis.

Movements in risk provisions set up in the first half of 2020 were as follows:

Risk provisions for assets measured at amortised cost

€m	Stage 1	Stage 2	Stage 3	Total
Due from banks				
Position as at 1 January 2020	**0.2**	**0.0**	**–**	**0.2**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	0.0	–	–	0.0
Allocation	0.0	–	–	0.0
Reversal	–0.0	–0.0	–	–0.0
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–0.0	–	–	–0.0
Position as at 30 June 2020	**0.2**	**0.0**	**–**	**0.2**
Due from customers				
Position as at 1 January 2020	**9.3**	**8.0**	**72.0**	**89.3**
Transfer to other stages	–0.7	–0.5	–	–1.2
Transfer from other stages	0.3	0.5	0.4	1.2
Change in position including new business	0.9	–0.1	–0.7	0.1
Allocation	2.4	10.0	60.0	72.4
Reversal	–1.7	–2.4	–1.2	–5.3
Utilisation	–	–	–11.5	–11.5
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	0.1	–0.1	–0.1	–0.1
Changes in the scope of consolidation	–	–	–	–
Exchange rate-related and other changes	0.1	–0.1	0.4	0.4
Position as at 30 June 2020	**10.7**	**15.3**	**119.3**	**145.3**
Financial investments				
Position as at 1 January 2020	**2.9**	**5.0**	**–**	**7.9**
Transfer to other stages	–0.1	–0.0	–	–0.1
Transfer from other stages	0.0	0.1	–	0.1
Change in position including new business	0.0	–	–	0.0
Allocation	0.6	1.5	–	2.1
Reversal	–0.0	–0.7	–	–0.7
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–0.0	–0.0	–	–0.0
Position as at 30 June 2020	**3.4**	**5.9**	**–**	**9.3**

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

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

€m	Stage 1	Stage 2	Stage 3	Total
Financial investments				
Position as at 1 January 2020	**0.9**	**–**	**–**	**0.9**
Transfer to other stages	–0.1	–	–	–0.1
Transfer from other stages	–	0.1	–	0.1
Change in position including new business	–0.0	–	–	–0.0
Allocation	0.1	0.2	–	0.3
Reversal	–0.1	–0.0	–	–0.1
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–	–	–	–
Position as at 30 June 2020	**0.8**	**0.3**	**–**	**1.1**

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

Provisions for credit risks from off-balance sheet commitments

€m	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts				
Position as at 1 January 2020	**0.9**	**0.0**	**0.0**	**0.9**
Transfer to other stages	–0.0	–	–	–0.0
Transfer from other stages	–	0.0	–	0.0
Change in position including new business	–0.0	–0.0	–	–0.0
Allocation	0.5	0.0	–	0.5
Reversal	–0.2	–0.0	–	–0.2
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	0.0	–	–	0.0
Exchange rate-related and other changes	–0.1	0.0	–	–0.1
Position as at 30 June 2020	**1.1**	**–0.0**	**0.0**	**1.1**

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

Key ratios for provisions for loan losses:

%	2020	2019
Reversal/allocation ratio as at reporting date[1]		
(Ratio of net allocation/-reversal to gross carrying values relevant for risk provisions)	–0.15	–0.03
Default rate as at reporting date		
(Ratio of defaults to gross carrying values relevant for risk provisions)	0.02	0.01
Average default rate		
(Ratio of defaults on a 5-year average to gross carrying values relevant for risk provisions)	0.26	0.28
Net provisioning ratio as at reporting date		
(Ratio of risk provisions to gross carrying values relevant for risk provisions)	0.34	0.22

[1] Reversal ratio shown without negative leading sign

The calculations of the figures above are based on a gross carrying amount relevant for risk provisioning purposes of €45.8bn (31 December 2019: €44.7bn).

Risk provisions by risk segment:

	Valuation allowances and provisions in the lending and securities business		Defaults[1]		Net allocations to[2]/reversals of valuation allowances and provisions for credit risk	
€m	**30 Jun 2020**	**31 Dec 2019**	**1st half 2020**	**1st half 2019**	**1st half 2020**	**1st half 2019**
Customers						
Transport and export finance	109.4	72.3	11.3	–0.5	–48.3	–4.5
Property risks	27.2	7.7	–0.1	–0.1	–19.6	–7.7
Energy and utility infrastructure	8.4	8.5	–	1.7	0.5	1.7
Financial institutions	0.7	0.7	–	–	0.0	–0.0
Public infrastructure	0.3	0.6	–	–	0.0	–0.1
Other	0.4	0.4	0.1	0.0	–0.2	–0.0
Total customers	**146.4**	**90.2**	**11.3**	**1.1**	**–67.6**	**–10.6**
Banks						
Financial institutions	0.2	0.2	–	–	0.1	0.0
Other	0.0	0.0	–	–	0.0	0.0
Total banks	**0.2**	**0.2**	**–**	**–**	**0.1**	**0.0**
Securities						
Corporates	5.5	3.6	–	–	–1.7	–0.9
Energy and utility infrastructure	3.0	3.8	–	–	0.6	–0.7
Financial institutions	1.8	1.3	–	–	–0.5	–0.0
Other	0.1	0.1	–	–	0.0	0.1
Total securities	**10.4**	**8.8**	**–**	**–**	**–1.6**	**–1.5**
Total	**157.0**	**99.2**	**11.3**	**1.1**	**–69.1**	**–12.1**

[1] Includes utilisation, direct write-downs and income on written-down receivables and securities
[2] Negative in the column

22 Financial assets at fair value

This item includes debt securities, equities, units in investment funds and derivatives held for trading purposes. Derivatives forming part of economic hedging relationships that do not meet the requirements for hedge accounting under IFRS 9 (economic hedging derivatives) are also disclosed here. This item also includes holdings in unconsolidated subsidiaries, joint ventures and associated companies, as well as other equity investments.

