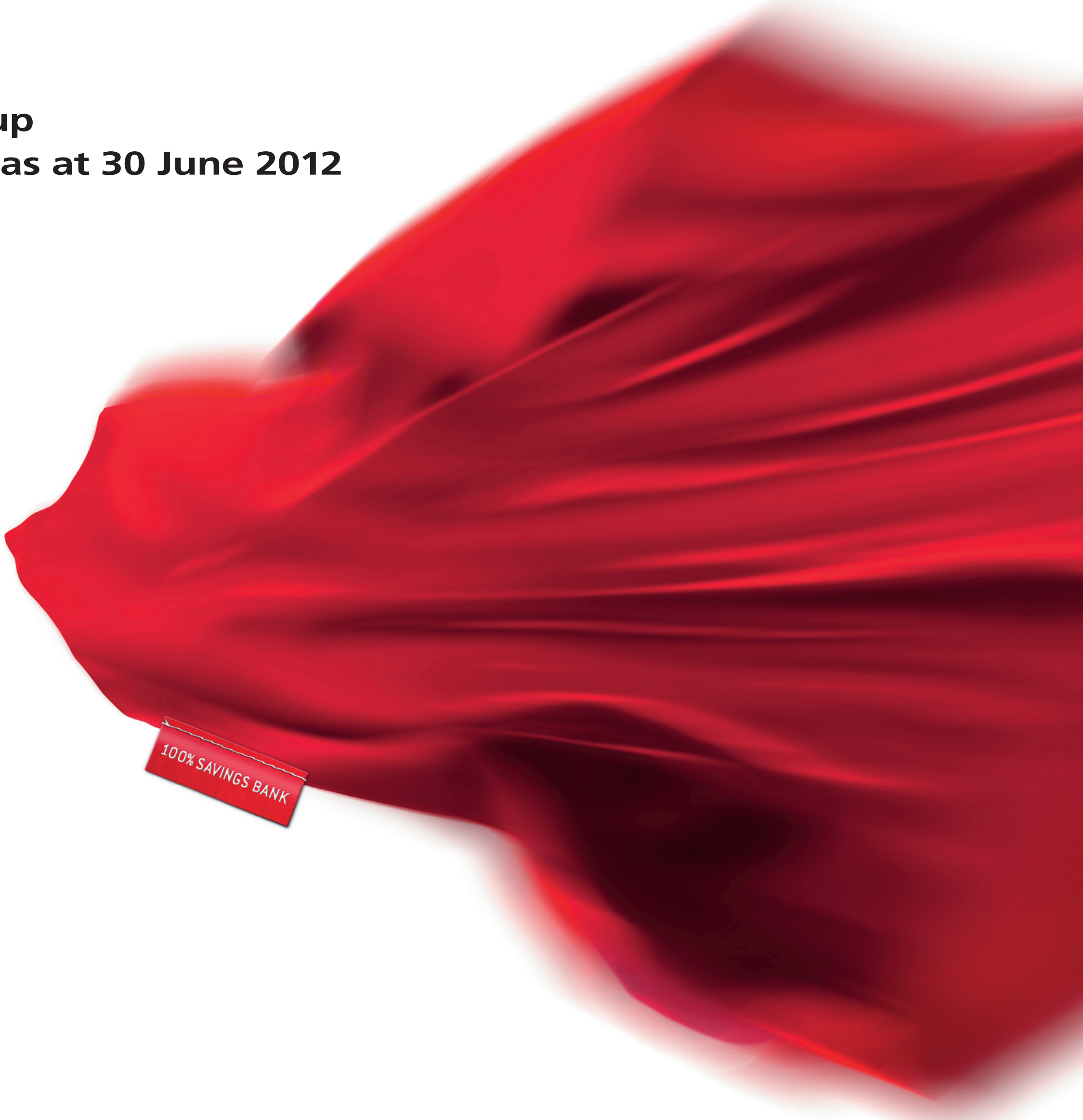
DekaBank Group
Interim Report as at 30 June 2012



Olympia Partner Deutschland

Finanzgruppe

DekaBank

DekaBank Group at a glance

Business development indicators		30.06.2012	31.12.2011	Change %
Total assets	€m	140,847	133,738	5.3
Assets under Management (AMK und AMI)	€m	149,835	150,995	−0.8
of which: Asset Management Capital Markets (AMK)	€m	124,923	126,895	−1.6
of which: Asset Management Property (AMI)	€m	24,912	24,100	3.4
Number of securities accounts	thousand	4,248	4,382	−3.1
		1st half 2012	1st half 2011	
Net sales (AMK and AMI)	€m	−2,109	−3,311	36.3
of which: Asset Management Capital Markets (AMK)	€m	−3,222	−3,618	10.9
of which: Asset Management Property (AMI)	€m	1,113	307	262.5
Performance indicators				
Total income	€m	773.1	798.2	−3.1
of which: Net interest income	€m	229.4	175.2	30.9
of which: Net commission income	€m	466.0	519.7	−10.3
Total expenses	€m	459.3	461.6	−0.5
of which: Administrative expenses (incl. depreciation)	€m	448.5	460.9	−2.7
Economic result	€m	313.8	336.6	−6.8
Net income before tax	€m	340.8	318.7	6.9
Key ratios				
Return on equity [1]	%	18.9	16.3	2.6%-points
Cost/income ratio [2]	%	52.0	57.8	−5.8%-points
Key regulatory figures		**30.06.2012**	**31.12.2011**	
Capital and reserves	€m	3,815	3,923	−2.8
Core capital ratio	%	14.0	11.6	2.4%-points
Core tier 1 capital ratio [3]	%	11.7	9.4	2.3%-points
Total capital ratio	%	16.1	15.6	0.5%-points
Risk ratios				
Total risk-bearing capacity	€m	5,084	4,694	8.3
Group risk (value-at-risk) [4]	€m	2,591	2,660	−2.6
Utilisation of risk-bearing capacity	%	51.0	56.7	−5.7%-points
Non-guaranteed rating (short-term / long-term)				
Moody's		P-1/A1	P-1/Aa3	
Standard & Poor's		A-1/A	A-1/A	
Key employee figures				
Number of employees		4,002	3,957	1.1
Average number of positions occupied		3,543	3,431	3.3

[1] Return on equity (RoE before tax) corresponds to the economic result divided by equity at the start of the financial year, including atypical silent capital contributions (figure annualised)
[2] Cost/income ratio (CIR) corresponds to the ratio resulting from total expenses (excluding restructuring expenses) and total income (before provisions for loan losses)
[3] The core tier 1 capital ratio takes not account of silent capital contributions of €552m.
[4] Confidence level: 99.9%, holding period: 1 year.

Content

Foreword

Dear Shareholders and Investors,

In view of the general political and economic climate, financial institutions once again faced special challenges in the first half of this year. The slowdown in global economic growth, which was partly caused by the further worsening of the eurozone crisis, triggered considerable volatility in the capital markets, which in turn unsettled investors.

In this environment, DekaBank achieved a satisfactory economic result for its shareholders, the savings banks, during the first six months of 2012. At €313.8m, the result was only slightly below the previous year's level. Net interest income rose, as did net financial income, which mainly reflected the successful securities business with customers. This compensated for the reduction in portfolio-related commission that was attributed to the sales and market situation.

In our core business, asset management for private investors, the sales situation was only marginally brighter as compared with the previous year and fell short of our expectations. Nevertheless, the higher ratio of intra-alliance business and the increased net sales performance achieved in the second quarter provide reason for cautious optimism. They highlight that our products, such as the Deka-Vermögenskonzept (Deka Wealth Concept) and mutual property funds, are well received by savings bank customers. The sales, product and process-oriented measures taken to strengthen securities business in the *Sparkassen-Finanzgruppe*, which are beginning to take hold, also give cause for confidence.

In close cooperation with the DSGV, we are working on establishing the securities business as an important element in the structured investment and advisory process of the savings banks. At the end of this process, value will have been enhanced in terms of the quality of advice, local sales support and knowledge transfer, research, reporting and technological integration – all of which translate into tailored services that will increasingly create added value for the *Sparkassen-Finanzgruppe*. In addition, we support the savings banks, as institutional customers, in promptly fulfilling regulatory requirements and at the same time, adopting a credible approach to issues of the future, such as renewable energy. In brief, we will continue to comprehensively fulfil and expand our role as the central securities service provider and liquidity supplier of the savings banks in the future.

A key prerequisite for this is DekaBank's sound financial base. With a core tier 1 capital ratio of 11.7%, our situation as at 30 June 2012 had improved on year-end 2011, and we are confident that we are well-equipped to face future challenges. At the same time, we are aware that active management of risk assets and forward-looking capital planning will also be required in the future, in order to use our funding power in the interest of the savings banks and investment funds, even under demanding market conditions.

We are carefully observing further developments relating to the national debt crisis in the eurozone and other risk factors – both regarding the stability of the capital markets and global economic growth – but we also have substantial confidence in this respect. The *Sparkassen-Finanzgruppe* is in a stronger position than most other financial institutions when it comes to overcoming the challenges resulting from the debt crisis. Moreover, having further strengthened its expertise in securities advising in combination with offering precisely tailored investment products, the *Sparkassen-Finanzgruppe* is better placed than ever to help discerning customers navigate through these uncertain times as well as to exploit opportunities that arise.

With respect to the general conditions, we do not expect any significant positive momentum in the market over the remaining months of this year. However, after the satisfactory business development in the first half of 2012, we think that an economic result and benefits for the alliance partners at the previous year's level are achievable for the full year.

Sincerely,

Oliver Behrens
Acting Chairman of the Board of Management

Interim management report 2012

At a glance

In the first half of 2012, DekaBank achieved a satisfactory economic result of €313.8m in unchanged difficult market conditions. Although this was slightly below the previous year's figure of €336.6m (down 6.8%), the result was achieved in an environment that had become even more difficult.

The significantly higher net interest income recorded and the rise in net financial income, mainly as a result of successful securities trading business with customers, comfortably compensated for the reduced net commission income, which was down due to a reduction in portfolios. The negative balance of risk provisions was €21.0m up on the figure reported in the first half of 2011, which stood at €–65.2m (pro rata figure for the previous year: approximately €–98m).

In fund sales, DekaBank failed to achieve its targets for the first half of 2012 overall. In view of renewed turmoil in the markets, investors showed restraint, particularly with regard to equity and bond funds as well as capital protected funds. This translated into net funds outflows from these fund categories. The pleasing sales performance with Deka-Vermögenskonzept (Deka Wealth Concept), mixed funds and property funds did not completely offset these funds outflows. Nevertheless, the net sales level in active asset management considerably stabilised in the course of the first six months of 2012 as compared with the previous year. The open-ended mutual property funds made a major contribution in this respect by more than quadrupling their net sales performance as compared with the previous year. Launched in 2011, Deka-Vermögenskonzept also played a part in achieving this performance. Moreover, the sales performance improved in the second quarter. This trend will now need to be boosted in close cooperation with the savings banks. In the reporting period, the ratio of intra-alliance business, which reflects the share of our fund products in total fund sales of the savings banks, was up 79% on the latest figures that were achieved previously. We promoted this trend with new investment concepts as well as through much closer support of the savings banks and the stronger performance of our equity and bond funds in a sector comparison.

The core tier 1 capital ratio increased from 9.4% at the end of 2011 to 11.7% as at 30 June 2012, despite the significantly higher dividend payment. However, we expect a further tightening of regulatory provisions, which are set to include an even more challenging definition of risk-weighted assets. This may initially widen the gap again to the defined medium-term target of 12%. As this target value will also be required to maintain the strong ratings of DekaBank compared with the sector, our aim remains to return to achieving this target by 2015, after having repurchased the Bank's own shares in 2011. DekaBank's risk-bearing capacity was always ensured throughout the first half of 2012, including under stress conditions. The utilisation rate was reduced considerably compared with year-end 2011, despite adverse market conditions.

Although the current environment makes reliable forecasts impossible, an economic result at the previous year's level certainly seems achievable by year-end on the basis of the current findings.

This also applies to payments to the alliance partners, the second element of our added value contribution to the *Sparkassen-Finanzgruppe*. The product and sales campaigns we have launched create some favourable conditions in this regard.

Structure, strategy and range of products and services of the DekaBank Group

Legal structure and corporate governance

In the first half of 2012, there was a change in the composition of DekaBank's Board of Management and Administrative Board. As at 2 April 2012, Chairman of the Board of Management Franz S. Waas left the Company. At the same time, the Administrative Board appointed Oliver Behrens as Acting Chairman of the Board of Management.

Georg Fahrenschon, the new President of the German Savings Banks and Giro Association (DSGV), has been Chairman of the Administrative Board since 16 May 2012. He took over the position from DSGV President Heinrich Haasis, who retired after many years in this office.

At its meeting on 2 April 2012, the Administrative Board resolved the appointment of Dr. Georg Stocker as a new member of the Board of Management. With effect from 1 August 2012, he assumed responsibility for Savings Banks Sales as Hans-Jürgen Gutenberger's successor, who retired at his own request from the DekaBank Board of Management on 31 July 2012 after many years in this role. Before becoming a member of the Management Board of Frankfurter Sparkasse, since 2009 as deputy chairman, Georg Stocker had been the divisional management spokesman for DekaBank's Institutional and Companies Sales unit.

Strategic activities in the reporting period

Following the takeover of 100% of the shares by the savings banks, we extensively discussed the future structure of our business model with our shareholders in the first half of 2012. The results achieved, which would not require a fundamental change of the business model but would lead to a number of enhancements, will be carefully reviewed and discussed comprehensively by the shareholder committees and are then scheduled for deliberation by the corporate bodies of DekaBank in the current year.

The measures combined under the IT mission project for the complete upgrade of the IT architecture also help boost DekaBank's competitiveness. The flexible, controllable application environment facilitates fast and cost-minimising adjustments to market developments and new regulatory requirements. The project, which is scheduled for completion by 2014, is on target.

Sustainable business policy

As part of its sustainability strategy, DekaBank has been setting specific and binding sustainability targets since 2009, which guide and shape the Bank's decisions and actions at all levels.

In the course of pursuing our management approach as regards the pillar of sustainable banking products, we launched the new Deka-Nachhaltigkeit product series in February of this year. This fund family makes it possible to invest in an equity, bond or mixed fund portfolio which meets the specific criteria of sustainable investment in each case. As with the successful Deka-Stiftungen Balance fund, DekaBank cooperates with the *Institut für Markt-Umwelt-Gesellschaft* (imug) and the Ethical Investment Research Service (EIRIS) when selecting securities. The Investment Committee for the new sustainable funds is supported by external sustainability experts. In June 2012, we also announced the restructuring of the Deka-Commodities fund, which reflects the price movement of a broadly diversified commodities index. In future, index transactions on staple foods are set to be excluded. The change in investment policy will first require the approval of the competent supervisory authority. In the Asset Management Property business division (AMI), the portfolio of green buildings has been expanded for example by acquiring an office property in Prague that is LEED pre-certified and two BREEAM certified office and retail properties in London.

With regard to the pillar of sustainable HR management, DekaBank's third-time certification by *"audit berufundfamilie"* should be noted. Prior to this, DekaBank was subject to an in-depth audit, during which the measures already offered to ensure a better work-life balance were evaluated, and tailored family-oriented measures were developed and introduced.

Our social commitment was highlighted in the first half of 2012 by our support for the 2012 International Highrise Award, which is presented in November. In this connection, DekaBank extended the sponsorship agreement with the City of Frankfurt/Main, Germany, by a further four years.

In the corporate rating by oekom, one of the world's leading rating agencies in the sustainable investment segment, DekaBank again achieved an overall score of C in May 2012, ranking it in prime status. At the same time, DekaBank earned a higher social rating. This represents a recommendation by oekom in respect of DekaBank's issues and products for investors who take social and ecological aspects into consideration when investing.

Economic environment

In the first half of 2012, the situation in the eurozone deteriorated, which made a Greek exit seem tangible at times. Moreover, large parts of the eurozone fell back into recession, exacerbating the task of reducing national debt for the countries concerned. In the wake of this escalation, considerable turmoil returned to the markets, with share prices falling and yields on German and US government bonds at an historic low. In April, the Federal Republic of Germany raised an interest-free loan in the capital market for the first time ever. Investors were evidently preparing for a fragmentation of the European Monetary Union. In this scenario, German government bonds are seen as a haven of stability alongside property and gold.

The continuing downward trend in the global purchasing manager index indicates that Europe's problems are also affecting the rest of the world. Economic data is also providing concrete signals of a slowdown. In the USA, economic growth has perceptibly decelerated, and this is also reflected in disappointing labour market data. In China, the modest economic downturn of the preceding months continued. The fact that Europe's political problems are slowing down the global economy can no longer be dismissed. It is now all the more important for the governments of the core European countries to demonstrate their firm intention to contain the crisis.

In the capital markets, growing uncertainty resulted in extreme volatility and a strong investor focus on security and stability. With risk aversion increasing, demand for investment funds declined further – a development that also left its mark on DekaBank.