€m	30 Jun 2020	31 Dec 2019	Change
Trading portfolio			
Debt securities and other fixed-interest securities	11,714.2	11,837.5	–123.3
Bonds and debt securities	11,704.4	11,836.5	–132.1
Money market securities	9.8	1.0	8.8
Shares and other non fixed-interest securities	1,375.9	3,923.9	–2,548.0
Shares	489.7	2,265.7	–1,776.0
Units in investment funds	886.2	1,658.2	–772.0
Positive market values of derivative financial instruments	8,633.7	6,558.2	2,075.5
Positive market values of derivative financial instruments (trading)	8,562.4	6,487.2	2,075.2
Positive market values of derivative financial instruments (economic hedging derivatives)	71.3	71.0	0.3
Loan receivables	892.8	905.5	–12.7
Total – trading portfolio	**22,616.6**	**23,225.1**	–608.5
Financial assets mandatorily measured at fair value through profit or loss			
Debt securities and other fixed-interest securities	4,293.2	5,227.4	–934.2
Bonds and debt securities	4,293.2	5,227.4	–934.2
Shares and other non fixed-interest securities	1,182.1	1,354.8	–172.7
Shares	3.5	4.2	–0.7
Units in investment funds	1,178.6	1,350.6	–172.0
Loan receivables	360.3	573.6	–213.3
Shareholdings	68.4	61.3	7.1
Equity investments	66.2	58.9	7.3
Shares in affiliated companies	0.6	0.6	–
Holdings in joint ventures	0.0	0.0	–
Shares in associated companies	1.6	1.8	–0.2
Total – financial assets mandatorily measured at fair value through profit or loss	**5,904.0**	**7,217.1**	–1,313.1
Total	**28,520.6**	**30,442.2**	–1,921.6

23 Financial investments

€m	30 Jun 2020	31 Dec 2019	Change
Financial assets measured at amortised cost			
Debt securities and other fixed-interest securities	5,561.3	5,403.0	158.3
Financial assets measured at fair value through other comprehensive income			
Debt securities and other fixed-interest securities	5,886.5	5,336.1	550.4
Shareholdings			
Shares in equity-accounted companies	16.4	16.4	–0.0
Financial investments before risk provisions	**11,464.2**	**10,755.5**	708.7
Risk provisions for securities (AC)	–9.3	–7.9	1.4
Total	**11,454.9**	**10,747.6**	707.3

24 Intangible assets

€m	30 Jun 2020	31 Dec 2019	Change
Purchased goodwill	148.1	148.1	–
Software	26.8	25.3	1.5
Purchased	20.8	19.4	1.4
Developed in-house	6.0	5.9	0.1
Other intangible assets	9.6	10.3	–0.7
Total	**184.5**	**183.7**	0.8

Purchased goodwill continues to comprise goodwill of €95.0m arising from the acquisition of Deka Vermögensmanagement GmbH and €53.1m in goodwill from the acquisition of WestInvest Gesellschaft für Investmentfonds mbH.

The economic downturn caused by the coronavirus crisis was regarded as an indication of an impairment of goodwill. Sensitivity analyses were performed as part of the valuation as of 30 June 2020. The test confirmed the recoverability of the goodwill and no impairment charge was required.

25 Property, plant and equipment

€m	30 Jun 2020	31 Dec 2019	Change
Plant and equipment	17.6	18.3	–0.7
Technical equipment and machines	3.3	4.0	–0.7
Right-of-use assets for leases (leasing assets)	139.9	156.7	–16.8
Total	**160.8**	**179.0**	–18.2

26 Due to banks

Amounts due to banks can be broken down by business type as follows:

€m	30 Jun 2020	31 Dec 2019	Change
Overdrafts	397.3	470.7	–73.4
Daily and time deposits	14,579.3	10,386.7	4,192.6
Promissory note loans and registered bonds	2,758.4	2,882.7	–124.3
Collateralised registered bonds and promissory note loans	44.9	74.0	–29.1
Unsecured registered bonds and promissory note loans	2,713.5	2,808.7	–95.2
Genuine repurchase agreements and collateralised securities lending transactions	7,998.3	3,613.3	4,385.0
Borrowings	148.0	195.4	–47.4
Total	**25,881.3**	**17,548.8**	8,332.5

The regional breakdown of amounts due to banks is as follows:

€m	30 Jun 2020	31 Dec 2019	Change
Domestic banks	15,419.1	10,915.5	4,503.6
Foreign banks	10,462.2	6,633.3	3,828.9
Total	**25,881.3**	**17,548.8**	8,332.5

27 Due to customers

Amounts due to customers can be broken down by business type as follows:

€m	30 Jun 2020	31 Dec 2019	Change
Overdrafts	15,158.8	12,507.6	2,651.2
Daily and time deposits	10,560.9	8,197.1	2,363.8
Promissory note loans and registered bonds	2,182.4	2,165.6	16.8
Collateralised registered bonds and promissory note loans	756.9	736.4	20.5
Unsecured registered bonds and promissory note loans	1,425.5	1,429.2	–3.7
Genuine repurchase agreements and collateralised securities lending transactions	853.8	200.6	653.2
Borrowings	641.4	628.7	12.7
Total	**29,397.3**	**23,699.6**	5,697.7

The regional breakdown of amounts due to customers is as follows:

€m	30 Jun 2020	31 Dec 2019	Change
Domestic customers	23,780.9	19,685.2	4,095.7
Foreign customers	5,616.4	4,014.4	1,602.0
Total	**29,397.3**	**23,699.6**	5,697.7

28 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. In accordance with IFRS 9, issued bonds are disclosed net of own bonds held within the Group with a nominal value of €197.0m (31 December 2019: €219.5m).

€m	30 Jun 2020	31 Dec 2019	Change
Uncovered debt securities issued	5,545.6	5,521.1	24.5
Covered debt securities issued	1,838.7	1,509.1	329.6
Money market securities issued	3,146.3	10,721.9	–7,575.6
Total	**10,530.6**	**17,752.1**	–7,221.5

29 Financial liabilities at fair value

Financial liabilities at fair value comprise trading issues and liabilities designated at fair value. This item also includes the negative market values of derivative financial instruments held for trading and the negative market values of hedging derivatives that are used as hedging instruments but do not meet the requirements of IFRS 9 for hedge accounting (economic hedging derivatives). Securities short portfolios are also reported in this line item.

€m	30 Jun 2020	31 Dec 2019	Change
Trading portfolio			
Trading issues	21,243.4	21,896.6	–653.2
Securities short portfolios	1,452.0	1,096.1	355.9
Negative market values of derivative financial instruments (trading)	8,397.4	5,885.8	2,511.6
Negative market values of derivative financial instruments (economic hedging derivatives)	65.4	114.5	–49.1
Total – trading portfolio	**31,158.2**	**28,993.0**	2,165.2
Financial liabilities designated at fair value			
Issues	715.0	909.9	–194.9
Total – financial liabilities designated at fair value	**715.0**	**909.9**	–194.9
Total	**31,873.2**	**29,902.9**	1,970.3

Issues can be broken down by product type as follows:

€m	30 Jun 2020	31 Dec 2019	Change
Trading portfolio			
Uncovered trading issues			
Bearer bonds issued	17,263.1	18,148.6	–885.5
Registered bonds issued	1,562.6	1,461.7	100.9
Promissory notes raised	2,417.7	2,286.3	131.4
Total	**21,243.4**	**21,896.6**	–653.2
Financial liabilities designated at fair value			
Uncovered issues			
Registered bonds issued	173.2	200.7	–27.5
Promissory notes raised	66.5	125.8	–59.3
Covered issues	475.3	583.4	–108.1
Total	**715.0**	**909.9**	–194.9

30 Provisions

€m	30 Jun 2020	31 Dec 2019	Change
Provisions for pensions and similar commitments	292.0	267.9	24.1
Provisions in investment funds business	108.0	58.5	49.5
Provisions for legal risks	11.2	13.1	–1.9
Provisions for restructuring measures	61.9	42.3	19.6
Provisions in human resources	0.5	0.6	–0.1
Provisions for credit risks	1.1	0.9	0.2
Provisions for operational risks	0.4	0.4	–
Sundry other provisions	143.6	144.2	–0.6
Total	**618.7**	**527.9**	90.8

The actuarial interest rate used to calculate the present value of the defined benefit obligation was revised in the first half of 2020 due to a refinement in the procedure by the independent actuary. The actuarial interest rate used in discounting is determined by reference to market yields at the reporting date for high-quality, fixed-interest corporate bonds with matching maturities. For the eurozone, there was a change in the method for selecting the corporate bonds used to determine the actuarial interest rate. In the refined procedure, corporate bonds with a risk-return profile closer to that of sovereign bonds will not be used when calculating the actuarial interest rate in future. The actuarial interest rate calculated on this new basis as at 30 June 2020 stood at 1.25%. Without the change in procedure, it would have been 25 basis points lower. Using the new procedure, the provision for pension obligations as of 30 June 2020 was €292.0m. A pre-tax revaluation loss of €–19.2m (31 December 2019: revaluation loss of €–38.6m) was recognised in other comprehensive income. With an actuarial interest rate of 1.00%, pension obligations would have been €37.4m higher.

Provisions are also created for funds with formal guarantees and targeted returns.

The Deka Group's range of products includes investment funds with guarantees of various types. Upon maturity of the fund or at the end of the investment period, the investment management company guarantees that the investor will receive either the capital originally invested or the unit value at the start of that investment period. The amount of the provision is the forecast shortfall at the guarantee date, which is the difference between the expected unit value and the unit value guaranteed. As at the reporting date, €12.5m (31 December 2019: €11.2m) was set aside based on the changes in the respective fund assets. As at the reporting date, the guarantees covered a maximum volume of €1.9bn (31 December 2019: €2.3bn) as at the respective guarantee dates. The market value of the corresponding fund assets totalled €2.1bn (31 December 2019: €2.7bn). This includes funds with a forecast return performance, as described below, which had a volume of €0.3bn (31 December 2019: €0.3bn).

Investment funds, whose return is forecast and published on the basis of current money market rates set by the Group, exist in two fund varieties: with or without a capital guarantee. The level of the provision is determined using potential loss scenarios taking account of the risks related to liquidity, interest rate and spreads. As at the reporting date, provisions of €19.9m (31 December 2019: €16.7m) had been created. The underlying total value of the funds was €1.3bn (31 December 2019: €1.5bn), of which €0.3bn (31 December 2019: €0.3bn) related to funds with a capital guarantee and €1.0bn (31 December 2019: €1.2bn) to funds without a capital guarantee.

For the fund-based Riester products offered as private pensions, DekaBank provides a capital guarantee at the start of the disbursement phase, for which a provision of €65.0m (31 December 2019: €19.2m) was recognised. Potential obligations from fund-based pension products totalled €4.7bn at the reporting date (31 December 2019: €4.3bn). The market value of the fund-based pension products totalled €5.6bn (31 December 2019: €5.9bn).

The Bank refined its procedure for calculating provisions for the Deka-ZukunftsPlan Riester product in the first half of 2020. The new estimate is based on a Monte Carlo simulation and calculates the expected value of a potential shortfall at the guarantee date at individual contract level. In calculating the shortfall, various capital market parameters (yields and volatilities for equities, bonds and the money market) were used to estimate the development of portfolio value. As at 30 June 2020, this resulted in an increase in the provision to a total of €41.6m. Using the previous estimate would have resulted in a provision of €19.4m as of 30 June 2020.

The €19.5m increase in restructuring expenses resulted from the strategic cost initiative, which is focusing on a lasting reduction in personnel and operating expenses through initiatives to improve and consolidate operations.

The sundry other provisions were established in respect of liabilities arising from a range of issues. Sundry other provisions chiefly comprise a provision of €140.0m, created at the end of 2019, for capital-strengthening measures in relation to a company in the equity investment portfolio (31 December 2019: €140.0m).