Overall economic trends

After the spectacular recovery following the economic and financial market crisis of 2008/2009, the global economy entered a phase of weaker growth in the first half of 2012. In particular, doubts about the ability of the European crisis countries to consolidate their debt and the stability of the European Monetary Union represent a threat to the banking system of the member states and therefore the global financial markets as well. Uncertainty among companies and consumers is likely to result in a moderate recession in the eurozone in the year as a whole, which will fuel the crisis.

The current upturn in the USA also does not provide sufficiently dynamic overall economic growth to counterbalance the problems in Europe. Although the emerging markets will probably recover from the weakness by year-end 2011/beginning of 2012, they are unlikely to achieve the long-term average based on this year's growth rates. Overall, we therefore expect growth in global GDP of only 3.2% in 2012.

In view of the unresolved eurozone crisis, whose repercussions for the global economy are beginning to broaden, the probability of a further intervention by the central banks has increased significantly. The European Central Bank already signalled at the beginning of the year, when it implemented long-term funding transactions, that it is not afraid of adopting unconventional measures to guarantee the stability of the banking system. However, unless forced to do so, it will be avoiding further steps in this direction. As the economic environment becomes increasingly gloomy, the probability of a cut in interest rates is rising.

In the USA, the Federal Reserve announced in June of this year that it would extend Operation Twist. By swapping short-term bonds from its portfolio for long-term securities, the central bank intends to protect the US economy against "significant downside risks" resulting from the European debt crisis, according to information from the Fed itself. In light of the inconsequential economic upswing and the fact that a recovery has not materialised in the US labour market, the possibility of buying up further government bonds is already being openly discussed again.

Given the evident dependence of western national economies on their central banks, it is likely that the emerging markets will become increasingly aware of their significance for the global economy. With a share in excess of 50% of the global goods production, they are becoming ever more important for the development of the industrialised countries. Nevertheless, the purchasing manager indices for these regions are also showing signs of weakness, with the two heavyweights, Brazil and India, reporting disappointing economic data in the first quarter of 2012. Interest rate cuts are only expected in individual cases in the emerging markets, since the interest rate level is already comparatively low.

In China, almost all indicators point to a negative trend. The Chinese government has already responded with interest rate cuts, tax relief and the announcement of infrastructure projects. However, since we assume that the Chinese government will neither put excessive pressure on the banks' balance sheets nor on public sector finances, it is not probable that China will develop into the economic powerhouse of the global economy for the time being.

However, the noticeable weakening of the global economy is not all negative. One positive consequence is the associated worldwide decrease in inflationary pressure. This development will boost private consumption, which in turn could provide the basis for future economic growth in many regions of the world.

In the Western world, the discussion about the sustainability of public debt will continue for a long time to come. Particularly in Europe, politicians face major challenges in terms of halting the negative cycle which has resulted from consolidation pressure on public budgets, the weak economic trend and the distrust on the part of investors.

If politicians actually succeed in promptly forming a political union which delivers a convincing solution to the European debt problem, that would still not guarantee the stabilisation of the global financial system and the global economy. Although it is currently not the main focus, the debt problem the USA faces is no less severe than the eurozone crisis.

Germany will not remain unaffected by the negative impact of the crisis in the long term. Although the German "economic miracle" caused a sensation worldwide last year, its dynamic growth trend failed to continue in the first six months of 2012. Compared with the European crisis countries, Germany's economy nonetheless remains strong. This was also reflected by a further decrease in the unemployment rate to 5.6% in June 2012. However, an increasing number of leading indicators, including most recently the Ifo business climate index in June, are signalling a marked cooling off in the economy. As the German economy remains primarily export-oriented, it is increasingly impacted by the uncertainty among buyers of its products. For the full year, we therefore expect growth in GDP of only 0.7% for Germany.

In France, which has come under close scrutiny by investors since the change in government in the spring of this year, we also expect a sharp dip in growth. Following growth in GDP of 1.7% in the previous year, we now only anticipate growth of 0.2% in that country. France, the second largest national economy in the eurozone, continues to struggle with a high rate of unemployment and structural problems in its labour market.

The unemployment rate in the eurozone was 11.2% in June 2012. In the southern peripheral eurozone countries, the labour market situation worsened again in the first half of 2012. Year-on-year, three crisis countries recorded the steepest rise in the unemployment rate. In Greece, it was up from 16.2% to 22.5% (as at April 2012), in Spain from 21.2% to 24.8% and in Cyprus from 7.6% to 10.5% (both as at June 2012).

Trends in capital markets

In view of the weak economic trend, a departure from an expansionary monetary policy will be impossible for some time yet. Historically low interest rate levels initially remained steady in both the USA and Europe during the first half of 2012. In light of the expected downward revision of forecasts for the European economy and the fact that the scenario of a deep recession in Europe cannot be entirely ruled out, the European Central Bank then lowered the key interest rate to 0.75% in July 2012. In addition, the European Central Bank again implemented a further unconventional measure by offering European banks a long-term funding transaction. With some financial institutions cut off from the capital markets, the banks borrowed a total of one billion euros.

The equity markets, which showed surprising resilience for a long time, are also beginning to respond noticeably to the eurozone crisis. Concerns that the political wrangling about the single currency will soon have a negative impact on the real economy has in part put massive pressure on share prices. After the modest recovery on the stock exchanges in June and July, share prices are now below what would be their justified fundamental value during times of normal activity. This phase is being fuelled by the doom scenarios of a eurozone fragmentation or protracted recession and is likely to continue for a while. Not until investors stop focusing on Europe's problems can they be expected to show renewed interest in the earnings power of companies.

The bond markets have also remained firmly in the grip of the eurozone crisis. In June, risk discounts on Bunds reached previously unimagined levels. Even if we assume that this factor will be less dominant in the medium term, it is not currently possible to name a figure that would mark the end of the trend based on a rational justification. However, as soon as the turmoil associated with forming a government in Greece has settled somewhat, investors may start to focus on the expectation of a further cut in the interest rate by the European Central Bank. Subsequently, a slight rise in yields on Bunds is probable, combined with an upward trend in the slope of the interest rate curve.

Especially towards the end of the first half of the year, the rise in the spreads of emerging markets bonds accelerated perceptibly. The asset class is sustained by a constant inflow of capital. The cause for the increase is likely due to the fact that further aid and relief measures are expected in Europe. Based on experience, this will tend to brighten the mood in the financial markets.

Conversely, corporate bonds and particularly financials from Europe have come under pressure. Here, alongside the gloomy economic outlook, the strong dependence of banks on the state, especially in Europe's peripheral countries, is depressing the markets. In contrast, bonds from companies with global activities which delivered strong quarterly results remained in demand.

The rift that is splitting Europe is also reflected in the covered bond market. Securities from Spain have become virtually untradable, whereas demand for issuers from the core eurozone countries has remained high. *Pfandbriefe* from German issuers are particularly sought-after. However, as there is little additional supply, the liquidity of these bonds is very low.

In the first six months of 2012, worries about the continued existence of the European Monetary Union also considerably affected the foreign exchange market. The outcome of the Greek election, the failure to form a government and re-elections all led to greater concern about whether the country would remain in the eurozone, which caused substantial uncertainty among investors. The result was a flight into yen and the US dollar, currencies that are considered to be safe in this scenario. This in turn caused a revaluation of those currencies on a massive scale. In contrast, the Swiss franc remained almost steady against the euro, probably as a result of the decisive action taken by the Swiss central bank, which de facto pegged the franc to the euro in order to protect the domestic export industry from currency-related competitive disadvantages.

The first half of this year saw a decline in the prices of commodities. The muted economic outlook and increased risk aversion among market players rapidly accelerated price reductions in May. We expect the downward trend in commodities prices to continue, at least at the start of the second half of the year, before a modest rise occurs.

Trends in property markets

Meanwhile, scepticism about Europe's economic future is also affecting the commercial property markets. Some parties postponed plans to expand or relocate due to the uncertain situation. Continued dynamic growth in demand for office property was observed in Paris and London as well as in locations in Germany, whereas demand was weaker in southern Europe and also in Warsaw and Prague. The vacancy rate at the European level rose slightly, primarily due to space in older properties becoming vacant.

In 2011, the response to the financial crisis and its consequences was that significantly less new office space came onto the market than in the previous years. Modest construction activity has also been observed in the current year. However, a closer look at the various countries reveals a heterogeneous picture. In the crisis-stricken southern peripheral eurozone countries as well as in London, Amsterdam and Munich, the net addition of new space is expected to remain below average. However, markets like Warsaw, Stockholm and Helsinki are recording above-average construction activity.

Top rent levels developed in different directions throughout Europe during the first half of 2012. The markets in Madrid, Barcelona and Lisbon faced further price markdowns. Conversely, Paris, Munich, Stuttgart and Vienna recorded rent increases.

The start to investment year 2012 was subdued. Continuing investor restraint regarding the southern European countries resulted in a particularly marked reduction in this region. Central and Eastern Europe countries also faced a sharp drop. However, the fact that there is no prime product available limited activities here. The Scandinavian markets profited from political uncertainty in the eurozone. With regard to top yields, the trend towards increases broadened and Amsterdam, Brussels, Milan and Paris benefited. At the same time, yields dropped slightly in some German locations.

In the USA, a sharp decline in demand was recorded for class A office space, particularly in the first quarter of 2012. The vacancy rate in the class A segment was up slightly. Markets with a strong focus on the technology and energy sectors, such as Houston, Seattle, as well as San Francisco and Silicon Valley, continued to set themselves apart from the main field and recorded a decrease in vacancies. In Washington DC, the available supply rose perceptibly, as the US government implemented job cuts on a large scale. The trend in rents in the class A segment mirrored the trend in vacancies.

Prime properties in core locations in the major cities were particularly popular in the investment market, while secondary sites barely attracted any interest. The pressure on yields in the top segment continued. Boston, Dallas, Miami and Seattle recorded the sharpest decline in yields on class A properties. The most expensive core products were located in New York, San Francisco and Washington DC.

Demand for office space in the Asian markets has been muted so far this year. Against the backdrop of the tight economic and financial situation in Europe and the USA, many companies have tended to reduce rent expenses by consolidating space or relocating. This was mainly the case with financial services providers, whereas consultancy firms and IT companies continued to rent new space. The trend in the vacancy rate varied across the regions. In Beijing and Shanghai, there was a noticeable reduction, while Singapore and Tokyo recorded further increases. Accordingly, top rents developed differently. However, gains and losses generally offset each other throughout Asia as a whole. The top rent in Beijing once again rose significantly due to high domestic demand and short supply, while it came under pressure in Hong Kong and Singapore and stagnated in Tokyo.

In Australia, Sydney and Melbourne saw a quiet first half of the year in the office markets, while commodities companies and their service providers ensured ongoing demand in Brisbane and Perth. Vacancy rates remained largely unchanged, and the volume of new construction was at a reasonable level in all locations. Melbourne and Perth recorded growth in rents.

Trends in the funds sector

The mutual securities funds included in the statistics of the *Bundesverband Investment und Asset Management* (BVI) reported net funds inflows totalling €3.8bn in the first half of 2012. However, the previous year's figure of €–4.3bn was almost exclusively surpassed due to the strong demand for bond funds. These funds achieved a net funds inflow of €11.2bn, after having faced funds outflows in net terms in the previous year. The sales situation in the other fund categories has therefore considerably deteriorated on the whole. Following an almost balanced first quarter in 2012, equity funds dropped to a significantly negative figure in the second quarter of the year. Mixed and capital protected funds also failed to match the previous year's figures in a half-year comparison.

With regard to mutual property funds, the strong first quarter in particular contributed to a three-fold increase in the net funds inflow to almost €2.0bn. DekaBank accounted for a share of 37%. The combined net funds inflow of special funds for institutional investors amounted to €30.9bn and far exceeded the comparative figure for the previous year (€16.1bn).

Despite the deterioration in the sales situation with respect to equity and mixed funds, the number of investors in these two fund categories rose by around 17% as compared with the second half of 2011, to 7.2 million, as was confirmed by the figures of the *Deutsches Aktieninstitut* (German Equities Institute, DAI). The sharpest rise was recorded in the number of investors who only hold units in equity funds. According to the DAI, the discrepancy between the trend in net sales and the number of investors may indicate that new retail investors have initially invested smaller amounts, whereas some existing investors have returned their portfolios.

Business development and profit performance in the DekaBank Group

Overall assessment by the Board of Management

After the valuation-related weaker economic result in the second half of 2011, DekaBank achieved a significantly stronger result again in the reporting period. However, the economic result of €313.8m did not quite match the comparable figure for the previous year. The steady overall trend for the main sources of income highlights that DekaBank's business model, which is specifically tailored to the requirements of the savings banks, is also successful in difficult market conditions. Growth in net interest income thus exceeded both the target and the previous year's level. The same applies to the net financial income from trading book portfolios, due to the strong securities lending business and intensified securities trading business with customers. Conversely, net commission income in the current market and sales situation fell short of the high previous year's level.

DekaBank achieved the satisfactory economic result despite market-driven negative net financial income from banking book portfolios and higher provisions for loan losses, also due to market conditions. However, unlike the previous year, no significant specific valuation allowances for securities from the affected eurozone countries have been necessary this year to date. Irrespective of increased costs arising from the implementation of the IT mission project, a higher bank levy and provisions for the strategic realignment of Deka(Swiss), expenses remained at the previous year's level.

The trend in the economic result so far therefore does not reflect the rather unfavourable market conditions in investment fund business. Investor restraint in traditional securities business has, however, increased further, owing to the ongoing escalation of the national debt crisis in the eurozone and increasingly subdued economic expectations. Despite some considerable success in fund sales – particularly with regard to mixed funds and open-ended property funds as well as Deka-Vermögenskonzept first launched in 2011 – the net sales performance only improved slightly. At €–2.1bn, it remained in the negative range (previous year: €–3.3bn). In the second quarter of 2012, it almost hit the zero mark at €–0.1m. The development in the second half of the year will confirm whether this was already the first sign of a trend reversal.

Despite the funds outflows recorded, assets under management (AMK and AMI) were at a virtually steady level thanks to the satisfactory performance of our funds. As at 30 June 2012, they totalled €149.8bn as compared with €151.0bn at year-end 2011. As a result, the DekaBank Group maintained its third place position for mutual securities funds in the German market in terms of fund assets according to BVI. With regard to open-ended mutual property funds, we expanded our market share on the basis of achieving our target net sales and a performance accepted by the market.

The trend in the ratio of intra-alliance business was pleasing at 79.1%. It exceeded both the comparative figure for the first half of 2011 (almost 75%) and that for 2011 as a whole (75.4%). Payments to the alliance partners of €416m were approximately at the previous year's level (€422m), despite a weak trend in sales and existing business. DekaBank's added value contribution in respect of our shareholders, which comprises payments to the alliance partners and the economic result, amounted to approximately €0.7bn in the first six months of the year (previous year: approximately €0.8bn).

In view of the continuing capital market and recession risks, the half-year results for 2012 are not an appropriate indicator for estimating the results for the year as a whole (see page 25). If the situation in the markets during the second half of the financial year remains unchanged on the second quarter of 2012, income in asset management and from trading business would decrease significantly compared with the first six months of 2012. Additional negative effects on risk provisions and the valuation result related to the banking book would then also be probable.

Following a decrease in the core tier 1 capital ratio of DekaBank to 9.4% in financial year 2011 – due to our financial participation as part of the change in the shareholder structure – it rose again to 11.7% in the first half of 2012. This development primarily resulted from an increase in core tier 1 capital. At the same time, the active management of risk assets also had a positive impact.

As at 30 June 2012, we were already close to the medium-term target of 12%. However, a tightening of regulatory provisions and rating migrations in the securities and loan portfolio segments that will put pressure on capital are already emerging, and thus the gap to the target value may widen again in the remaining months of the year. Nevertheless, DekaBank continues to pursue the target of achieving a core tier 1 capital ratio of 12% no later than 2015. The management of our risk assets and our profit retention policy will be based on this target. The target is also crucial for securing the ratings which are relevant to our business model.

In the first half of 2012, Standard & Poor's (S&P) affirmed the ratings of DekaBank unchanged as A (long-term) and A-1 (short-term) with a stable outlook. These ratings remain therefore at a good level.

Within the scope of a methodological review and against the backdrop of the national debt crisis, Moody's downgraded the ratings of many German and European financial institutions. This also affected DekaBank. A downgrade of one notch each was applied to the long-term unsecured debt rating (from Aa3 to A1) and financial strength rating (from C to C–). The short-term rating (P-1) remained unchanged. The outlook for the long-term and financial strength ratings is now rated as "stable". The new rating of DekaBank in the upper single A range is still at a strong level as compared with other financial institutions in Germany.