31 Equity

€m	30 Jun 2020	31 Dec 2019	Change
Subscribed capital	**286.3**	**286.3**	–
Own shares (deduction)	**94.6**	**94.6**	–
Additional capital components (AT1 bonds)	**473.6**	**473.6**	–
Capital reserve	**190.3**	**190.3**	–
Retained earnings	**4,704.9**	**4,733.3**	−28.4
Statutory reserve	6.1	6.4	−0.3
Other reserves from retained earnings	4,698.8	4,726.9	−28.1
Revaluation reserve	**−152.7**	**−132.6**	−20.1
For provisions for pensions	−242.6	−223.4	−19.2
For foreign currency basis spreads of hedging derivatives	19.2	2.5	16.7
For financial assets measured at fair value through other comprehensive income	1.6	12.5	−10.9
For own credit risk of financial liabilities designated at fair value	1.0	−3.6	4.6
Deferred taxes	68.1	79.4	−11.3
Currency translation reserve	**0.0**	**0.1**	−0.1
Accumulated profit/loss (consolidated profit)	**174.0**	**55.1**	118.9
Total	**5,581.8**	**5,511.5**	70.3

The ECB is currently maintaining its recommendation on dividend payments during the coronavirus crisis. In order to preserve a solid capital base while simultaneously providing the necessary support to the economy, the ECB recommends that payment of dividends should be waived until 1 January 2021. The ECB plans to review its strategy from 1 January 2021 in the fourth quarter of 2020. In this context, the Administrative Board will look at a proposal on the appropriation of profit at a later stage, taking into account further developments and the ECB's guidelines. As at 30 June 2020, consolidated profit comprised the total of profit or loss for 2020 and profit carried forward from previous years (consolidated profit for 2019).

Other disclosures

32 Fair value disclosures for financial instruments

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

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

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

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

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

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

	30 Jun 2020		31 Dec 2019	
€m	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Assets				
Financial assets measured at amortised cost				
Cash reserves	12,626.5	12,626.5	3,826.9	3,826.9
Due from banks	24,030.8	24,022.4	22,602.9	22,581.2
Due from customers	27,930.9	28,057.3	28,712.8	28,368.5
Financial investments	5,671.6	5,552.0	5,567.0	5,395.1
Other assets	153.7	153.7	178.4	178.4
Financial assets measured at fair value through other comprehensive income				
Financial investments	5,886.5	5,886.5	5,336.1	5,336.1
Financial assets measured at fair value through profit or loss				
Trading portfolio				
Financial assets at fair value	22,616.6	22,616.6	23,225.1	23,225.1
Financial assets mandatorily measured at fair value through profit or loss				
Financial assets at fair value	5,904.0	5,904.0	7,217.1	7,217.1
Other assets	7.6	7.6	8.8	8.8
Positive market values of derivative hedging instruments	191.8	191.8	132.7	132.7
Total asset items	**105,020.0**	**105,018.4**	**96,807.8**	**96,269.9**
Liabilities				
Financial liabilities measured at amortised cost				
Due to banks	25,948.8	25,881.3	17,623.7	17,548.8
Due to customers	29,581.7	29,397.3	23,890.8	23,699.6
Securitised liabilities	10,544.3	10,530.6	17,800.7	17,752.1
Subordinated capital	902.2	826.1	916.5	824.3
Other liabilities	337.7	337.7	359.6	359.6
Financial liabilities measured at fair value through profit or loss				
Trading portfolio				
Financial liabilities at fair value	31,158.2	31,158.2	28,993.0	28,993.0
Other liabilities	4.4	4.4	4.7	4.7
Financial liabilities designated at fair value				
Financial liabilities at fair value	715.0	715.0	909.9	909.9
Negative market values of derivative hedging instruments	281.4	281.4	368.5	368.5
Total liability items	**99,473.7**	**99,132.0**	**90,867.4**	**90,460.5**

Fair value hierarchy

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

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

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

	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
€m	**30 Jun 2020**	**31 Dec 2019**	**30 Jun 2020**	**31 Dec 2019**	**30 Jun 2020**	**31 Dec 2019**
Financial assets measured at fair value through profit or loss						
Debt securities, other fixed-interest securities and loan receivables	9,326.8	7,921.7	5,706.7	7,792.0	2,227.0	2,830.3
Shares and other non fixed-interest securities	2,317.0	5,228.6	50.5	50.1	190.5	–
Derivative financial instruments	197.9	119.8	8,094.6	6,077.0	341.2	361.4
Interest-rate-related derivatives	–	0.1	7,207.6	5,440.0	323.8	345.3
Currency-related derivatives	–	–	86.5	200.0	–	–
Share and other price-related derivatives	197.9	119.6	800.5	437.0	17.4	16.1
Shareholdings	–	–	–	–	68.4	61.3
Positive market values of derivative hedging instruments	–	–	191.7	132.6	0.1	0.1
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	3,244.3	2,193.5	2,642.2	3,142.5	–	–
Total	**15,086.0**	**15,463.6**	**16,685.7**	**17,194.2**	**2,827.2**	**3,253.1**

€m	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Financial liabilities measured at fair value through profit or loss						
Securities short portfolios	1,352.3	825.6	96.4	270.4	3.3	–
Derivative financial instruments	286.4	116.4	7,625.8	5,507.8	550.6	376.0
Interest-rate-related derivatives	–	–	5,748.1	4,460.7	487.9	276.7
Currency-related derivatives	–	–	80.3	172.1	–	–
Share and other price-related derivatives	286.4	116.4	1,797.4	875.0	62.7	99.3
Issues	–	–	17,537.4	18,629.5	4,421.0	4,177.0
Negative market values of derivative hedging instruments	–	–	281.4	368.5	–	–
Total	**1,638.7**	**942.0**	**25,541.0**	**24,776.2**	**4,974.9**	**4,553.0**

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 reporting date:

€m	Reclassifications from level 1 to level 2		Reclassifications from level 2 to level 1	
	2020	2019	2020	2019
Financial assets measured at fair value through profit or loss				
Debt securities, other fixed-interest securities and loan receivables	410.5	1,636.9	2,314.7	1,236.1
Derivative financial instruments	96.6	21.0	68.7	25.7
Share and other price-related derivatives	96.6	21.0	68.7	25.7
Financial liabilities measured at fair value through profit or loss				
Securities short portfolios	2.5	25.7	81.4	35.7
Derivative financial instruments	117.7	19.6	120.9	29.0
Interest-rate-related derivatives	–	–	–	0.1
Share and other price-related derivatives	117.7	19.6	120.9	28.9

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

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

Fair value hierarchy level 1

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

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

Fair value hierarchy level 2

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

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

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

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

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

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

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

Fair value hierarchy level 3

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

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

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

points relating to the credit spreads, the fair value of the bonds and promissory note loans could have been €6.5m higher or lower.