Profit performance in the DekaBank Group

In the first half of 2012, DekaBank achieved an economic result of €313.8m, which means that it is just 6.8% short of matching the previous year's figure (€336.6m). Income after risk provisions was down 3.1% to €773.1m (previous year: €798.2m), while expenses of €459.3m decreased by 0.5% as compared with the previous year's figure (€461.6m). The change in income almost exactly corresponds to the change in risk provisions on the previous year's level. The results for the second half of 2011 were substantially exceeded.

In core business, we generated an economic result totalling €255.6m and therefore almost matched the previous year's figure (€262.2m). Non-core business also made a positive contribution of €58.2m (previous year: €74.4m) to the Group's economic result.

Net interest income significantly exceeded the forecast and amounted to €229.4m after the first six months of the year (previous year: €175.2m). The increase of 30.9% was partly attributable to a higher contribution based on fees and commission paid by customers and partly to a substantial rise in liquidity investments.

Risk provisions in the reporting period totalled €–86.2m (previous year: €–65.2m). The allocations almost exclusively related to specific valuation allowances in the lending business. At the same time, reversals amounted to a considerably lower volume, particularly with regard to country risks. Correspondingly, provisions for loan losses, which essentially arose for ship financing and individual project and property finance transactions, were negative at €–88.8m (previous year: €+0.3m). Conversely, no risk provisions were required for securities in the loans and receivables (lar) and held to maturity (htm) categories. In the previous year, a negative effect on earnings of approximately €–69m was included in net financial income due to the impairment of a Greek and three Portuguese bonds.

In line with expectations, net commission income was below the strong previous year's figure, mainly due to a reduction in portfolio-related commission in the Asset Management Capital Markets (AMK) business division. The figure also reflects the reduced fund volume compared with the first half of 2011 in the wake of a negative sales trend. Commission from banking business was at the previous year's level in net terms. Higher commission from lending business compensated for the slightly lower income from commission business and securities management. Overall, net commission income of €466.0m was 10.3% down on the previous year's figure (€519.7m).

Net financial income, which comprises trading and banking book positions as well as risk provisions for securities in the lar and htm categories, was up 63.3% to €175.9m on the previous year (€107.7m).

Net financial income from trading book portfolios amounted to €220.4m after the first six months of 2012 and significantly exceeded the previous year's figure (€125.4m) by 75.8%. The particularly sharp rise in the segment of short-term products (STP) was mainly attributable to a higher volume of activities in securities lending and narrowing spreads on bond portfolios. In addition, the structuring & trading segment recorded a high level of customer demand, especially in bond trading and for structured bonds. Business was also expanded in derivatives trading.

The net financial income from banking book portfolios in the Corporates & Markets (C&M) business division provided a positive profit contribution in the first half of the year, after a result in the previous year that was affected by specific valuation allowances for bonds from some eurozone countries. The narrowing of spreads on some bond portfolios had a positive impact. At the Group level, net financial income from banking book portfolios was negative and amounted to €–47.1m (previous year: €47.8m). This figure resulted from the recognition of a provisioning amount of €–80m, which could be used to cover any potential risks arising in the coming months in relation to net financial income (valuation losses) or lending (valuation allowances) if the European debt crisis worsens. These provisions have been included in the economic result outside the IFRS income statement with no specific allocation to business divisions to date.

Other income amounted to €–9.4m (previous year: €–4.7m).

Administrative expenses were down 2.7% on the previous year (€460.9m) to €448.5m.

The modest increase in personnel expenses to €199.8m (previous year: €193.5m) was mainly attributable to a higher number of employees (see page 22). Operating expenses totalled €230.3m. However, the 2.6% increase on the previous year (€224.4m) was below the budgeted figure. The main reasons for the higher operating expenses were consultancy costs in connection with upgrading the IT infrastructure as part of the four-year IT mission project and higher expenses incurred for the bank levy.

Depreciation amounted to €18.4m. The comparable figure for 2011 (€43.0m) comprised unscheduled amortisation of the goodwill relating to WestInvest GmbH.

For the strategic realignment of Deka(Swiss), which is based within the AMK business division, provisions of €10.8m were set up in the first half of 2012 for restructuring expenses (Fig. 1).

Profit performance in the DekaBank Group *(Fig. 1)*

€m	1st half 2012	1st half 2011	Change	
Net interest income	229.4	175.2	54.2	30.9%
Provisions for loan losses	−88.8	0.3	−89.1	(< −300%)
Net commission income	466.0	519.7	−53.7	−10.3%
Net financial income[1]	175.9	107.7	68.2	63.3%
Other income	−9.4	−4.7	−4.7	−100.0%
Total income	**773.1**	**798.2**	−25.1	−3.1%
Administrative expenses (including depreciation)	448.5	460.9	−12.4	−2.7%
Restructuring expenses	10.8	0.7	10.1	(> 300%)
Total expenses	**459.3**	**461.6**	−2.3	−0.5%
Economic result	**313.8**	**336.6**	−22.8	−6.8%

[1] This includes the risk provision for securities in the lar and htm categories of approximately €2.6m (first half of 2011: approximately €−65.5m).

Business development and profit performance in the AMK business division

In the second quarter of 2012, the situation in the AMK business division brightened somewhat following a difficult start in the new year due to market conditions. The higher net sales performance in the period from April to June was predominantly achieved with new products, such as Deka-Vermögenskonzept and Deka-BasisAnlage, as well as the master funds and advisory/management mandates. Compared with the first half of 2011, net sales were up from €–3.6bn to €–3.2bn in the business division. At €124.9bn, assets under management were down on the 2011 year-end figure of €126.9bn.

Net sales performance and assets under management

AMK achieved net sales of €–2.3bn (previous year: €–3.6bn) with its mutual securities funds and fund-based asset management.

The stronger net sales performance exclusively related to direct sales of mutual funds, which amounted to €–1.2bn (previous year: €–3.0bn). Despite further fund units being returned as a result of the price and yield trend in the capital markets, the outflow of funds from bond funds was curbed. Outflows from equity funds were slightly up compared with the previous year. Capital protected funds were also in the negative range again, although funds outflows were halved in the second quarter of 2012. Mixed funds repeated the previous year's positive trend on the strength of the continuing success of the Deka-Wertkonzept product series and Deka-Euroland.

The net sales performance in fund-based asset management of €–1.1bn (previous year: €–0.6bn) was attributable to higher net funds outflows from funds of funds and the Sparkassen-DynamikDepot. The Deka-Vermögenskonzept made a positive contribution of €0.3bn. However, this only partly compensated for the funds outflows. Since the launch of the concept in financial year 2011, more than 30,000 savings banks customers have opted for one of the seven available custody account variants of Deka-Vermögenskonzept. At the end of May 2012, the one billion euro mark was exceeded here in terms of customer money.

With regard to our special securities funds, Master KAG mandates and advisory/management mandates, the picture was mixed. Special funds were stronger and recorded positive net sales, whereas funds outflows from master funds negatively affected the overall picture. In total, the balance of net sales from the previous year, which was almost neutral at €–0.9bn, was not matched (Fig. 2).

AMK sales performance *(Fig. 2)*

€m	1st half 2012	1st half 2011
Direct sales mutual funds	–1,243	–3,009
Fund-based asset management	–1,084	–585
Mutual funds and fund-based asset management	**–2,327**	**–3,594**
Special funds and mandates	–895	–24
Net sales AMK	**–3,222**	**–3,618**
For information purposes:		
Net funds inflow AMK (according to BVI)	**–3,771**	**–5,227**

The slight decrease in assets under management in the AMK business division was mainly attributable to a downturn in fund assets relating to mutual funds and fund-linked asset management. Despite the pleasing performance, especially in the first quarter of this year, the negative net sales level was only partly compensated for. In the institutional segment, funds outflows and performance were approximately balanced, so that assets under management almost remained at an unchanged level (Fig. 3).

Assets under management AMK *(Fig. 3)*

€m	30.06.2012	31.12.2011	Change	
Mutual funds and fund-based asset management	77,261	78,592	–1,331	–1.7%
Special funds and mandates	47,662	48,303	–641	–1.3%
Assets under management AMK	**124,923**	**126,895**	–1,972	–1.6%
For information purposes:				
Fund assets – mutual funds AMK (according to BVI)	**88,328**	**89,634**	–1,306	–1.5%
Fund assets – special funds AMK (according to BVI)	**49,418**	**49,272**	146	0.3%

Expanded product range

In response to the market situation that remains challenging with regard to mutual funds, DekaBank launched Deka-Vermögenskonzept in 2011, a new generation of structured investments for affluent private customers. The model supports customer advisers in the savings banks with individual portfolio management, tailored to the market situation and the risk affinity of the end customer. In the second quarter of 2012, the offering was expanded to include Deka-BasisAnlage, which is positioned in the broad private customer segment.

This new and easy-to-use investment concept is also suitable for investing small amounts. It is available as a savings plan or for one-off investments and also as part of benefits provided by the employer under collective bargaining agreements for the purpose of asset formation. Savings bank customers have a choice of four types of custody accounts, each with a different quota invested in equities, in line with their personal willingness to take on risks. Depending on the variant selected, capital preservation as well as maximum level and initial investment management are integrated as additional safety features.

On the basis of the new Deka-Nachhaltigkeit product series, investors can invest in equity, bond or mixed funds which meet the specific criteria of sustainable investments. A best-in-class approach combines sustainability aspects with traditional investment criteria in these investments.

A new product was also launched in the first half of 2012 in the company pension segment. DekaBank now offers a new standard solution for the off-balance-sheet financing of pension commitments of small and medium-sized enterprises; the solution is also bankruptcy-proof.

Fund performance and rating

With regard to fund performance, the first half of 2012 was satisfactory at DekaBank. As at 30 June 2012, a total of 42.6% of equity funds (year-end 2011: 27.7%) and 84.1% of bond funds (year-end 2011: 58.7%) outperformed their relevant benchmarks. In addition, 36.8% of funds (year-end 2011: 35.1%) received an above-average rating from Morningstar over a three-to-ten year period.

As in the previous years, we were once again presented with major awards. At this year's Lipper Fund Awards, the Deka-Euroland Balance CF and Deka-EuropaBond TF funds were winners in their respective categories for the fourth consecutive time. For the second time in a row, the Deka-Renten Euro 3-7 CF A bond fund topped the ranking in the "Euro Bond Funds Medium Term" category. In addition, Deka-Finanzwerte CF and Deka-EuropaTrend CF were both winners in their respective categories over a three-year period. Every year, Lipper presents awards to the funds which consistently achieved the highest income in their segment over three, five or ten years, taking into account various criteria and comparable risks. Furthermore, numerous Deka investment funds were distinguished with the coveted Golden Bull at the €uro-FundAwards. The Deka-EuropaBond TF received the award for best European Currency Bond Fund over ten years. The Deka-ConvergenceAktien CF won top awards over three different time horizons while the Deka-DeepDiscount 2y was awarded as the best certificate-based fund over a three-year period. Overall, the Deka investment funds earned top spots 18 times.

Profit performance in the AMK business division

The difficult conditions for investment fund business were reflected in the profit trend for the AMK business division. The rise in net interest income and net financial income was overshadowed by lower net commission income as compared with the previous year. The economic result decreased from €176.2m to €152.6m.

The downward trend in assets under management, which are relevant to income, had an impact on portfolio-related commission. This was the main reason for the 14.7% drop in net commission income to €336.3m (previous year: €394.4m).

Conversely, net interest income and the valuation result increased.

At €215.4m, expenses were up 3.2% on the previous year's figure (€208.7m). The increase essentially resulted from higher operating expenses as part of the IT mission project and due to the formation of provisions of €10.8m for restructuring expenses at Deka(Swiss) (Fig. 4).

AMK profit performance *(Fig. 4)*

€m	1st half 2012	1st half 2011	Change	
Net commission income	336.3	394.4	–58.1	–14.7%
Other income	31.7	–9.5	41.2	(> 300%)
Total income	**368.0**	**384.9**	–16.9	–4.4%
Administrative expenses (including depreciation)	204.6	208.0	–3.4	–1.6%
Restructuring expenses	10.8	0.7	10.1	(> 300%)
Total expenses	**215.4**	**208.7**	6.7	3.2%
Economic result	**152.6**	**176.2**	–23.6	–13.4%

Business development and profit performance in the AMI business division

In terms of its business development, the AMI business division once again successfully decoupled from negative sentiment in the sector in the first half of 2012. Although the ongoing suspension of redeemed fund units by competitors further fuelled uncertainty among investors, AMI significantly increased its net sales as compared with the previous year. The comfortable level of liquidity in the funds and an acceptable performance for investors based on leveraging buying and selling opportunities were decisive plus points here. A considerable portion of the distributions is reinvested in our open-ended mutual property funds, which we view as a great vote of confidence. With thriving new business and brisk external placement activity, the financing portfolio in property finance was up slightly on the end of the previous year, primarily due to currency effects.

Net sales performance and assets under management

At €1.1bn, AMI's net sales substantially surpassed the previous year's figure (€0.3bn) and were thus already higher than the full-year figure for 2011 (Fig. 5).

AMI sales performance *(Fig. 5)*

€m	1st half 2012	1st half 2011
Mutual property funds	931	215
Property funds of funds	–6	–5
Special funds (including credit funds)	121	74
Individual property funds	67	23
Net sales AMI	**1,113**	**307**
of which to institutional investors	257	109
For information purposes:		
Net funds inflow AMI (according to BVI)	**994**	**283**

This was predominantly due to the improved sales success of open-ended mutual property funds. Deka-ImmobilienEuropa once again topped its positive sales performance in the previous year. Deka-ImmobilienGlobal, which in the past year was adversely affected by the events in Japan, and WestInvest InterSelect were also up year-on-year. The upward trend in special funds completed the positive picture. The products of our investment companies Deka Immobilien Investment and WestInvest recorded higher net sales than in the previous year. As a result of the net inflows and the performance of the funds, assets under management rose from €24.1bn at the end of 2011 to €24.9bn (Fig. 6).

Assets under management AMI *(Fig. 6)*

€m	30.06.2012	31.12.2011	Change	
Mutual property funds	21,043	20,529	514	2.5%
Property funds of funds	81	89	–8	–9.0%
Special funds (including credit funds)	2,952	2,646	306	11.6%
Individual property funds	836	836	0	0.0%
Assets under management AMI	**24,912**	**24,100**	812	3.4%
For information purposes:				
Fund assets AMI (according to BVI)	**23,454**	**22,666**	788	3.5%

Pleasing net inflows have enhanced the funds' financial leeway for property acquisitions. On this basis, favourable buying opportunities were exploited in the European property markets. The three retail funds alone acquired five properties amounting to around €770m during the reporting period, with the greatest acquisition volume attributable to WestInvest InterSelect. The volume of disposals amounted to around €840m and largely related to Deka-ImmobilienGlobal. The transaction volume of open-ended mutual property funds therefore totalled €1.6bn.

Fund performance and rating

The open-ended mutual property funds generated an average annualised volume-weighted yield of 2.4%, thereby once again outperforming the competition. Given the risk profile and return offered by comparable alternatives, this is a level accepted by investors.

The assessment of DekaBank products by rating agency Scope in May was correspondingly positive. The open-ended mutual property funds were consistently assigned good to very good ratings, with Deka-ImmobilienEuropa improving from "A" to "A+". For the fourth time in a row, Deka-ImmobilienGlobal was named best open-ended property fund with a global focus for private investors. The management quality of Deka Immobilien Investment (AA+) and WestInvest (AA–) was also judged to be "very good".

Real Estate Lending

The strategic focus in Real Estate Lending (REL) remains on financing in countries which are also of central importance for our property funds. In light of the current market situation and to reduce risks, REL is continuing to concentrate on financing with capital market viability in countries where DekaBank is represented with its own offices.

At around €1.4bn, the volume of new business arranged was on a par with the previous year. The gross loan volume climbed slightly to €7.6bn due to currency effects in particular (end of 2011: €7.4bn). External placements amounted to €0.9bn as at 30 June (previous year: €0.6bn). of which around 52% was syndicated with the *Sparkassen-Finanzgruppe*.

At the end of the first six months, the average rating for the unsecured financing portfolio stands at 7 (equates to BB on the S&P rating scale) and at 4 (BBB–) including the secured portion.

Commercial property financing accounted for €5.7bn (end of 2011: €5.3bn) of the total portfolio, with €1.5bn (end of 2011: €1.6bn) attributable to financing for open-ended property funds and €0.4bn (end of 2011: €0.4bn) to financing for public sector construction projects, a segment which is being phased out.

Profit performance in the AMI business division

Despite the positive business development, AMI's economic result was down on the previous year (€54.2m) at €20.6m. This is mainly due to additions to provisions for loan losses for the restructuring of a pre-crisis financing of €27.0m.

Driven by volume and margins, net interest income improved by 17.8% to €40.4m (previous year: €34.3m).

At €81.8m, net commission income was up on the respective figure for the previous year (€76.5m).

Administrative expenses of €61.8m exceeded the previous year's figure of €59.8m. The additional expenses essentially result from the implementation of new regulatory requirements and relate both to personnel expenses and operating expenses (Fig. 7).