Determining the fair value of loan receivables also involves the use of spreads that are not observable in the market. Assuming an average uncertainty of fifty basis points relating to the credit spreads, the fair value of the loan receivables measured at fair value could have been €0.7m higher or lower.

The fair value of the non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations. These quotations are obtained from various brokers as well as from market price providers, such as S&P. The bid-ask spreads from the available price indications for the individual securitisation positions were used to determine a bid-ask spread, which was used as an estimate for price sensitivity. Using this bid-ask spread, a variation range of 0.21 percentage points averaged across the portfolio was obtained. On this basis, the market value of the securitisation positions concerned could have been €0.06m higher or lower.

The Bank also allocates to level 3 a limited number of equity, credit and interest rate derivatives or issues with embedded equity, credit and interest rate derivatives, for example if unobservable valuation parameters are used which are significant for their valuation. For equity and interest rate derivatives whose valuation requires correlations, the Bank typically uses historical correlations with the relevant share prices or interest rate fixings, or changes to these. The sensitivity of the equity option positions concerned was around €–3.7m as at 30 June 2020. 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 0.8%, 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 as at 30 June 2020 corresponds to an equity vega of 2.41, resulting in a value of approximately €13.6m. For credit default swaps (CDS) and credit linked notes with a longer maturity than CDS spreads quoted on the market, a temporal extrapolation uncertainty of five basis points is assumed. As at 30 June 2020, this results in a value of €0.6m.

There are no publicly quoted market prices for the company shares listed as shareholdings. The fair value of company shares is determined using the dividend discount model, provided that the company pays dividends on a sustained basis. Other company shares are measured on the basis of the net asset value approach. In the case of one shareholding, the valuation was based on a purchase offer. There is currently no intention to sell further assets.

As at 30 June 2020, 98.6% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.

Performance of financial instruments in fair value hierarchy level 3
The movement in level 3 assets carried at fair value is shown in the table below.

€m	Debt securities, other fixed-interest securities and loan receivables	Shares and other non-fixed-interest securities	Interest-rate-related derivatives	Share and other price-related derivatives	Share-holdings	Positive market values of derivative hedging instruments	Total
As at 1 January 2019	**4,307.6**	**–**	**61.5**	**46.3**	**47.4**	**–**	**4,462.8**
Additions through purchase	1,199.9	–	46.4	2.7	5.5	–	1,254.5
Disposals through sale	1,482.1	–	–	0.6	0.4	–	1,483.1
Maturity/repayments	353.1	–	0.6	22.4	–	–	376.1
Transfers							
To Level 3	118.1	–	3.1	–	–	0.2	121.4
From Level 3	971.7	–	–	1.0	–	–	972.7
Change in scope of consolidation	–	–	–	–	−0.3	–	−0.3
Changes arising from measurement/disposal							
Recognised in profit or loss[1]	11.6	–	234.9	−8.9	9.1	−0.1	246.6
Recognised in other comprehensive income[2]	–	–	–	–	–	–	–
As at 31 December 2019	**2,830.3**	**–**	**345.3**	**16.1**	**61.3**	**0.1**	**3,253.1**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**3.5**	**–**	**234.9**	**−8.9**	**9.1**	**−0.1**	**238.5**
As at 1 January 2020	**2,830.3**	**–**	**345.3**	**16.1**	**61.3**	**0.1**	**3,253.1**
Additions through purchase	476.9	–	–	–	–	–	476.9
Disposals through sale	387.8	–	3.5	3.6	2.7	–	397.6
Maturity/repayments	87.3	–	49.2	4.3	–	–	140.8
Transfers							
To Level 3	44.8	190.5	–	0.1	–	–	235.4
From Level 3	611.6	–	63.6	2.2	–	–	677.4
Changes arising from measurement/disposal							
Recognised in profit or loss[1]	−38.3	–	94.8	11.3	9.8	–	77.6
Recognised in other comprehensive income[2]	–	–	–	–	–	–	–
As at 30 June 2020	**2,227.0**	**190.5**	**323.8**	**17.4**	**68.4**	**0.1**	**2,827.2**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**−35.1**	**–**	**94.8**	**11.3**	**9.8**	**–**	**80.8**

[1] Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.
[2] Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.
[3] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.

The movement in level 3 liabilities carried at fair value is shown in the table below.

€m	Securities short portfolios	Interest-rate-related derivatives	Share and other price-related derivatives	Issues	Total
As at 1 January 2019	**0.6**	**159.0**	**29.7**	**2,334.4**	**2,523.7**
Additions through purchase	1.2	11.2	6.4	28.0	46.8
Disposals through sale	1.5	0.1	0.7	–	2.3
Additions through issues	–	–	–	13,982.0	13,982.0
Maturity/repayments	–	2.9	2.0	12,251.2	12,256.1
Transfers					
To Level 3	–	–	2.3	–	2.3
From Level 3	0.3	1.1	2.3	14.0	17.7
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	–	–110.6	–65.9	–97.8	–274.3
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2019	**–**	**276.7**	**99.3**	**4,177.0**	**4,553.0**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**–110.6**	**–65.9**	**–71.5**	**–248.0**
As at 1 January 2020	**–**	**276.7**	**99.3**	**4,177.0**	**4,553.0**
Additions through purchase	3.3	14.3	0.6	28.1	46.3
Disposals through sale			2.2	34.4	36.6
Additions through issues				692.6	692.6
Maturity/repayments	–	45.3	65.1	232.6	343.0
Transfers					
To Level 3	–	0.2	10.5	207.3	218.0
From Level 3	–	63.5	10.4	110.3	184.2
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	–	–305.5	–30.0	306.7	–28.8
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 30 June 2020	**3.3**	**487.9**	**62.7**	**4,421.0**	**4,974.9**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**–305.5**	**–30.0**	**289.7**	**–45.8**

[1] Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.
[2] Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.
[3] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.

During the reporting period, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €611.6m and of interest-rate-related derivatives amounting to €63.6m were transferred from level 3. Negative market values of interest-rate-related derivatives amounting to €63.5m and of issues amounting to €110.3m were transferred from level 3. Furthermore, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €44.8m and of shares and other non-fixed-interest securities amounting to €190.5m were migrated to level 3. In addition, negative market values of issues amounting to €207.3m were migrated to level 3. This was due to a more detailed analysis of the market data used for valuation.

Measurement processes for financial instruments in fair value hierarchy level 3

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

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

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

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

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

33 Information on the quality of financial assets

Non-performing exposures

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

€m	Transport and export finance	Energy and utility infra-structure	Property risks	Other	Total 30 Jun 2020	Total 31 Dec 2019
Non-performing exposures[1]	324.4	46.1	162.7	0.0	533.2	242.7
Collateral[2]	207.2	–	131.1	–	338.3	105.3
Provisions for loan losses/credit rating-related changes in fair value	116.9	5.7	25.9	0.0	148.5	87.3

1) The values shown represent the gross carrying value of the credit risk-bearing financial assets classified as non-performing.
2) Recognition of measurable collateral. Indication of market/fair value not exceeding the underlying exposure.

Exposures with forbearance measures

The table below shows the breakdown of forborne exposures by risk segment.

€m	Transport and export finance	Energy and utility infra-structure	Property risks	Total 30 Jun 2020	Total 31 Dec 2019
Forborne exposures[1]	519.8	46.1	539.1	1,105.0	248.7
thereof: Performing	348.6	–	491.5	840.1	91.2
thereof: Non-Performing	171.2	46.1	47.6	264.9	157.5
Collateral[2]	428.0	–	535.8	963.8	135.8
Provisions for loan losses/ credit rating-related changes in fair value	88.1	5.7	2.8	96.6	70.7

1) The figures shown represent the gross carrying value of the credit risk-bearing financial assets classified as forborne.
2) Recognition of measurable collateral. Indication of market/fair value not exceeding the underlying exposure.

The increase in exposures with forbearance measures in the first half of 2020 was mainly due to the coronavirus crisis. As of 30 June 2020, the Deka Group does not have any exposures with public or private moratoria covered by the EBA Guidelines (EBA/GL/2020/02) "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis".

Key ratios for non-performing and forborne exposures:

%	30 Jun 2020	31 Dec 2019
NPE ratio at the reporting date		
(Ratio of non-performing exposures to maximum credit risk)	0.50	0.25
NPE coverage ratio, including collateral, at the reporting date		
(Ratio of risk provisions, including collateral, to non-performing exposures)	91.29	79.36
NPE coverage ratio, excluding collateral, at the reporting date		
(Ratio of risk provisions, excluding collateral, to non-performing exposures)	27.85	35.96
Forborne exposures ratio at the reporting date		
(Ratio of forborne exposures to maximum credit risk)	1.04	0.26

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.35K(a)/IFRS 7.36(a) using credit risk-bearing financial assets and the corresponding off-balance sheet liabilities. As at the reporting date it amounted to €106.1bn (31 December 2019: €96.0bn).

34 Derivative transactions

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

€m	Nominal value 30 Jun 2020	Nominal value 31 Dec 2019	Positive fair values[1] 30 Jun 2020	Positive fair values[1] 31 Dec 2019	Negative fair values[1] 30 Jun 2020	Negative fair values[1] 31 Dec 2019
Interest rate risks	1,127,834.1	995,625.2	33,437.4	24,659.0	33,643.3	24,317.3
Currency risks	28,460.3	36,328.9	379.1	407.2	379.3	646.1
Share and other price risks	48,878.1	45,892.4	1,060.2	619.5	2,189.7	1,145.9
Total	**1,205,172.5**	**1,077,846.5**	**34,876.7**	**25,685.7**	**36,212.3**	**26,109.3**
Net amount disclosed in the statement of financial position			**8,825.5**	**6,690.9**	**8,744.2**	**6,368.8**

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

35 Regulatory capital (own funds)

As at 30 June 2020, regulatory capital and the capital ratios were calculated on the basis of the capital requirements currently applicable pursuant to the Regulation on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) and the Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive IV – CRD IV), which are subject to certain transitional provisions.

The figures presented below are shown in accordance with the transitional provisions set out in CRR/CRD IV as well as pursuant to full application of the 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 2020 CRR/CRD IV (without transitional provisions)	30 Jun 2020 CRR/CRD IV (with transitional provisions)	31 Dec 2019 CRR/CRD IV (without transitional provisions)	31 Dec 2019 CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 (CET 1) capital	4,481	4,481	4,579	4,579
Additional Tier 1 (AT 1) capital	474	484	474	489
Tier 1 capital	**4,954**	**4,965**	**5,053**	**5,069**
Tier 2 (T2) capital	748	748	775	775
Own funds	**5,703**	**5,713**	**5,828**	**5,844**

The decline in Tier 1 capital was mainly due to a greater shortfall of provisions and to the neutralisation of valuation effects for own issues dating from the 2019 financial year. Meanwhile, there was a positive effect from the reinvestment of profits from the 2019 annual financial statements.

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

€m	30 Jun 2020 CRR/CRD IV (without transitional provisions)	30 Jun 2020 CRR/CRD IV (with transitional provisions)	31 Dec 2019 CRR/CRD IV (without transitional provisions)	31 Dec 2019 CRR/CRD IV (with transitional provisions)
Credit risk	20,153	20,153	19,147	19,147
Market risk	10,254	10,254	9,269	9,269
Operational risk	3,447	3,447	3,243	3,243
CVA risk	635	635	570	570
Risk-weighted assets	**34,489**	**34,489**	**32,229**	**32,229**

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

%	30 Jun 2020 CRR/CRD IV (without transitional provisions)	30 Jun 2020 CRR/CRD IV (with transitional provisions)	31 Dec 2019 CRR/CRD IV (without transitional provisions)	31 Dec 2019 CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 capital ratio	13.0	13.0	14.2	14.2
Tier 1 capital ratio	14.4	14.4	15.7	15.7
Total capital ratio	16.5	16.6	18.1	18.1

Regulatory own funds requirements were met at all times during the reporting period.