AMI profit performance *(Fig. 7)*

€m	1st half 2012	1st half 2011	Change	
Net interest income	40.4	34.3	6.1	17.8%
Provisions for loan losses	−27.7	4.3	−32.0	(< −300%)
Net commission income	81.8	76.5	5.3	6.9%
Net financial income	−9.2	− 3.2	−6.0	−187.5%
Other income	−2.9	2.3	−5.2	−226.1%
Total income	**82.4**	**114.2**	−31.8	−27.8%
Administrative expenses (including depreciation)	61.8	59.8	2.0	3.3%
Restructuring expenses	0.0	0.2	−0.2	−100.0%
Total expenses	**61.8**	**60.0**	1.8	3.0%
Economic result	**20.6**	**54.2**	−33.6	−62.0%

Business development and profit performance in the C&M business division

The Corporates & Markets business division can look back on a successful first half of 2012. The economic result has more than tripled compared with the previous year. C&M benefited in particular from growth in demand for short-term liquidity and structured bonds on the part of the savings banks and other institutional customers.

Business development in the C&M business division

Markets sub-division

There was an upturn in customer trading activities compared with the previous year. This was especially true for the Short Term Products segment (STP) and stemmed primarily from the expansion of activities in repo/lending transactions. As a result of increased demand on the part of institutional customers for *Pfandbriefe* and foreign covered bonds as well as corporate and government bonds, there was also a significant year-on-year rise in bond trading. Development in demand for customer-oriented structured bonds was equally positive. The Markets sub-division also outperformed the previous year's figures in both derivatives trading and traditional commission business.

Our subsidiary ETFlab achieved net sales of €233m with its range of equity and bond ETFs. At €3.9bn, the total volume was up 11.4% on the level at the end of 2011 (€3.5bn) as a result of funds inflows and performance.

Credits and Treasury sub-divisions

The gross loan volume in the Credits sub-division declined as planned in the first half of 2012 by 6.7% to €24.9bn (end of 2011: €26.7bn). Apart from the refinancing for savings banks segment, since mid-2011 we have been concentrating on transactions for which placement is already ensured for significant portions when the deal is closed. As expected, this is significantly reflected in the volume of new business. Of the loan volume, around 47% (end of 2011: around 48%) was attributable to financing for savings banks. In new business, the ratio is even higher.

In the Treasury sub-division, the gross loan volume increased by 10.0% to €22.0bn (end of 2011: €20.0bn), primarily due to the establishment of an additional strategic liquidity reserve, which essentially comprises German government bonds and federal state bonds.

Profit performance in the C&M business division

The economic result amounted to €210.3m and therefore significantly improved by comparison with the previous year (€68.0m). The decisive factor was the sharp rise in net financial income.

Net interest income increased by 43.7% to €135.1m (previous year: €94.0). This stems from a slight rise in customer margin income in Credits and substantially higher net interest income in Treasury and Markets.

Risk provisions stood at €–56.1m and therefore improved as compared with the previous year (€–70.5m), although the structure was different. €–58.7m was attributable to provisions for loan losses (previous year: €–5.0m), which essentially relate to net additions to specific valuation allowances. The previous year's figure included risk provisions for securities in the loans and receivables (lar) and held to maturity (htm) categories in the amount of €–65.5m, which were reported in net financial income and referred primarily to the impairment of one Greek and three Portuguese bonds.

At €48.3m, net commission income was slightly up on the previous year (€47.9m). Net financial income of €228.5m significantly outstripped the previous year's figure (€70.9m including the abovementioned risk provisions for securities). This was partly due to the fact that no significant specific valuation allowances for securities were required. The valuation result from liquidity investments was up on the previous year.

The result in other income was balanced, and the previous year's negative value (€–15.6m) was attributable to additions to provisions.

Administrative expenses increased by 14.3% to €142.7m (previous year: €124.8m). This reflected higher project costs for implementing the IT mission in particular, while there was a slight decline in operating expenses (Fig. 8).

C&M profit performance *(Fig. 8)*

€m	1st half 2012	1st half 2011	Change	
Net interest income	135.1	94.0	41.1	43.7%
Provisions for loan losses	–58.7	–5.0	–53.7	(< –300%)
Net commission income	48.3	47.9	0.4	0.8%
Net financial income [1]	228.5	70.9	157.6	222.3%
Other income	0.0	–15.6	15.6	100.0%
Total income	**353.2**	**192.2**	161.0	83.8%
Administrative expenses (including depreciation)	142.7	124.8	17.9	14.3%
Restructuring expenses	0.2	–0.6	0.8	133.3%
Total expenses	**142.9**	**124.2**	18.7	15.1%
Economic result	**210.3**	**68.0**	142.3	209.3%

[1] Net financial income in 2012 includes risk provisions for securities in the lar and htm categories of €2.6m (first half of 2011: €–65.5m).

Business development and profit performance in non-core business

In the first half of 2012, we continued to reduce the portfolio in non-core business whilst safeguarding assets, thereby contributing significantly to limiting risk assets at Group level. This centred on cutting the volume of capital market credit products, especially through the sale of securitisation positions as well as southern European government bonds. As at 30 June 2012, the gross loan volume in capital market credit products (including the former Public Finance sub-division) stood at €2.2bn (end of 2011: €2.5bn). The gross loan volume in non-core business dropped to 2.5bn (end of 2011: €2.7bn).

The economic result was down by €16.2m on the previous year (€74.4m) at €58.2m. The main reason was the valuation result for capital market credit products, which declined partly owing to spread widening and negative earning contributions from sales prior to final maturity as part of the active management of risk weighted assets (RWA). This led to a drop in net financial income from €50.8m in the previous year to €44.7m.

The decrease in net interest income year-on-year was due to the declining volume in the loan portfolio in non-core business. Provisions for loan losses stood at €–2.4m, compared with the positive value of €1.0m in the previous year.

Administrative expenses decreased to €2.6m (previous year: €4.0m), (Fig. 9).

Profit performance of non-core business *(Fig. 9)*

€m	1st half 2012	1st half 2011	Change	
Net interest income	18.3	26.2	–7.9	–30.2%
Provisions for loan losses	–2.4	1.0	–3.4	(< –300%)
Net commission income	0.2	0.5	–0.3	–60.0%
Net financial income	44.7	50.8	–6.1	–12.0%
Other income	0.0	0.0	0.0	n/a
Total income	**60.8**	**78.5**	–17.7	–22.5%
Administrative expenses (including depreciation)	2.6	4.0	–1.4	–35.0%
Restructuring expenses	0.0	0.1	–0.1	–100.0%
Total expenses	**2.6**	**4.1**	–1.5	–36.6%
Economic result	**58.2**	**74.4**	–16.2	–21.8%

Financial position and assets and liabilities

Balance sheet changes

The total assets of the DekaBank Group increased by €7.1bn on year-end 2011 to €140.8bn as at 30 June 2012. The total amount due from banks was up by €3.7bn on year-end 2011 to €43.2bn. This rise is mainly due to increased activity related to securities repurchase and money transactions. Financial assets valued at fair value through profit or loss also recorded growth of €3.5bn to €60.0bn and accounted for around 43% of total assets.

On the liabilities side, amounts due to banks and customers rose by €10.5bn to €67.8bn as at 30 June 2012, and thus accounted for around 48% of liabilities on the balance sheet. The higher figure essentially stems from an increase in money trading activities (securities repurchase transactions up by €7.0bn, as well as call money and time deposits up by €3.4bn).

By contrast, financial liabilities valued at fair value through profit or loss decreased by €3.1bn to €41.4bn. Of this amount, €27.9bn related to the market values of derivative financial instruments, €2.4bn to covered short sale of securities and €11.1bn to own issues valued at fair value. Securitised liabilities were virtually unchanged on the figure at the end of 2011 (Fig. 10).

Balance sheet changes in the DekaBank Group *(Fig. 10)*

€m	30.06.2012	31.12.2011	Change	
Balance sheet total	**140,847**	**133,738**	7,109	5.3%
Selected items on the assets side:				
Due from banks and customers	75,130	71,200	3,930	5.5%
Financial assets at fair value	60,013	56,540	3,473	6.1%
Financial investments	4,334	4,517	–183	–4.1%
Selected items on the liabilities side:				
Due to banks and customers	67,758	57,287	10,471	18.3%
Securitised liabilities	25,277	25,278	–1	0.0%
Financial liabilities at fair value	41,419	44,519	–3,100	–7.0%

Equity and liquidity management

The DekaBank Group's regulatory capital and reserves in accordance with the German Banking Act (KWG) amounted to around €3.8bn as at 30 June 2012 and thus approximated the same level as at the 2011 reporting date (€3.9bn). However, the composition of capital and reserves has shifted clearly in favour of core tier 1 capital in the past six months. As at 30 June 2012, core capital amounted to €3.3bn (end of 2011: €2.9bn) and core tier 1 capital (excluding silent capital contributions of €552m as per the definition under Basel III) to €2.8bn (end of 2011: €2.4bn), while supplementary capital declined in the same period from €1.0bn to €0.5bn (Fig. 11).

Breakdown of equity in the DekaBank Group *(Fig. 11)*

€m	30.06.2012	31.12.2011	Change
Core capital	3,307	2,908	13.7%
Supplementary capital	508	1,015	–50.0%
Tier III capital	–	–	n/a
Capital and reserves	**3,815**	**3,923**	–2.8%
Default risks	16,600	16,988	–2.3%
Market risk positions	5,313	6,363	–16.5%
Operational risks	1,721	1,788	–3.7%
Risk weighted assets	**23,634**	**25,139**	–6.0%
%			Change %-points
Core capital ratio (including market risk positions)	**14.0**	**11.6**	2.4
Core tier 1 capital ratio (excluding silent capital contributions)[1]	**11.7**	**9.4**	2.3
Total capital ratio	**16.1**	**15.6**	0.5

[1] Excluding potential RWA effects resulting from Basel III.

The regulatory capital and reserves are established on the basis of the individual financial statements of the companies included in the scope of consolidation, taking into account the relevant national accounting regulations, and therefore differ from equity under IFRS.

Capital adequacy is determined in accordance with the Solvency Regulation (SolvV). In addition to default risks and market risk positions, amounts for operational risks are taken into account when calculating the core capital ratio. This ratio stood at 14.0% as at 30 June 2012 compared with 11.6% at the end of 2011. The core tier 1 capital ratio, which does not include silent capital contributions, improved in the same period from 9.4% to 11.7% (see page 4).

Risk weighted assets declined in the first half of the year by 6.0% to €23.6bn.

As a capital market-oriented financial institution, DekaBank has to comply with the requirements for liquidity management under the MaRisk (Minimum Requirements for Risk Management). These stipulate that banks must have sufficient funds and highly liquid assets that are eligible as security for central bank borrowing, enabling them to bridge a short-term refinancing requirement in a stress scenario for a minimum of one week. For a period of at least one month, further components of the liquidity reserve may be used, provided that they can be turned into cash without significant loss in value and that regulatory requirements are complied with. Once again, we have more than fulfilled both requirements in the reporting period.

DekaBank's liquidity ratio in accordance with the Liquidity Directive that is still mandatory in Germany stood at between 1.4 and 1.6 in the reporting period and exceeded the minimum requirement of 1.0 at all times.

Employees

As at 30 June 2012, the DekaBank Group had a staff complement of 4,002 employees, 45 more than at year-end 2011. The average number of filled positions climbed slightly by around 3% to 3,533. DekaBank was certified for its family-friendly HR policy by *audit berufundfamilie* in June for the third time, following the certifications in 2005 and 2008 (see page 5).

Post balance sheet events

No major developments or events of particular significance occurred after the reporting date of 30 June 2012.

Forecast report

Overall bank strategy

With a view to developing its business strategy as a now wholly-owned subsidiary of the savings banks, DekaBank is currently working on a series of measures in close cooperation with its shareholders. Combined, these measures are aimed at strengthening the Bank's importance as the savings banks' preferred partner for securities business on a sustained basis.

Active asset management for private investors and the savings banks as institutional customers will therefore also remain the core business in the long term. Further measures to strengthen the entire securities business of the savings banks may also be at the centre of our activities in the future.

Forward-looking statements

We plan our future business development on the basis of assumptions that seem the most probable from today's standpoint. In spite of this, our plans and statements about future growth are, by nature, subject to uncertainties – more so than ever in the current market environment.

The actual trends in the international capital, money and property markets, or in the DekaBank business divisions, may diverge markedly from our assumptions. For the purpose of providing a balanced presentation of the major opportunities and risks, these are broken down according to business division. In addition, the risk report included in the interim management report (see page 27 et seq.) contains a summarised presentation of the DekaBank Group's current risk position.

Anticipated external conditions

Expected macro-economic trends

The European debt crisis is and remains the principal topic at present moment. The question as to whether and how the rapid consolidation of public budgets is possible without completely throttling the economy in the eurozone is waiting to be answered, as is the question regarding a realisation of the political union.

The difficult process in recent months and repeated setbacks in attempting to ease the situation have clearly demonstrated that there is no quick solution to the European debt crisis. Asking the member states of the European Union to relinquish national competence is proving to be a laborious process. The indispensable structural adjustments required in some countries of the eurozone periphery are painful for the population, and restoring the damaged confidence of investors in the eurozone will require much patience. Nevertheless, we are certain that Europe's politicians can and must succeed in helping Europe to grow into the new role it needs to fulfil in the changed geopolitical and global macro-economic balance of power.

Until the achievement of this goal is in sight, we believe that the global economy will inevitably be seriously affected by developments. For this reason, and also because different factors are having a negative impact in other parts of the world, we expect a more protracted phase of weak global economic growth. According to our forecast, global GDP is set to increase by 3.2% in 2012 and by 3.5% in 2013.

In the eurozone, we forecast a moderate decrease of 0.5% in GDP for 2012, which is essentially driven by the economic downturn in the peripheral eurozone countries. Economic problems will also have a negative effect on economic growth in parts of Eastern Europe. Although the growth phase of the Polish economy is expected to continue, we anticipate a reduction in GDP of 0.1% in the EU-27 for 2012, ahead of a slight recovery in 2013, which should be reflected in a GDP growth of 0.7%.

The USA remains on course for modest growth. We assess the negative early indicators and disappointing labour market data in May 2012 as fluctuations that are typical during an upswing. For the USA, we assume growth in GDP of 2.1% in 2012 and 2.0% in 2013.

In the emerging markets, the purchasing manager indices point to a slowing down of the economy in all the regions. Although the downward trend in growth rates is not dramatic, it is contributing to weak global economic growth. Following an increase of 6.4% in the previous year, we expect economic growth in the emerging markets of only 5.1% in 2012 and 5.7% in 2013.

Initially, China will not find it easy to match the level achieved in times of double-digit growth rates. Our forecasts indicate GDP growth of 7.9% for the current year and 8.0% in 2013.

Expected trends in the capital markets

The latest inflation data for the eurozone reflects an easing of the situation. It looks as though the times when the European Central Bank's target persistently remained above 2% are coming to an end as a result of the economic weakness in the peripheral countries and also due to the downward trend in the price of crude oil. In the medium term, we expect considerably lower rates of inflation. We also expect a moderate trend in the inflation rate for the USA. In view of the weaker development in petrol prices of late, the rate of inflation is likely to be a comfortable 2.3% in 2012. The latest data on the state of the US banking system indicates that the process of recovery is progressing according to expectations. However, like with all structural change processes, it will take a long time. Accordingly, initial key interest rate rises are unlikely before mid 2014.

The debt crisis and the associated risk aversion are continuing to push investors towards the government bonds of the major national economies, which are considered to be safe havens. In principle, little is set to change in terms of this trend over the course of the remaining months of 2012. The yield on 10-year Bunds will probably remain below 1.5%, with the interest rate curve becoming a little steeper – partly due to the last key interest rate cut of the year that is expected in autumn 2012.

In view of investor uncertainty, the equity markets will most likely come under pressure in the second half of the year. Provided that the economic trend will not be weaker than already anticipated, the focus of investors will turn back to the earnings power of companies in the medium term, so that the equity markets will return to their long-term growth path. Towards year-end, the DAX could hit the 7,000 point mark again in this scenario.

According to our assessment, the euro will not be catching up significantly against the dollar and yen, especially since a fast solution to the eurozone crisis is not emerging. With regard to commodities prices, the weak economic outlook and growing risk aversion is likely to cause prices to stagnate in the short term and then only gradually start to rise again. Similarly, we see the gold price at a slightly increased level by year-end 2012, because an abrupt end to the search for safe investment options is not on the horizon.

Expected trends in the property markets

The expected recession and the ongoing unresolved debt crisis will affect the rental markets for office property in the current year and next year. With the situation in the labour market already difficult in many countries, the demand for space is set to decline markedly, which will result in an increase in vacancies in most locations in 2012 and 2013. Owing to the low new construction volume since 2010, the increase should only be relatively modest. From 2014 onwards, the Continental vacancy rate is likely to decrease again slowly following a moderate economic recovery.