36 Contingent liabilities and other obligations

€m	30 Jun 2020	31 Dec 2019	Change
Irrevocable lending commitments	1,614.1	2,065.4	–451.3
Other liabilities	98.9	104.9	–6.0
Total	**1,713.0**	**2,170.3**	–457.3

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

In a letter dated 17 July 2017, the Federal Ministry of Finance (BMF) presented rules for the tax treatment of share trades around the dividend record date, and noted, *inter alia*, that certain transaction types may fall under the scope of section 42 of the German Tax Code (*Abgabenordnung* – AO). In its verdict of 28 January 2020 (4 K 890/17), the Finance Court of Kassel commented for the years in dispute 2004-2007, *inter alia*, on the entitlement to offset capital yields tax (*Kapitalertragsteuer*) in reciprocal securities transactions. The full written judgement was released for publication on 10 July 2020. The tax authorities have not yet issued an official statement on the verdict. The matter on which the Finance Court of Kassel reached its judgement differed from the share trades transacted by DekaBank around the dividend record date. DekaBank therefore continuous to see no convincing reason to believe that the share trades it transacted around the dividend record date will fall under the scope of section 42 of the German Tax Code. In the case of its share trades, DekaBank also believes that there was a transfer of beneficial ownership and therefore considers it unlikely that a final claim will be made in this regard. Consequently, there are no

grounds to create provisions for financial burdens arising from the refusal by tax authorities to allow relief from capital yields tax. Since a degree of uncertainty remains as to how the tax authorities and fiscal courts will ultimately assess the share trades concerned, it cannot be wholly ruled out that an adverse financial impact of €14.1m may arise in this regard.

37 List of shareholdings

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

Consolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity % 30 Jun 2020
bevestor GmbH, Frankfurt/Main	100.00
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Far East Pte. Ltd., Singapore	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Real Estate International GmbH, Frankfurt/Main	100.00
Deka Real Estate Services USA Inc., New York	100.00
Deka Vermögensmanagement GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungsgesellschaft Luxembourg S.A., Luxembourg (formerly: DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg)	100.00
S Broker Management AG, Wiesbaden	100.00
S Broker AG & Co. KG, Wiesbaden	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74[1]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

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

Consolidated subsidiaries (structured entities):

Name, registered office	Share in fund assets % 30 Jun 2020
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
S Broker 1 Fonds, Frankfurt/Main	100.00

Joint ventures accounted for under the equity method:

Name, registered office	Share of equity % 30 Jun 2020	Equity €'000 30 Jun 2020[1]	Total of profit or loss €'000 30 Jun 2020[1]
S-PensionsManagement GmbH, Cologne	50.00	26,824.9	147.9
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00	32,914.5	903.0

[1] Amounts reported in financial statements for the year ended 31 December 2018

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

Name, registered office	Share of equity % 30 Jun 2020
Joint ventures	
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Associated companies	
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.20

Unconsolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity % 30 Jun 2020
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 04 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 05 mbH, Frankfurt/Main	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90

Unconsolidated structured entities:

Name, registered office	Fund assets €m 30 Jun 2020	Share of equity/fund assets % 30 Jun 2020
Deka MSCI USA Climate Change ESG UCITS ETF, Frankfurt/Main	14.5	100.00
Deka MSCI World Climate Change ESG UCITS ETF, Frankfurt/Main	48.3	100.00
Deka-Liquid Alternative Strategies, Luxembourg	46.9	100.00
Deka-Institutionell Absolute Return Dynamisch, Frankfurt/Main	51.8	100.00
Deka Investors Spezial InvAG m.v.K und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	51.7	100.00
Deka MSCI Europe Climate Change ESG UCITS ETF, Frankfurt/Main	29.2	100.00
Deka MSCI EMU Climate Change ESG UCITS ETF, Frankfurt/Main	24.2	100.00
Deka MSCI Germany Climate Change ESG UCITS ETF, Frankfurt/Main	19.2	99.98
Deka-Nachhaltigkeit Impact Renten, Luxembourg	20.1	99.60
Deka-Nachhaltigkeit Impact Aktien, Luxembourg	10.5	98.44
Mix-Fonds Index: moderat, Luxembourg	5.0	97.13
Deka-Immobilien PremiumPlus-Private Banking CF (T), Luxembourg	1.1	94.51
Deka-MultiFactor Global Corporates, Luxembourg	38.9	90.67
Mix-Fonds Index: offensiv, Luxembourg	5.5	90.58
Mix-Fonds Index: ausgewogen, Luxembourg	5.4	89.30
Deka-RentSpezial EM 9/2025, Frankfurt/Main	32.3	88.32
Deka Germany 30 UCITS ETF, Frankfurt/Main	36.2	83.08
Mix-Fonds Index: dynamisch, Luxembourg	5.9	81.72
Deka-Institutionell Absolute Return Defensiv, Frankfurt/Main	20.8	78.39
Deka-BasisStrategie Aktien, Frankfurt/Main	16.0	71.08
Deka Euro Corporates 0-3 Liquid UCITS ETF, Frankfurt/Main	56.7	70.90
Deka-Multi Strategie Global PB, Frankfurt/Main	30.9	70.86
Deka-MultiFactor Emerging Markets Corporates, Luxembourg	27.7	69.33
Deka-MultiFactor Global Corporates HY, Luxembourg	33.8	68.53
Deka-RentSpezial High Income 9/2025, Frankfurt/Main	43.9	66.17
Deka-Relax 30, Frankfurt/Main	0.8	65.33
Deka US Treasury 7-10 UCITS ETF, Frankfurt/Main	45.5	64.25
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	32.1	59.72
Deka-Relax 50, Frankfurt/Main	0.9	55.62
Deka-EuroFlex Plus, Luxembourg	101.3	52.98
Deka-Relax 70, Frankfurt/Main	1.0	52.82
Deka-MultiFactor Global Government Bonds, Luxembourg	30.4	48.95
Deka-PB ManagerMandat offensiv, Frankfurt/Main	1.2	46.81
Deka MSCI Japan UCITS ETF, Frankfurt/Main	115.7	34.23
Deka-Nachhaltigkeit Multi Asset, Frankfurt/Main	13.0	31.94
Deka Investors Spezial InvAG m.v.K und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Mittelstandskreditfonds I, Frankfurt/Main	43.4	23.00
Deka-RentSpezial HighYield 9/2025, Frankfurt/Main	93.5	20.00

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% as at the reporting date are shown as subsidiaries, associated companies or other related parties in accordance with their equity holding.