In view of rising vacancy rates, the top rents for European office property are expected to increasingly come under pressure in the next few quarters. However, here as well, there are regional differences. The German markets should continue to be among the winners. Here, the positive economic development has resulted in a considerable reduction in vacancy rates. The supply of attractive space has therefore shrunk, providing lessors with better arguments for charging higher rents. Significant losses in top rents are expected in the Portuguese and Spanish markets during the current and coming year. In addition, the deep recession is also likely to affect the Italian rental markets. In many other European locations, rents will probably stagnate in general over the next two to three years. As a result of the dynamic growth of the Polish economy, Warsaw is among the locations with the highest forecast rent over the entire forecasting period, alongside the German markets, London and Stockholm.

The trend in top rents is likely to reflect the European debt crisis and its economic consequences in the coming years. At regional level, the German markets within the European Monetary Union and locations outside the EMU where liquidity is high (London) or the economy is strong (Scandinavia) will especially seem low-risk and will thus be the focus of investor interest. We have revised our forecast of top yields downward for these markets. Conversely, the markets in the southern peripheral eurozone countries are likely to record significant increases in yields. Concerns about whether these countries will remain in the eurozone also play a role. Given the slowdown in economic activity, other locations with above-average growth in yields should include Budapest and Prague.

The developments in the rental and investment markets described above point to a difficult time in terms of overall income from European office property. After two years of high income levels, the overall income on typical ideal investments is set to be very modest, especially during the period from 2012 to 2014.

We expect to see the highest income level in the coming five years in the German locations as well as in London, Luxembourg, Lyons and Warsaw. The income outlook is weakest for the markets of the countries that are at the centre of the European debt crisis, such as Madrid, Lisbon, Milan and Barcelona.

The uncertainty in the international financial markets coupled with employment figures falling short of expectations is preventing a faster recovery in the US office markets. Growth in rents is not likely to occur again on a broad basis until next year and only if vacancy rates continue to decrease in the current year. Nevertheless, locations with a focus on technology and energy should already record stronger growth in rents in 2012. In contrast, prospects for Washington DC are subdued. Unlike the last recession, consolidation in the public sector may result in job cuts and a slight decrease in rents this time. The investment market has also entered a phase of consolidation at present. We only expect a modest rise in the transaction volume up to year-end. The focus of national and international investors remains on core properties. Limited supply is keeping prices at a high level. According to our assessment, yields in the top segment are likely to stagnate or in some cases even diminish slightly.

The volume of new office construction in Asia will probably be around 30% higher for the full year than in 2011, despite some projects being postponed until next year. The trend in vacancy rates is therefore likely to go up in the second half of the year. The diverging trend in rents in the first half of the year is set to further consolidate in the second half of 2012. Consequently, growth in rents is predominantly expected in the Chinese cities of Beijing and Shanghai. In Australia, rents in the commodities locations of Perth and Brisbane are expected to rise further in the remaining months of the year, whereas the potential is limited in Sydney due to this city's stronger focus on the financial market.

Expected business development and profit performance

The assumptions made in our Annual Report 2011 regarding economic conditions have largely been confirmed. We do not expect substantial positive market impetus for asset management in the remaining months of this year. Accordingly, we anticipate a weak trend in fund sales and assets under management. Experience has shown that activities in securities trading business as well as in securities lending tend to slow down in the second half of the year.

We are carefully observing further developments linked to the national debt crisis in the eurozone and the resultant capital market and economic risks, along with other risk factors. Further escalation of the crisis may significantly weaken asset management business and trading activities and would probably have a negative impact on the required risk provisions and the valuation result from banking book portfolios. Against this backdrop, the half-year results for 2012 do not provide an appropriate indicator of the further development in the second half of the year. Nevertheless, the Board of Management considers an economic result and payments to the alliance partners at the previous year's level to be achievable from the current perspective.

AMK business division

AMK will continue to tailor its product range to the requirements of the savings banks and their customers to support a more differentiated customer approach, both in terms of product and sales – from investments for everyone to asset management concepts.

Based on our planning, institutional business is set to deliver a substantial share of net sales. The focus is on precisely-tailored solutions for investments of the savings banks for own account, which are developed in cooperation with the C&M business division.

Despite the difficult sales and market situation, AMK will make a significant contribution, as before, to the economic result of the DekaBank Group. Major risks arise if market developments and net funds outflows differ from the assumed target figures.

AMI business division

AMI pursues the tried and tested concepts for managing property funds and closely aligns fund sales as well as its buying and selling policy with the savings banks to the liquidity situation of the funds and the situation in the buying and selling markets. The aim is still to continue to expand institutional business. In Real Estate Lending, the proven long-term business focus will be maintained.

The AMI profit performance is set to remain at a steady level. Risks arise from the uncertain sector situation, not least as a result of constant changes in the legal conditions for open-ended property funds and possible unexpected value fluctuations in the property markets in which the activities of both of AMI's sub-divisions are based.

C&M business division

In the C&M business division, in the second half of 2012, we are not expecting to be able to repeat the result achieved with trading activities in the first six months of the year. Nonetheless, net financial income from trading book positions is set to exceed that of the previous year. With regard to net interest income, despite the expected reduction in the second half of 2012, an increase is anticipated for the year as a whole on the strength of the results already achieved.

In the Credits sub-division, we only make selected new commitments in the various credit segments where external placement is an option. Only a relatively limited amount of capital is committed, which in turn considerably restricts income growth, including in the long term. The funding of the savings banks remains an important element, and we intend to expand our activities in that segment.

The Treasury sub-division centres on strategic liquidity and funding management. The challenge lies in efficiently managing liquidity while ensuring a high level of fungibility of investments at the same time. We want to guarantee that liquidity is available to the Group's own funds and/or the savings banks organisation at very short notice if required. The profit centre model therefore plays a secondary role in this sub-division. The key task is to secure the business model as a whole in terms of liquidity supply and funding.

Based on our forecast, C&M is expected to increase its contribution to DekaBank's economic result, mainly due to the trend in net financial income. Risks in terms of the future development primarily include the further escalation of the national debt crisis, which could cause the European economy to slide into a prolonged recession. This would have a negative impact on both trading activities and the valuation results relating to banking book portfolios.

Non-core business

In non-core business, we will pursue what has so far proved to be a successful strategy of reducing the portfolio whilst safeguarding assets. Reductions in the portfolio volume are envisaged during the remaining months of the current year and future financial years as part of the active management of risk assets. Decisions regarding selling, holding or hedging specific positions will continue to be made on a regular basis, taking into account the expected revaluation, default risk, contribution to net interest income as well as the general trend in risk-weighted assets.

Risk report

Risk policy and strategy

The fundamental direction of DekaBank's business and risk strategy is essentially unchanged on the presentation provided in the Annual Report 2011. With its focussed business model and strictly limited risks, DekaBank implements an appropriate risk/reward ratio in the long term, with the aim of achieving a sustained increase in corporate value. Risk positions are principally only entered into if they arise in connection with customer transactions and can be hedged in the market, or if they can be accepted in order to leverage synergies in asset management or aid liquidity management.

As part of the organisation of risk management and controlling, DekaBank established a new centralised body, the Asset Liability Committee (ALCO), in the first half of 2012. This entity replaces the previous Asset Liability Management Committee (ALMC) and in addition to its function of comprehensive market and liquidity risk management, the Committee provides support to the full Board of Management, especially in matters relating to capital allocation and managing the balance sheet structure. Along with the heads of the Treasury, Group Risk and Finance divisions, the Committee also comprises the managers of the Treasury, Markets, Group Risk and Finance units. The head of Macro Research attends the meetings as a permanent guest with no voting powers. The other organisational parameters continue to correspond to those in place at the end of 2011. In due consideration of risk concentrations, DekaBank has defined specified limits (risk tolerances) for all material risks and has implemented consistent risk management. The risk measurement procedures are continually updated in line with economic and regulatory requirements. Limit overruns are immediately reported to the full Board of Management as well as to the respective key decision-makers.

Overall risk position of DekaBank

Risk types and definitions

DekaBank classifies risks in line with the German Accounting Standard DRS 5-10 and therefore presents its risk position differentiated by market price risks, credit risks, liquidity risks and operational risks. In addition, there are further specific risks which are taken into account when determining Group risk: shareholding risk, property/property fund risk and business risk.

Market price risks

Market price risk describes the potential financial loss caused by future market parameter fluctuations and in this regard comprises interest rate risk (including credit spread risk), currency risk and share price risk.

In line with DekaBank's business strategy, transactions mainly relate to customer transactions (customer business), liquidity management, and to a small extent to the Bank's own portfolio (investment portfolio, liquidity reserve and trading portfolio). Overall, this should generate a sustained economic result for the Bank.

Both the strategic positions in the investment book and the more short-term positions in the trading book entail market price risks.

Credit risks

With regard to credit risk, DekaBank distinguishes between position risk and advance performance risk. The position risk comprises the borrower and issuer risk, which is assessed in particular by the creditworthiness of the respective contracting partner, as well as replacement risk and open positions. Advance performance risk represents the threat that a business partner will not pay the contractually agreed-upon consideration after advance performance rendered by DekaBank. Losses which could arise for the Bank as a result of negative rating migrations of individual business partners or issuers are also part of the credit risk.

Operational risks

Operational risk describes potential losses resulting from the use of internal processes and systems that are inappropriate or susceptible to failure as well as from human error and external events. This also includes changes to political and legal framework conditions. Where losses occur due to an error by the Bank, other risks frequently arise whose potential for damage also has to be taken into account. Examples of such secondary risks include reputation and legal risks.

Liquidity risks

With regard to liquidity risks, DekaBank distinguishes between insolvency risk (liquidity risk in the narrow sense of the word) and liquidity maturity transformation risk.

Insolvency risk describes the risk of not being able to meet DekaBank's current and future payment obligations on time, because the Bank's obligations will exceed the available liquid funds at a specific point in time. Liquidity maturity transformation risk describes the risk that arises from a change in DekaBank's own refinancing curve in the event of mismatches in the liquidity-related maturity structure.

Business risk

Business risk is particularly important in asset management. It comprises potential financial losses resulting from changes in customer behaviour, competitive conditions or the general economic framework conditions. DekaBank considers all factors to be material if they unexpectedly have a negative impact on the earnings trend as a result of volume and margin changes and are not attributable to any of the above risks.

Shareholding risk

DekaBank defines shareholding risk as the risk of a potential financial loss due to impairment of the portfolio of equity investments, insofar as they are not consolidated in the balance sheet and therefore already included under other types of risk.

Property risk

Property risk describes the risk of a drop in the value of property held in the DekaBank Group's own portfolio.

Property fund risk

The property fund risk results from the possibility of an impairment in the value of property fund units held in the Bank's own investment portfolio.

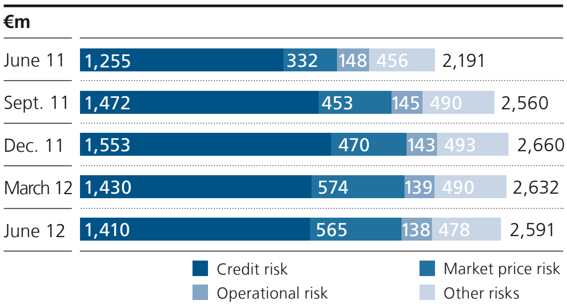
Stress tests

Regular stress tests and scenario analyses are performed for all key market parameters, in order to assess the impact of extreme market developments. This ensures that the risk consideration and risk-bearing capacity are also guaranteed in situations which cannot be derived directly from statistical data. In the course of macro-economic scenarios, numerous combinations relevant for the Bank are regularly reviewed across all risk types with regard to their effect on the income and risk situation.

Overall risk position in the first half of 2012

Despite a persistently challenging market environment, characterised among other factors by high spread volatilities and the recent renewed spread widening, DekaBank marginally reduced its Group risk in the first half of 2012. In non-core business in particular, we shed individual transactions as part of the process of reducing volume whilst safeguarding assets and reduced risk, thereby enhancing our leeway in terms of liquidity supply. The risk-increasing effect resulting from expanding the strategic liquidity reserve in the Treasury Investment unit was compensated by the reduction in positions.

Change in Group risk over the course of the year *(Fig. 12)*



With a confidence level of 99.9% and a time horizon of one year, the value-at-risk (VaR) amounted to €2,591m as at 30 June 2012 (end of 2011: €2,660m). The rise in market price risk resulting in part from higher spread volatilities was countered by the overall reduction in credit risk. For the other risk types, the change compared with year-end 2011 was negligible (Fig. 12).

While Group risk fell only slightly in core business to €2,346m as at 30 June 2012 (end of 2011: €2,372m), there was a significant decrease in non-core business from €434m to €357m due to the continued reduction in volume.

The primary risk cover potential rose during the reporting period by €389m, or 11.4%, to €3,810m, thereby partly compensating for last year's reducing effect attributed to the acquisition of the Bank's own shares. The utilisation rate of the primary cover potential dropped accordingly to 68.0% (end of 2011: 77.8%).

The overall risk-bearing capacity of the DekaBank Group (including the secondary cover potential) totalled €5,084m as at 30 June 2012 (end of 2011: €4,694m), producing a lower utilisation rate of 51.0% (end of 2011: 56.7%). The overall risk-bearing capacity was also clearly indicated in all macro-economic stress scenarios that were analysed and the corresponding utilisation rate of the overall risk-bearing capacity was less than 80% in nearly all of the scenarios tested.

Market price risks

The overall market price risk (holding period 10 days, confidence level 95%) increased in the first six months of the year by €8.4m to €60.1m. This was particularly attributed to the rise in the credit spread risk from €52.0m to €59.6m, which is due to the increase in the strategic liquidity reserve in the first half of the year as well as the development of the spread volatilities. The credit spread risk in the trading book (Markets) as at 30 June 2012 amounted to €14.3m (end of 2011: €10.2m), compared with €43.1m (end of 2011: €39.5m) in the Treasury banking book.

At €3.2m, the general interest rate risk was lower than at the end of 2011 (€7.7m), essentially as a result of the reduction of positions in non-core business as well as the decrease in interest rates.

The share price risk increased from €6.3m at the end of 2011 to €7.2m and therefore remained at a low level. The share price risk chiefly stems from start-up financing of funds in the Markets sub-division. The rise in the share price risk is due to a slight reduction in positions.

The currency risk is virtually unchanged at €1.0m (end of 2011: €1.1m). The currency positions were primarily held in US dollars and pounds sterling (Fig. 13).

Value-at-risk at the DekaBank Group[1] (Confidence level 95%, holding period 10 days) *(Fig. 13)*

€m Category	Core business	Non-core business	30.06.2012 Group	Core business	Non-core business	31.12.2011 Group	Change in risk
Interest rate risk	55.9	14.8	59.3	47.6	16.1	51.2	15.8%
Interest rate – general	2.7	2.1	3.2	4.2	4.6	7.7	–58.4%
Spread	56.0	14.8	59.6	47.9	15.3	52.0	14.6%
Share price risk	7.2	–	7.2	6.3	–	6.3	13.0%
Currency risk	3.0	2.2	1.0	4.7	3.8	1.1	–12.2%
Total risk	**56.9**	**15.1**	**60.1**	**48.7**	**16.8**	**51.7**	16.3%

[1] Risk ratios interest rate risk and total risk take account of diversification. Including issuance specific credit spread risk.

Credit risks

The CVaR in the Group risk (taking account of provisions recognised for loan losses) fell in the first six months of 2012 by €143m to €1,410m. Among other factors, the tightening of risk premiums in the various rating classes had a risk-reducing effect. Migration risks consequently declined as compared with year-end 2011, even though a contrary development was noted in the second quarter. Overall, the risk-increasing effect resulting from the expansion of the strategic liquidity reserve was more than offset.

The additions to the liquidity reserve and increase in liquidity investments as well as the supply of liquidity to savings banks as at the half-year reporting date in particular also affected the gross loan volume, which was up by €6.9bn on year-end 2011 to €167.4bn. As the expansion was primarily carried out via covered bonds with public sector counterparties, bank bonds and liquidity investments with Deutsche Bundesbank, the gross loan volume increased especially in the public sector finance Germany and financial institutions risk segments. The financial institutions segment reflected the increased supply of liquidity as well as the rise in lending portfolios. In total, 61.3% of the gross loan volume was attributable to financial institutions (end of 2011: 59.0%). The decrease in the corporates risk segment is mainly due to collateralised cash equities, which declined in the middle of the year. There are some deviations from the Group management report as at 31 December 2011 as a result of the differentiated allocation of transactions to illustrate the guarantee payment of guaranteed funds to the risk segments that is now applicable. The figures for 31 December 2011 were adjusted (Fig. 14).

Gross loan volume *(Fig. 14)*

€m	30.06.2012	31.12.2011
Financial institutions	102,577	94,636
Corporates	14,994	16,867
Public sector finance Germany	18,777	16,772
Funds (transactions and units)	9,280	9,761
Property risk	8,239	8,229
Transport & trade finance	5,649	5,964
Utility & project finance	2,672	2,788
Other	5,173	5,408
Total	**167,362**	**160,425**

With a share of 73.6% (end of 2011: 73.7%), the gross loan volume was once again heavily concentrated in the eurozone and the proportion of borrowers in the Federal Republic of Germany rose slightly to 55.3% (end of 2011: 54.8%), while the volume in the rest of the eurozone remained virtually unchanged overall. The volume in the EU outside the eurozone increased marginally.

The previous rating-related global limit for country risks was replaced in the reporting period by a differentiated limit system, which is now used to explicitly limit the country risks for each risk country. The gross loan volume in the euro countries which have seen their credit ratings downgraded – Portugal, Italy, Ireland, Greece and Spain – was reduced to €4.8bn (end of 2011: €5.9bn), which corresponds to 2.9% of the gross loan volume. The average remaining maturity of the gross loan volume changed only marginally.

In contrast to the increase in the gross loan volume, there was only a moderate rise of €2.8bn in the net loan volume, to €55.2bn. This reflects our strategy to predominantly engage in collateralised business and also to principally only enter into risk positions as they arise in connection with customer transactions. On a net basis as well, the majority of the volume was attributable to financial institutions (Fig. 15).

Net loan volume *(Fig. 15)*

€m	30.06.2012	31.12.2011
Financial institutions	35,280	32,121
Corporates	6,066	6,262
Funds (transactions and units)	3,946	3,578
Property risk	2,648	3,064
Transport & trade finance	859	840
Utility & project finance	2,578	2,727
Other	3,791	3,817
Total	**55,168**	**52,408**

The concentration in the credit portfolio remained virtually unchanged in the reporting period. As at 30 June 2012, the ten largest borrowers accounted for 25.4% of the net loan volume (end of 2011: 25.6%).

The average rating once again corresponded to rating level 4 on the DSGV master scale for the net loan volume and to level 3 in gross terms. The average probability of default in the portfolio was virtually unchanged at 23 basis points in net terms (Fig. 16).

Net loan volume by risk segment and rating *(Fig. 16)*

€m	Average PD in bps [1]	Average rating 30.06.2012	30.06.2012	Average PD in bps [1]	Average rating 31.12.2011	31.12.2011
Financial institutions	4	AA–	35,280	3	AA	32,121
Corporates	46	5	6,066	57	6	6,262
Public sector finance international	10	A–	1,867	7	A	1,883
Public sector finance Germany	1	AAA	215	1	AAA	185
Public infrastructure	175	9	1,179	179	9	1,078
Transport & trade finance	133	8	859	129	8	840
Utility & project finance	114	8	2,578	106	7	2,727
Property risk	76	7	2,648	56	6	3,064
Retail portfolio	30	4	437	17	3	539
Funds (transactions and units)	16	3	3,946	16	3	3,578
Equity investments	116	8	93	125	8	133
Total result	**23**	**4**	**55,168**	**24**	**4**	**52,408**

[1] Positions with a default rating in classes 16 to 18 (as at 30.06.2012: €1,136m) are not taken into account when calculating the average probability of default.

Primarily as a result of the utilisation of the specific valuation allowances on loans and securities, the provisions for loan losses reported in the balance sheet decreased from €773.1m at year-end 2011 to €743.5m. With regard to portfolio valuation allowances for country risks, reversals predominated, while portfolio valuation allowances for creditworthiness risks and provisions for portfolio risks in lending business increased slightly through net allocations (Fig. 17).

Provisions for loan losses by risk segment *(Fig. 17)*

€m	Financial institutions	Funds	Transport & trade finance	Utility & project finance	Property risk	Public infra-structure	Public finance	Corporates	Other	30.06.2012	31.12.2011
Impaired gross loan volume [1]	**556.8**	**0.0**	**292.9**	**54.0**	**193.8**	**195.6**	**0.0**	**14.3**	**1.7**	**1,309.1**	**1,436.2**
Collateral at fair value	**0.3**	**0.0**	**134.5**	**0.0**	**76.6**	**0.0**	**0.0**	**0.0**	**1.6**	**213.0**	**283.0**
Impaired net loan volume [1]	**556.5**	**0.0**	**158.4**	**54.0**	**117.2**	**195.6**	**0.0**	**14.3**	**0.1**	**1,096.1**	**1,153.1**
Provisions for loan losses [2]	**390.6**	**0.8**	**124.7**	**23.8**	**149.7**	**28.3**	**0.5**	**25.0**	**0.1**	**743.5**	**773.1**
Specific valuation allowances	388.4	0.0	111.3	5.7	132.8	21.1	0.0	13.2	0.1	672.6	694.1
Provisions	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.3	0.0	2.4	2.2
Portfolio valuation allowances for country risks	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	1.1	13.7
Portfolio valuation allowances for credit-worthiness risks	2.2	0.8	12.3	16.0	16.9	7.2	0.5	11.5	0.0	67.4	63.1

[1] Gross and net loan volumes impaired by specific and country valuation allowances.
[2] Provisions for loan losses in balance sheet exceed the net loan volume as portfolio valuation allowances have been recognised.

Operational risks

The value-at-risk for operational risks determined in accordance with the advanced measurement approach (confidence level 99.9%, risk horizon one year) stood at €138m as at 30 June 2012 and was also down on the figure at the end of 2011 (€143m). The number of claims as well as the estimate of damage potential conducted as part of the self assessment has reduced. In addition, the impact of the development of the risk indicators included in the scenario analyses was positive.

Against this backdrop, the Group-wide potential loss from operational risks decreased slightly to €51.8m (end of 2011: €52.1m).

Liquidity risks

The funding matrix that has been relevant for management purposes since December 2011 maps DekaBank’s liquidity position on a stress-oriented basis in accordance with MaRisk requirements. This analysis encompasses a combined scenario of the Bank’s own and market-wide stress factors. The expected cash flows are compared with the potential liquidity, which consists of highly liquid and liquid securities, in various maturity bands.

During the reporting period, DekaBank’s liquidity position remained very comfortable. As a result of increasing the strategic liquidity reserve, the accumulated liquidity balance in the “Combined stress scenario” funding matrix in the earlier maturity bands was higher as compared to year-end 2011. In the short term range (up to one week), the accumulated balance amounted to €3.2bn (end of 2011: €1.6bn). In the maturity band of up to one month, the surplus totalled €7.9bn (end of 2011: €5.3bn) and in the medium-to long term range at three months it was €11.7bn (end of 2011: €13.4bn). In all maturity bands of up to twenty years, the liquidity balances were positive.

Our highly liquid securities exceed the new regulatory requirements under MaRisk and cover a potential cash outflow in the combined stress scenario across all maturity bands, and not just the specified first month. DekaBank's liquidity position remains very strong even under the specific stress conditions. In the short term maturity band of up to one month, liquidity surpluses were shown in all stress scenarios considered within the scope of internal management and monitoring (Fig. 18).

Intended holding period funding matrix of DekaBank Group as at 30 June 2012 *(Fig. 18)*

€m	D1	>D1–1M	>1M–12M	>12M–5Y	>5J–20Y	>20Y
Liquidity potential (accumulated)	18,598	27,251	1,458	–81	–7	–7
Net cash flows (accumulated)	–12,634	–19,014	12,819	6,738	5,064	338
Liquidity balance	**5,963**	**8,237**	**14,278**	**6,657**	**5,056**	**331**
For informational purposes:						
Net cash flows by legal maturity	–7,603	–19,666	–15,427	–4,936	–305	–123

The regulatory requirements of the Liquidity Directive were also clearly surpassed during the entire reporting period. The half-year average for the liquidity ratio of the first maturity band, determined on a daily basis, was 1.50 (full year 2011: 1.59). It moved within a range between 1.36 and 1.63.

Other risks

Business risk

At €416m, the VaR relating to business risk was slightly down on the figure at the 2011 reporting date (€432m). This was mainly due to a small decline in commission, which is used as the basis for calculating the risk.

Shareholding risk

The VaR relating to the shareholding risk increased moderately to €39m (end of 2011: €37m). This essentially resulted from a slight rise in the book value used. The basis for determining the shareholding risk position is the respective IFRS book value of the equity investment. The risk is measured on the basis of the volatility of a benchmark index in the equity market.

Property risk

The property risk is measured on the basis of the IFRS book values of the property held in the Bank's own portfolio and the volatilities in the relative changes in value of the property in the respective location. With an almost unchanged VaR of €6m (end of 2011: €7m), the property risk continued to be of secondary importance.

Property fund risk

The property fund risk primarily results from property fund units held in the Bank's own portfolio, especially from start-up financing. With a VaR unchanged at €18m, the property fund risk once again did not represent any significant risk for DekaBank.

Capital market credit products

The capital market credit products section continues to summarise the remaining positions of our former Liquid Credits portfolio. The portfolio is divided into two parts: the single name & index (SNI) sub-portfolio, which is invested in corporate bonds and CDS and is actively managed in Treasury as part of our core business, and the securitisations sub-portfolio, which is assigned to non-core business and comprises the structured capital market credit securities of the former Liquid Credits portfolio. This portfolio is no longer considered strategic and is therefore being reduced whilst safeguarding assets.

Volume development

The net nominal value of the SNI portfolio dropped in the first half of 2012 by €431m to €5.9bn (end of 2011: €6.3bn). The bond position was reduced by €750m. The protection seller CDS position increased by €35m, while the protection buyer CDS position reduced by €284m.

In the securitisations sub-portfolio (non-core business), the net nominal value declined in the first half of 2012 from €1.9bn to €1.7bn, primarily reflecting the disposal of securitisation positions, mainly below investment grade, as well as various partial repayments.

Approach and valuation

The valuation of capital market credit products categorised at fair value is largely market-oriented. We only continue to use a modified discounted cash flow model to determine the fair value for 61 non-synthetic securitisation transactions in non-core business with a nominal volume of €0.63bn as at 30 June 2012. These transactions are exclusively European securitisations or securitisations with a distinct European focus. Accordingly, any changes in the positions categorised at fair value are reported directly in the income statement. No actual defaults have occurred in the tranches during the reporting period and nor were there any specific valuation allowances required as part of an impairment test.

In the SNI portfolio, the CDS positions and the major share of the at fair value bonds are valuated at market price. A share of the portfolio has been classified as held to maturity and is therefore valuated at amortised cost.

Rating overview

As at 30 June 2012, the SNI portfolio shows overall good creditworthiness almost exclusively in the investment grade range. As a result of the reduction, primarily of positions below investment grade, 89.9% of the ratings within the portfolio of structured credit capital market products allocated to the non-core business were in the investment grade range in nominal terms as at the half-year reporting date (end of 2011: 87.1%), (Fig. 19).

Structured capital market credit products by rating class (nominal value in €m) *(Fig. 19)*

Product		AAA	AA	A	BBB	Non investment grade	Unrated	Total (31.12.2011)
Structured	ABS	20	16	29	0	27	0	92 (157)
	RMBS	65	139	168	5	47	0	424 (467)
	CMBS	172	58	215	77	3	0	525 (561)
	CLO	15	291	95	76	19	0	496 (538)
	CSO	0	0	0	0	75	0	75 (75)
	Structured finance CDO	0	20	10	0	0	0	30 (30)
Alternative	CPPI	0	0	50	0	0	0	50 (50)
Total		**272**	**523**	**567**	**159**	**171**	**0**	**1,692 (1,878)**

Country overview

The SNI portfolio as well as the remaining structured capital market credit products of the non-core business continue to focus on Western Europe (Fig. 20).

Structured capital market credit products by risk country (Nominal value in €m) *(Fig. 20)*

Product	Structured						Alternative	Total
Country	ABS	RMBS	CMBS	CLO	CSO	Structured finance CDO	CPPI	(31.12.2011)
Germany	5	17	146	0	0	0	0	168 (211)
UK	15	122	194	0	0	0	0	332 (384)
Spain	2	77	0	0	0	0	0	79 (102)
Italy	31	120	13	0	0	0	0	164 (180)
Benelux	8	36	172	0	0	0	0	215 (222)
Rest of Europe	0	52	0	301	0	20	0	373 (396)
USA	32	0	0	195	75	10	50	361 (384)
Total	**92**	**424**	**525**	**496**	**75**	**30**	**50**	**1,692 (1,878)**

Maturity profile

The average maturity of the SNI portfolio shortened further in the reporting year. As at 30 June 2012, the positions showed an average maturity of 3.8 years (end of 2011: 3.9 years). In the positions of the IFRS held to maturity (htm) category, the average maturity was 4.8 years (end of 2011: 5.5 years). For the securitised products still in the portfolio as part of the non-core business, in addition to legal final maturity, we evaluate the expected maturity, since the actual cash flow may differ from the forecast cash flow. As at 30 June 2012, the expected remaining maturity of these positions is 4 years.

Current risk situation

Based on a confidence level of 95% and a holding period of ten days as at the reporting date, the spread risk for the positions of the former Liquid Credits portfolio totalled €31.9m (end of 2011: €28.8m). Here, the risk-mitigating effect from the reduction in the portfolio was more than offset by the increased spread volatility. The VaR calculated for the SNI portfolio was €28.3m (end of 2011: €24.2m). The VaR for the securitisation positions of the former Liquidity Credits portfolio allocated to the non-core business amounted to €13.0m as at the reporting date (end of 2011: €14.8m).

Interim financial statements

Statement of comprehensive income for the period from 1 January to 30 June 2012

€m	Notes	1st half 2012	1st half 2011	Change	
Interest and similar income		1,434.5	1,517.2	–82.7	–5.5%
Interest expenses		1,249.4	1,398.8	–149.4	–10.7%
Net interest income	[5]	**185.1**	**118.4**	66.7	56.3%
Provisions for loan losses	[6]	**–88.8**	**0.3**	–89.1	(< –300%)
Net interest income after provisions for loan losses		**96.3**	**118.7**	–22.4	–18.9%
Commission income		1,097.1	1,133.6	–36.5	–3.2%
Commission expenses		631.1	613.9	17.2	2.8%
Net commission income	[7]	**466.0**	**519.7**	–53.7	–10.3%
Trading profit or loss	[8]	**299.4**	**146.5**	152.9	104.4%
Profit or loss on financial instruments designated at fair value	[9]	**–61.2**	**52.4**	–113.6	–216.8%
Profit or loss from fair value hedges in accordance with IAS 39		**9.1**	**2.9**	6.2	213.8%
Profit or loss on financial investments	[10]	**5.5**	**–55.0**	60.5	110.0%
Administrative expenses	[11]	**448.5**	**460.9**	–12.4	–2.7%
Other operating profit	[12]	**–25.8**	**–5.6**	–20.2	(< –300%)
Net income before tax		**340.8**	**318.7**	22.1	6.9%
Income taxes	[13]	**115.3**	**109.8**	5.5	5.0%
Interest expenses for atypical silent capital contributions		**24.7**	**8.0**	16.7	208.8%
Net income		**200.8**	**200.9**	–0.1	0.0%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		200.8	200.9	–0.1	0.0%
Profit or loss on available-for-sale financial instruments not recognised in income		**0.3**	**–1.1**	1.4	127.3%
Net change in revaluation reserve for cash flow hedges		**–3.6**	**29.3**	–32.9	–112.3%
Change in deferred taxes not recognised in income		**1.1**	**–7.8**	8.9	114.1%
Currency translation adjustments		**0.7**	**0.8**	–0.1	–12.5%
Other consolidated income		**–1.5**	**21.2**	–22.7	–107.1%
Net income for the period under IFRS		**199.3**	**222.1**	–22.8	–10.3%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		199.3	222.1	–22.8	–10.3%