Transactions are carried out with related parties under normal market terms and conditions as part of the ordinary business activities of the Deka Group. These relate amongst others 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 dealings with shareholders of DekaBank and unconsolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Asset items				
Due from customers	–	–	2.2	0.4
Financial assets at fair value	–	–	3.3	3.1
Other assets	–	–	0.4	16.5
Total asset items	**–**	**–**	**5.9**	**20.0**
Liability items				
Due to customers	66.9	63.4	46.2	59.7
Financial liabilities at fair value	–	–	0.1	0.5
Other liabilities	–	–	0.0	0.0
Total liability items	**66.9**	**63.4**	**46.3**	**60.2**

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

€m	Joint ventures/ associated companies		Other related parties	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Asset items				
Due from customers	0.0	0.0	26.2	–
Financial assets at fair value	1.2	1.3	3.3	0.0
Other assets	0.1	0.1	2.5	0.6
Total asset items	**1.3**	**1.4**	**32.0**	**0.6**
Liability items				
Due to customers	10.9	11.9	246.7	103.2
Financial liabilities at fair value	58.2	57.7	2.5	–
Total liability items	**69.1**	**69.6**	**249.2**	**103.2**

39 Additional miscellaneous information

Events after the reporting period

No major developments of particular significance occurred after the reporting date of 30 June 2020.

The consolidated interim financial statements were approved for publication on 11 August 2020 by DekaBank’s Board of Management.

Assurance of the Board of Management

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

Frankfurt/Main, 11 August 2020

DekaBank
Deutsche Girozentrale

The Board of Management

Dr Stocker

Dr Danne

Dietl-Benzin

Kapffer

Müller

Review Report

To DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main

We have reviewed the condensed interim consolidated financial statements of the DekaBank Deutsche Girozentrale AöR – comprising balance sheet, statement of comprehensive income, condensed statement of changes in equity, condensed cash flow statement and selected explanatory notes – together with the interim group management report of the DekaBank Deutsche Girozentrale AöR, for the period from 1 January to 30 June, 2020 that are part of the semi annual (or quarterly financial report) according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Frankfurt am Main, 12 August 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Beier
Wirtschaftsprüfer

Haider
Wirtschaftsprüfer

Administrative Board and Board of Management of DekaBank

(as of 31 July 2020)

Administrative Board

Helmut Schleweis
Chairman
President of the German Savings Banks and Giro Association e. V., Berlin,
President of the German Savings Banks and Giro Association – public law entity, Berlin
Chairman of the General and Nominating Committee
Chairman of the Remuneration Supervision Committee

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

Thomas Mang
Second Deputy Chairman
President of the Savings Banks Association Lower Saxony, Hanover
Chairman of the Risk and Credit Committee
Second Deputy Chairman of the General and Nominating Committee
Second Deputy Chairman of the Remuneration Supervision Committee

Further representatives selected by the Shareholders' Meeting

Michael Bräuer
Chairman of the Management Board of Sparkasse Oberlausitz-Niederschlesien, Zittau
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Michael Breuer
President of the Rhineland Savings Banks and Giro Association, Düsseldorf
Chairman of the Audit Committee
Chairman of the General und Nominating Committee

Ingo Buchholz
Chairman of the Management Board of Kasseler Sparkasse, Kassel
Deputy Chairman of the Audit Committee

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

Dr. Michael Ermrich
Managing President of the East German Savings Banks Association, Berlin

Ralf Fleischer
Chairman of the Management Board of Stadtsparkasse München, Munich

Andreas Fohrmann
Chairman of the Management Board of Sparkasse Südholstein, Münster

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
Deputy Chairman of the Risk and Credit Committee
(since 1 January 2020)

Beate Läsch-Weber
President of the Savings Banks Association Rhineland-Palatinate, Mainz

Ludwig Momann
Chairman of the Management Board of Sparkasse Emsland, Meppen
Member of the Risk and Credit Committee

Tanja Müller-Ziegler
(since 1 January 2020)
Member of the Management Board of Berliner Sparkasse, Berlin
Member of the Risk and Credit Committee

Dr. Ulrich Netzer
President of the Savings Banks Association Bavaria, Munich
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee
Member of the Audit Committee

Katrin Rohmann
(since 1 August 2020)
Freelance accountant, Birkenwerder

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

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

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

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

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

Employee Representatives appointed by the Staff Committee:

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

Edwin Quast
(since 10 June 2020)
First Deputy Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Erika Ringel
(until 9 June 2020)
Member of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

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

Dr. Uwe Brandl
(since 10 July 2020)
Mayor of the City of Abensberg and First Deputy Chairman of the German Association of Towns and Municipalities, Berlin

Helmut Dedy
Chief Executive Officer of the German Association of Cities, Berlin

Prof. Dr. Hans-Günter Henneke
Managing Member of the Presiding Board of the German County Association, Berlin
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Roland Schäfer
(until 9 July 2020)
Mayor of the City of Bergkamen and President of the German Association of Towns and Municipalities, Berlin

Board of Management

Dr. Georg Stocker
CEO
(since 1 January 2020)

Dr. Matthias Danne
Deputy Chairman of the Board of Management
(since 3 July 2020)
Member of the Board of Management
(until 2 July 2020)

Manuela Better
Member of the Board of Management
(until 31 May 2020)

Birgit Dietl-Benzin
Member of the Board of Management
(since 11 June 2020)

Daniel Kapffer
Member of the Board of Management

Martin K. Müller
Member of the Board of Management

Executive Managers

Manfred Karg

Torsten Knapmeyer
(since 1 January 2020)

Find out more

An online version of our Interim Report 2020 can also be found under "Reports" in the "Investor Relations" section of our corporate website. Previous reports are available in the "Archive" section, where they can be downloaded. Under "Investor Relations", you will also find our contact details along with information on own issues, key figures, ratings, ad hoc notices and important dates.

Contact

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

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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.

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

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

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