Balance sheet as at 30 June 2012

€m	Notes	30.06.2012	31.12.2011	Change	
Assets					
Cash reserves		**183.9**	**368.2**	–184.3	–50.1%
Due from banks	[14]	**43,249.2**	**39,596.7**	3,652.5	9.2%
(net after provisions for loan losses amounting to)	[16]	(376.0)	(377.9)	–1.9	–0.5%
Due from customers	[15]	**31,881.3**	**31,603.0**	278.3	0.9%
(net after provisions for loan losses amounting to)	[16]	(344.5)	(303.1)	41.4	13.7%
Financial assets at fair value	[17]	**60,012.6**	**56,540.1**	3,472.5	6.1%
(of which deposited as collateral)		(9,262.5)	(6,511.8)	2,750.7	42.2%
Positive market values from derivative hedging instruments		**432.8**	**428.1**	4.7	1.1%
Financial investments	[18]	**4,334.3**	**4,517.0**	–182.7	–4.0%
(net after provisions for loan losses amounting to)		(16.8)	(83.6)	–66.8	–79.9%
(of which deposited as collateral)		(576.3)	(949.1)	–372.8	–39.3%
Intangible assets	[19]	**103.7**	**112.1**	–8.4	–7.5%
Property, plant and equipment	[20]	**34.3**	**35.6**	–1.3	–3.7%
Income tax assets		**304.3**	**258.0**	46.3	17.9%
Other assets		**310.5**	**278.8**	31.7	11.4%
Total assets		**140,846.9**	**133,737.6**	7,109.3	5.3%
Liabilities					
Due to banks	[21]	**41,313.4**	**32,870.1**	8,443.3	25.7%
Due to customers	[22]	**26,444.9**	**24,417.1**	2,027.8	8.3%
Securitised liabilities	[23]	**25,276.7**	**25,277.6**	–0.9	0.0%
Financial liabilities at fair value	[24]	**41,418.7**	**44,519.3**	–3,100.6	–7.0%
Negative market values from derivative hedging instruments		**560.5**	**558.7**	1.8	0.3%
Provisions	[25]	**217.8**	**213.4**	4.4	2.1%
Income tax liabilities		**167.4**	**281.9**	–114.5	–40.6%
Other liabilities		**614.4**	**724.6**	–110.2	–15.2%
Subordinated capital	[26]	**1,309.3**	**1,482.3**	–173.0	–11.7%
Atypical silent capital contributions		**52.4**	**52.4**	0.0	0.0%
Equity	[27]	**3,471.4**	**3,340.2**	131.2	3.9%
a) Subscribed capital		191.7	191.7	0.0	0.0%
b) Capital reserves		190.3	190.3	0.0	0.0%
c) Reserves from retained earnings		2,898.8	2,899.4	–0.6	0.0%
d) Revaluation reserve		–23.8	–21.6	–2.2	–10.2%
e) Currency translation reserve		13.6	12.9	0.7	5.4%
f) Accumulated profit/loss (consolidated profit)		200.8	67.5	133.3	197.5%
g) Minority interests		0.0	0.0	0.0	n/a
Total liabilities		**140,846.9**	**133,737.6**	7,109.3	5.3%

Statement of changes in equity for the period from 1 January to 30 June 2012

	Paid-in equity		Group equity generated	
€m	Subscribed capital	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 31.12.2010	**286.3**	**190.3**	**3,604.7**	**28.6**
Net income for the year				200.9
Currency translation adjustments				
Net change in revaluation reserve for cash flow hedges				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Changes in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	**–**	**–**	**–**	**200.9**
Changes in the scope of consolidation and other changes			−0.1	
Distribution				−28.6
Purchase of own shares	−94.6		−899.5	
Holdings as at 30.06.2011	**191.7**	**190.3**	**2,705.1**	**200.9**
Net income for the year				59.8
Currency translation adjustments				
Net change in revaluation reserve for cash flow hedges				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Changes in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	**–**	**–**	**–**	**59.8**
Changes in the scope of consolidation and other changes			1.1	
Allocation to reserves from retained earnings			193.2	−193.2
Holdings as at 31.12.2011	**191.7**	**190.3**	**2,899.4**	**67.5**
Net income for the year				200.8
Currency translation adjustments				
Net change in revaluation reserve for cash flow hedges				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Changes in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	**–**	**–**	**–**	**200.8**
Changes in the scope of consolidation and other changes			−0.6	
Distribution				−67.5
Holdings as at 30.06.2012	**191.7**	**190.3**	**2,898.8**	**200.8**

Other consolidated income				
Revaluation reserve	Currency translation reserve	Total before minority interest	Minority interests	Equity
−13.9	11.6	4,107.6	0.7	4,108.3
		200.9		200.9
	0.8			
29.3				
−1.1				
–				
−7.8				
20.4	0.8	21.2	–	21.2
20.4	0.8	222.1	–	222.1
		−0.1	−0.7	−0.8
		−28.6		−28.6
		−994.1		−994.1
6.5	12.4	3,306.9	–	3,306.9
		59.8		59.8
	0.5			
−41.2				
–				
–				
13.1				
−28.1	0.5	−27.6		−27.6
−28.1	0.5	32.2	–	32.2
		1.1	–	1.1
		–		–
−21.6	12.9	3,340.2	–	3,340.2
		200.8		200.8
	0.7			
−3.6				
0.3				
–				
1.1				
−2.2	0.7	−1.5	–	−1.5
−2.2	0.7	199.3	–	199.3
		−0.6	–	−0.6
		−67.5		−67.5
−23.8	13.6	3,471.4	–	3,471.4

Condensed cash flow statement for the period from 1 January to 30 June 2012

€m	1st half 2012	1st half 2011
Cash and cash equivalents at the beginning of the period	**368.2**	**621.1**
Cash flow from operating activities	21.7	1,185.1
Cash flow from investing activities	63.8	−34.6
Cash flow from financing activities	−269.8	−1,050.2
Effects of changes in the scope of consolidation	0.0	−37.1
Cash and cash equivalents at the end of the period	**183.9**	**684.3**

The definitions for the individual cash flow components are the same as in the 2011 consolidated financial statements.

Notes

Segment reporting

1 Segmentation by business divisions

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

As net income before tax is only conditionally suitable for internally managing the business divisions, the economic result was defined as the central management indicator. In line with the requirements of IFRS 8, since 2007 the economic result has also been included in the external reporting as material segment information.

	Asset Management Capital Markets		Asset Management Property		Corporates & Markets	
			Economic result			
€m	1st half 2012	1st half 2011	1st half 2012	1st half 2011	1st half 2012	1st half 2011
Net interest income	35.8	3.0	40.4	34.3	135.1	94.0
Provisions for loan losses	–	–	–27.7	4.3	–58.7	–5.0
Net commission income	336.3	394.4	81.8	76.5	48.3	47.9
Net financial income[2]	1.8	–9.5	–9.2	–3.2	228.5	70.9
Other income[3]	–5.9	–3.0	–2.9	2.3	–	–15.6
Total income	**368.0**	**384.9**	**82.4**	**114.2**	**353.2**	**192.2**
Administrative expenses (including depreciation)	204.6	208.0	61.8	59.8	142.7	124.8
Restructuring expenses[3]	10.8	0.7	–	0.2	0.2	–0.6
Total expenses	**215.4**	**208.7**	**61.8**	**60.0**	**142.9**	**124.2**
(Economic) result before tax	**152.6**	**176.2**	**20.6**	**54.2**	**210.3**	**68.0**
Cost/income ratio[4]	0.56	0.54	0.56	0.54	0.35	0.63

[1] There is no figure for cost/income ratio for the segment Other as this ratio is not meaningful here.
[2] This includes income from assets held for trading (trading book portfolios), income from assets not held for trading (banking book portfolios), income from other financial investments as well as income from repurchased debt instruments. In addition, this includes the risk provision for securities in the lar and htm categories in the amount of €+2.6m (first half of 2011: €–65.5m).
[3] Restructuring expenses are reported in the consolidated financial statements under other operating profit.
[4] Calculation of the cost/income ratio excluding restructuring expenses and provisions for loan losses.

The material changes in variables and ratios are shown in the following table:

	Asset Management Capital Markets		Asset Management Property		Corporates & Markets	
€m	30.06.2012	31.12.2011	30.06.2012	31.12.2011	30.06.2012	31.12.2011
Group risk (Value-at-risk)[2]	424	434	226	198	1,696	1,740
Assets under Management[3]	124,923	126,895	24,912	24,100	3,905	3,504
Gross loan volume	5,282[4]	5,440[4]	7,738	7,710	149,548	141,973[4]

[1] There is no figure for cost/income ratio for the segment Other as this ratio is not meaningful here.
[2] Value-at-risk with confidence level of 99.9% and holding period of 1 year as at 30 June 2012 and 31 December 2011. As a result of the diversification between core and non-core business taken into account in market price risk, Group risk is not determined by adding core and non-core business.
[3] Assets under management include fund units in the Group's own portfolio amounting to €1,443.0m (31 December 2011: €1,381.9m).
[4] As of 30 June 2012, start-up financing for funds as well as transactions to illustrate the guarantee payment of guaranteed funds including commitments and loans to private individuals of VM Bank International S.A. i.L. are shown separately in the AMK segment. The figures as at 31 December 2011 were also adjusted for reasons of comparability.
[5] The gross loan volume includes equity investments not allocated to the respective segments but illustrated separately in the Other segment.

	Other[1]		Total core business		Non-core business		Group		Reconciliation		Group	
	Economic result				Economic result		Economic result				Net income before tax according to IFRS	
	1st half 2012	1st half 2011	1st half 2012	1st half 2011	1st half 2012	1st half 2011	1st half 2012	1st half 2011	1st half 2012	1st half 2011	1st half 2012	1st half 2011
	–0.2	17.7	211.1	149.0	18.3	26.2	229.4	175.2	–44.3	–56.8	185.1	118.4
	–	–	–86.4	–0.7	–2.4	1.0	–88.8	0.3	–	–	–88.8	0.3
	–0.6	0.4	465.8	519.2	0.2	0.5	466.0	519.7	–	–	466.0	519.7
	–89.9	–1.3	131.2	56.9	44.7	50.8	175.9	107.7	76.9	39.1	252.8	146.8
	–0.6	11.6	–9.4	–4.7	–	–	–9.4	–4.7	–5.6	–0.2	–15.0	–4.9
	–91.3	**28.4**	**712.3**	**719.7**	**60.8**	**78.5**	**773.1**	**798.2**	**27.0**	**–17.9**	**800.1**	**780.3**
	36.8	64.3	445.9	456.9	2.6	4.0	448.5	460.9	–	–	448.5	460.9
	–0.2	0.3	10.8	0.6	–	0.1	10.8	0.7	–	–	10.8	0.7
	36.6	**64.6**	**456.7**	**457.5**	**2.6**	**4.1**	**459.3**	**461.6**	**–**	**–**	**459.3**	**461.6**
	–127.9	**–36.2**	**255.6**	**262.2**	**58.2**	**74.4**	**313.8**	**336.6**	**27.0**	**–17.9**	**340.8**	**318.7**
	–	–	0.56	0.63	0.04	0.05	0.52	0.58				

	Other[1]		Total core business		Non-core business		Group	
	30.06.2012	31.12.2011	30.06.2012	31.12.2011	30.06.2012	31.12.2011	30.06.2012	31.12.2011
	–	–	2,346	2,372	357	434	2,591	2,660
	–	–	153,740	154,499	–	–	153,740	154,499
	93[5]	133[5]	162,661	155,256	4,701	5,169	167,362	160,425

In addition to net income before tax, the economic result comprises changes in the revaluation reserve as well as the interest rate and currency-related valuation result from original lending business and underwriting business. This essentially refers to financial instruments of the loans and receivables, held to maturity and other liabilities categories, which are measured at amortised cost in the consolidated financial statements and whose valuation result is also included in internal reporting. Consequently, the existing economic hedges which do not meet the criteria for hedge accounting under IAS 39 or for which hedge accounting may not be applied, are illustrated in full for internal management purposes. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in the "reconciliation to Group income before tax" item in the "reconciliation" column.

In alignment with the definition of Section 19 (1) of the German Banking Act (KWG), the gross loan volume incorporates additional risk positions such as underlying risks from equity derivatives transactions and transactions to illustrate the guarantee payments of guaranteed funds, as well as the volume of off-balance sheet default risks.

The following segments correspond to the business division structure of the Group as also used in internal reporting. The segments are defined by the different products and services of the Group:

Asset Management Capital Markets

The Asset Management Capital Markets segment consists of all the Group's activities concerning capital market-based asset management for private and institutional customers. In addition to funds and structured investment concepts, the product range also includes offerings from selected international cooperation partners. The Group's investment funds cover all the major asset classes, sometimes in conjunction with guaranteed, discount and bonus structures. The offering for private retirement pensions encompasses fund-based *Riester* and *Rürup* products. The segment also comprises advisory, management and asset management mandates for institutional customers as well as Institutional Sales. Since November 2011, the sales units of the Corporates & Markets business division have also been integrated into Institutional Sales. The range of services offered by the segment also includes the Master KAG activities, which institutional customers can use to pool their assets under management with one investment company. In addition, the Asset Management Capital Markets segment also comprises services for custodial accounts, fund administration as well as central fund management services.

Asset Management Property

All property-related activities of the DekaBank Group are pooled in the Asset Management Property segment. This encompasses property investment products for private and institutional investors. The product range includes open-ended mutual and special property funds, individual property funds, property funds of funds as well as real estate finance and infrastructure finance funds. The segment also includes the purchase and sale of property, management of these assets including all other property-related services (real estate management) as well as product development of Group-wide property-based activities. Real Estate Lending completes the Asset Management services offered with financial solutions for third parties, thus offering various exit routes for professional property investors.

Corporates & Markets

The Corporates & Markets segment comprises the lending activities that are suitable for Asset Management, the trading activities of Capital Markets and the Treasury business. The segment acts as a central service provider for intra-Group and external Asset Management customers. Short-term products are a major focus of the trading activities, as is the structuring of equity and interest rate derivatives for funds and savings banks. The Corporates & Markets segment also encompasses all activities relating to exchange traded funds (ETFs) covering product development, management and market making. The lending business comprises the management and product launch of credit assets, e.g. trade/export finance, public sector and infrastructure financing, which are suitable for Asset Management or meet the needs of institutional customers. In addition, Corporates & Markets includes liquidity positioning and liquidity risk management as well as asset/liability management.

Other

Income and expenses that are not attributable to the other reporting segments are reported under Other. These essentially relate to costs for the Corporate Centres as well as the profit or loss on the investment of capital and reserves at risk-free interest.

Non-core business

Business activities that are being discontinued have been pooled in non-core business since 2009. Securitisations and lending transactions no longer operated as part of core business are managed in this segment and reduced whilst safeguarding assets.

Reconciliation of segment results to the consolidated financial statements

The reporting and measurement differences between internal reporting and IFRS net income before tax amount to €–27.0m (first half of 2011: €17.9m) in the reporting period.

This includes a valuation result of €–21.2m (first half of 2011: €–8.9m) from interest rate and currency-related capital market effects and takes account of tax-relevant effects. Of this amount, €–20.6m (first half of 2011: €28.9m) relates to original transactions in the trading book.

The tax-relevant effects (€–80.0m) relate to potential risks in the lending and securities business that are taken into account in corporate management due to the management function of the economic result, but cannot yet be recorded in IFRS reporting at the present time due to the lack of sufficient reliability. These effects are taken into account in the Other segment.

The Bank also hedges future credit margins on fixed-interest and variable-interest foreign currency loans (original position) against currency fluctuations. The accounting and valuation rules for cash flow hedges were applied to economic hedges. The valuation result for hedging instruments (€–3.5m; first half of 2011: €29.3m) is reported accordingly in the revaluation reserve with no impact on income and thus as part of the economic result. The change in the revaluation reserve for available for sale portfolios of €0.3m (first half of 2011: €–1.0m) is also shown in the economic result.

The other reconciliation amounts shown in the reconciliation column refer to reporting differences between management reporting and the consolidated financial statements. Of these figures, €45.1m (first half of 2011: €56.9m) relates to internal transactions which are reported in the economic result in net interest income and the corresponding contrary income effects in net financial income. There are also reporting differences in net financial income and other income from the different allocation of income effects from the repurchase of own issues.

General information

2 Accounting principles

The interim report of DekaBank Deutsche Girozentrale has been prepared in accordance with the International Financial Reporting Standards (IFRS). The standards published and adopted by the European Union at the time the financial statements were prepared and their interpretation by the IFRS Interpretations Committee (IFRS IC, formerly the International Financial Interpretations Committee (IFRIC)) and the former Standing Interpretations Committee (SIC) apply.

The present abbreviated interim financial statements were prepared in accordance with Section 37y of the German Securities Trading Act (WpHG) in conjunction with Section 37w WpHG, with particular account taken of the requirements of IAS 34 (Interim Reporting).

3 Accounting policies

The interim report is based on the accounting policies of the 2011 financial statements. In accordance with IAS 34, the accounting recognition of a transaction is based on an independent evaluation as at the current reporting date and not in anticipation of the annual financial statements. The present interim report was reviewed by our year-end auditor and should be read in conjunction with our audited 2011 consolidated financial statements. The disclosures on risks relating to financial instruments are essentially provided in the risk report of the interim management report.

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

Estimates and assessments required in line with accounting policies under IFRS are carried out in accordance with the respective standard on a best estimate basis and are continually revalued and based on expected values and other factors, including expectations regarding future events that appear reasonable under the given circumstances on the reporting date. In the present financial statements, all adjustments required to convey a suitable presentation of the net assets, financial position and results of operations of the Group are carried out as part of the interim reporting.

4 Changes in the scope of consolidation

As at the end of 2011, in addition to DekaBank as the parent company, the consolidated financial statements include a total of 11 German and 8 foreign subsidiaries in which DekaBank directly or indirectly holds more than 50% of the voting rights. In addition, the scope of consolidation includes 9 special funds (31 December 2011: 14) and one mutual fund, which are controlled by the company as defined by SIC-12. The number of special funds was reduced during the reporting period by fund mergers and the liquidation of one special fund with no material impact on income.

In total, 17 companies (31 December 2011: 21) in which DekaBank has direct or indirect holdings were not consolidated. They are of minor significance for the presentation of the Group’s net assets, financial position and result of operation. The shares held in these companies are reported under financial investments.

Notes to the statement of comprehensive income

5 Net interest income

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

€m	1st half 2012	1st half 2011	Change
Interest income from			
Lending and money market transactions	703.4	766.9	–63.5
Interest rate derivatives (economic hedges)	330.9	428.1	–97.2
Fixed-interest securities and debt register claims	237.3	261.9	–24.6
Hedging derivatives (hedge accounting)	48.2	54.8	–6.6
Current income from			
Shares and other non fixed-interest securities	112.5	3.4	109.1
Equity investments	2.2	2.1	0.1
Total interest income	**1,434.5**	**1,517.2**	–82.7
Interest expenses for			
Liabilities	487.2	595.0	–107.8
Interest rate derivatives (economic hedges)	433.3	453.8	–20.5
Hedging derivatives (hedge accounting)	71.2	86.4	–15.2
Securitised liabilities	223.0	221.7	1.3
Subordinated capital	16.7	23.9	–7.2
Typical silent capital contributions	18.0	18.0	–
Total interest expenses	**1,249.4**	**1,398.8**	–149.4
Net interest income	**185.1**	**118.4**	66.7

6 Provisions for loan losses

The breakdown of provisions for loan losses in the statement of comprehensive income is as follows:

€m	1st half 2012	1st half 2011	Change
Allocations to provisions for loan losses	–108.5	–18.6	–89.9
Direct write-downs on receivables	–0.2	–	–0.2
Reversals of provisions for loan losses	19.3	17.0	2.3
Income of written-down receivables	0.6	1.9	–1.3
Provisions for loan losses	**–88.8**	**0.3**	–89.1

The risk provision for securities in the loans and receivables and held to maturity categories is reported in the profit or loss on financial investments item (Note [10]).

7 Net commission income

€m	1st half 2012	1st half 2011	Change
Commission income from			
Investment fund business	1,000.6	1,038.1	−37.5
Securities business	56.8	60.8	−4.0
Lending business	24.4	18.2	6.2
Other	15.3	16.5	−1.2
Total commission income	**1,097.1**	**1,133.6**	−36.5
Commission expenses for			
Investment fund business	614.6	598.5	16.1
Securities business	8.4	7.2	1.2
Lending business	7.1	7.0	0.1
Other	1.0	1.2	−0.2
Total commission expenses	**631.1**	**613.9**	17.2
Net commission income	**466.0**	**519.7**	−53.7

Commission income from investment fund business essentially comprises front-end loads, management fees, asset management fees and sales commissions. The vast majority of the net commission income stems from portfolio-related sustained commissions. Performance-related remuneration and income from lump sum costs are also shown under commission income from investment fund business. The corresponding expenses ascribed to the lump sum costs are reported in the respective expense item – mainly in administrative expenses – on a source-specific basis. Commission expenses are primarily attributable to services provided to sales partners.

8 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments in the held for trading sub-category. Valuation results are essentially determined based on market prices. If no market prices are available, the market values are calculated based on current market data using standard valuation methods. Net interest income from derivative and non-derivative financial instruments for trading positions, together with related refinancing expenses, are also reported under this item.

€m	1st half 2012	1st half 2011	Change
Sales result	−452.3	−476.7	24.4
Valuation result	158.8	−14.6	173.4
Net interest income and current income from trading transactions	598.9	644.2	−45.3
Commission on trading transactions	−6.0	−6.4	0.4
Trading profit or loss	**299.4**	**146.5**	152.9

9 Profit or loss on financial instruments designated at fair value

This item includes profit or loss on financial instruments allocated to the designated at fair value sub-category as well as the profit or loss on derivatives in the banking book. In principle, the valuation results are determined using market prices. If no market prices are available, the market values are calculated based on current market data using standard valuation models.

€m	1st half 2012	1st half 2011	Change
Sales result	–6.5	5.6	–12.1
Valuation result	–53.7	46.8	–100.5
Foreign exchange profit or loss	–1.0	0.1	–1.1
Commission	–	–0.1	0.1
Total	**–61.2**	**52.4**	–113.6

Interest and dividend income as well as refinancing expenses and reinvestment gains are reported in net interest income.

10 Profit or loss on financial investments

€m	1st half 2012	1st half 2011	Change
Net income from the sale of			
Securities in the category			
Loans and receivables	–0.2	10.6	–10.8
Held to maturity	0.3	–	0.3
Available for sale	0.1	–	0.1
Shares in affiliated companies	–	0.6	–0.6
Shares in associated companies	1.7	–	1.7
Net income from the sale of financial investments	**1.9**	**11.2**	–9.3
Depreciation as a result of impairment of investments accounted for using the equity method	–	–1.2	1.2
Write-ups following impairment of securities in the loans and receivables category	–	2.5	–2.5
Net income from investments valued using the equity method	1.0	0.5	0.5
Allocation to provisions for loan losses	–0.2	–68.6	68.4
Reversal of provisions for loan losses	2.8	0.6	2.2
Net income from financial investments	**5.5**	**–55.0**	60.5

11 Administrative expenses

€m	1st half 2012	1st half 2011	Change
Personnel expenses	199.8	193.5	6.3
Other administrative expenses	230.3	224.5	5.8
Depreciation of property, plant and equipment and intangible assets	18.4	42.9	–24.5
Administrative expenses	**448.5**	**460.9**	–12.4

Other administrative expenses include the pro rata contribution to the restructuring fund for credit institutions (bank levy) amounting to €14.2m (first half of 2011: €8.6m). In the previous year, depreciation of property, plant and equipment and intangible assets included the impairment of goodwill from the acquisition of WestInvest Gesellschaft für Investmentfonds mbH amounting to €24.9m.

12 Other operating income

The breakdown in other operating income is as follows:

€m	1st half 2012	1st half 2011	Change
Income from repurchased debt instruments	–5.6	–0.2	–5.4
Other operating income	7.3	23.8	–16.5
Other operating expenses	27.5	29.2	–1.7
Other operating income	**–25.8**	**–5.6**	–20.2

13 Income taxes

Based on the corporation tax and trade tax rates applicable for 2012, the combined tax rate for the companies in the DekaBank fiscal group is unchanged on the previous year at 31.9%. In accordance with the articles of incorporation, DekaBank is obliged to refund to shareholders that portion of corporation tax payable by the shareholders (7.21% of 15.825% including solidarity surcharge) as DekaBank is treated for tax purposes as an atypical silent partner. As in the previous year, this portion of the tax expense is shown as part of income tax expenses.

Notes to the consolidated balance sheet

14 Due from banks

€m	30.06.2012	31.12.2011	Change
Domestic banks	32,736.2	32,122.1	614.1
Foreign banks	10,889.0	7,852.5	3,036.5
Due from banks before risk provision	**43,625.2**	**39,974.6**	3,650.6
Provisions for loan losses	–376.0	–377.9	1.9
Total	**43,249.2**	**39,596.7**	3,652.5

15 Due from customers

€m	30.06.2012	31.12.2011	Change
Domestic borrowers	13,489.8	14,000.1	–510.3
Foreign borrowers	18,736.0	17,906.0	830.0
Due from customers before risk provision	**32,225.8**	**31,906.1**	319.7
Provisions for loan losses	–344.5	–303.1	–41.4
Total	**31,881.3**	**31,603.0**	278.3

16 Provisions for loan losses

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

€m	30.06.2012	31.12.2011	Change
Provisions for loan losses – due from banks			
Specific valuation allowances	374.7	376.8	–2.1
Portfolio valuation allowances for creditworthiness risks	1.3	1.1	0.2
Provisions for loan losses – due from customers			
Specific valuation allowances	284.2	236.7	47.5
Portfolio valuation allowances for country risks	1.1	13.7	–12.6
Portfolio valuation allowances for creditworthiness risks	59.1	52.7	6.4
Total	**720.4**	**681.0**	39.4

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

€m	Opening balance 01.01.2012	Allocation	Utilisation	Reversal	Reclassi-fication	Currency effects	Closing balance 30.06.2012
Provisions for loan losses – due from banks							
Specific valuation allowances	376.8	–	–	–	–2.1	–	374.7
Portfolio valuation allowances for creditworthiness risks	1.1	0.2	–	–	–	–	1.3
Sub-total	**377.9**	**0.2**	**–**	**–**	**–2.1**	**–**	**376.0**
Provisions for loan losses – due from customers							
Specific valuation allowances	236.7	99.8	51.5	3.3	–	2.5	284.2
Portfolio valuation allowances for country risks	13.7	–	0.8	11.6	–	–0.2	1.1
Portfolio valuation allowances for creditworthiness risks	52.7	6.4	–	–	–	–	59.1
Sub-total	**303.1**	**106.2**	**52.3**	**14.9**	**–**	**2.3**	**344.4**
Provisions for credit risks							
Specific risks	2.2	2.1	–	1.9	–	–	2.4
Portfolio risks	6.4	–	–	2.4	–	–	4.0
Sub-total	**8.6**	**2.1**	**–**	**4.3**	**–**	**–**	**6.4**
Total	**689.6**	**108.5**	**52.3**	**19.2**	**–2.1**	**2.3**	**726.8**

€m	Opening balance 01.01.2011	Allocation	Utilisation	Reversal	Reclassi-fication	Currency effects	Closing balance 31.12.2011
Provisions for loan losses – due from banks							
Specific valuation allowances	384.5	9.6	36.7	0.1	19.6	–0.1	376.8
Portfolio valuation allowances for creditworthiness risks	1.3	–	–	0.2	–	–	1.1
Sub-total	**385.8**	**9.6**	**36.7**	**0.3**	**19.6**	**–0.1**	**377.9**
Provisions for loan losses – due from customers							
Specific valuation allowances	131.3	134.4	23.4	9.4	–	3.8	236.7
Portfolio valuation allowances for country risks	15.1	–	0.6	1.1	–	0.3	13.7
Portfolio valuation allowances for creditworthiness risks	58.7	0.1	–	6.1	–	–	52.7
Sub-total	**205.1**	**134.5**	**24.0**	**16.6**	**–**	**4.1**	**303.1**
Provisions for credit risks							
Specific risks	7.0	2.1	–	6.8	–	–0.1	2.2
Portfolio risks	9.3	–	–	2.9	–	–	6.4
Sub-total	**16.3**	**2.1**	**–**	**9.7**	**–**	**–0.1**	**8.6**
Total	**607.2**	**146.2**	**60.7**	**26.6**	**19.6**	**3.9**	**689.6**

Key ratios for provisions for loan losses:

%	30.06.2012	31.12.2011
Reversal/allocation ratio as at reporting date[1)] (Quotient from net allocation and lending volume)	−0.19	−0.27
Allocation ratio as at reporting date (Quotient from loan defaults and lending volume)	0.11	0.13
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.11	0.10
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	1.57	1.53

[1)] Reversal ratio shown without leading sign.

The calculations of the key ratios above are based on a lending volume in the balance sheet of €46.3bn (31 December 2011: €44.9bn).

Provisions for loan losses by risk segment:

	Value allowances and provisions[1)] for loan losses		Loan defaults[2)]		Net allocations to[3)] / reversals of valuation allowances and provisions for loan losses	
€m	**30.06.2012**	**31.12.2011**	**2012**	**2011**	**2012**	**2011**
Customers						
Property risks	149.6	120.6	−0.1	8.1	−27.7	−25.7
Transport & trade finance	124.8	82.7	4.0	9.8	−46.2	−45.3
Public infrastructure	28.2	27.8	–	–	−0.5	−19.1
Corporates	24.2	35.3	13.0	5.5	−1.9	2.1
Utility & project finance	22.9	44.7	35.1	–	−12.3	−22.8
Other	1.1	0.6	–	–	−0.5	0.6
Total customers	**350.8**	**311.7**	**52.0**	**23.4**	**−89.1**	**−110.2**
Banks	**376.0**	**377.9**	**−0.1**	**35.4**	**−0.1**	**−9.4**
Total	**726.8**	**689.6**	**51.9**	**58.8**	**−89.2**	**−119.6**

[1)] Deductible and non-deductible provisions for loan losses.
[2)] Payments received on written-down receivables – negative in the column.
[3)] Negative in the column.

Further disclosures on default risks are provided in the risk report of the interim management report.

17 Financial assets at fair value through profit or loss

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

€m	30.06.2012	31.12.2011	Change
Held for trading			
Promissory note loans	91.6	131.5	–39.9
Money market securities	208.7	296.6	–87.9
Bonds and debt securities	20,400.8	18,405.2	1,995.6
Shares	1,000.6	316.4	684.2
Investment fund units	996.6	1,004.3	–7.7
Participating certificates	–	3.1	–3.1
Positive market values from derivative financial instruments (trading)	18,194.4	19,456.0	–1,261.6
Total – held for trading	**40,892.7**	**39,613.1**	1,279.6
Designated at fair value			
Amounts due from securities repurchase agreements	2,524.4	2,526.3	–1.9
Promissory note loans	2.1	12.4	–10.3
Money market securities	172.8	170.3	2.5
Bonds and debt securities	13,042.1	10,911.6	2,130.5
Shares	35.5	12.0	23.5
Investment fund units	629.3	643.2	–13.9
Participating certificates	5.2	4.9	0.3
Positive market values from derivative financial instruments (economic hedges)	2,708.5	2,646.3	62.2
Total – designated at fair value	**19,119.9**	**16,927.0**	2,192.9
Total	**60,012.6**	**56,540.1**	3,472.5

18 Financial investments

€m	30.06.2012	31.12.2011	Change
Loans and receivables			
Bonds and other fixed-interest securities	1,107.7	1,219.5	–111.8
Held to maturity			
Bonds and other fixed-interest securities	3,128.7	3,267.6	–138.9
Available for sale			
Bonds and other fixed-interest securities	52.2	52.0	0.2
Shares and other non fixed-interest securities	0.3	0.2	0.1
Equity investments	35.5	31.7	3.8
Shares in affiliated, non-consolidated companies	1.6	5.5	–3.9
Shares in companies valued at equity	25.1	24.1	1.0
Financial investments before risk provision	**4,351.1**	**4,600.6**	–249.5
Risk provision	–16.8	–83.6	66.8
Total	**4,334.3**	**4,517.0**	–182.7

19 Intangible assets

€m	30.06.2012	31.12.2011	Change
Purchased goodwill	53.1	53.1	–
Software	50.6	51.7	–1.1
Other intangible assets	–	7.3	–7.3
Total	**103.7**	**112.1**	–8.4

20 Property, plant and equipment

€m	30.06.2012	31.12.2011	Change
Land and buildings	13.9	14.2	–0.3
Plant and equipment	16.8	17.8	–1.0
Technical equipment and machines	3.6	3.6	–
Total	**34.3**	**35.6**	–1.3

21 Due to banks

€m	30.06.2012	31.12.2011	Change
Domestic banks	21,990.1	22,203.6	–213.5
Foreign banks	19,323.3	10,666.5	8,656.8
Total	**41,313.4**	**32,870.1**	8,443.3

22 Due to customers

€m	30.06.2012	31.12.2011	Change
Domestic customers	21,204.8	18,728.6	2,476.2
Foreign customers	5,240.1	5,688.5	–448.4
Total	**26,444.9**	**24,417.1**	2,027.8

23 Securitised liabilities

The securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Under IAS 39, the Group’s own bonds in the nominal amount of €1.6bn (31 December 2011: €0.4bn) were deducted from the issued bonds.

€m	30.06.2012	31.12.2011	Change
Bonds issued	22,672.4	24,219.3	–1,546.9
Money market securities issued	2,604.3	1,058.3	1,546.0
Total	**25,276.7**	**25,277.6**	–0.9

24 Financial liabilities at fair value

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

€m	30.06.2012	31.12.2011	Change
Held for trading			
Trading issues	2,054.0	1,795.3	258.7
Securities short portfolios	2,358.1	2,495.6	–137.5
Negative market values from derivative financial instruments (trading)	24,538.4	26,787.5	–2,249.1
Total – held for trading	**28,950.5**	**31,078.4**	–2,127.9
Designated at fair value			
Issues	9,039.3	10,040.3	–1,001.0
Negative market values from derivative financial instruments (economic hedges)	3,428.9	3,400.6	28.3
Total – designated at fair value	**12,468.2**	**13,440.9**	–972.7
Total	**41,418.7**	**44,519.3**	–3,100.6

The fair value of issues in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €73.7m (31 December 2011: €47.2m).

25 Provisions

€m	30.06.2012	31.12.2011	Change
Provisions for pensions and similar commitments	23.1	22.8	0.3
Provisions for credit risks	6.4	8.6	–2.2
Provisions for restructuring measures	18.2	9.4	8.8
Provisions for legal proceedings and recourses	2.7	2.3	0.4
Other provisions	167.4	170.3	–2.9
Total	**217.8**	**213.4**	4.4

Other provisions relate essentially to the following circumstances:

The range of products contains investment funds, whose return is forecast on the basis of current money market interest rates set by the Group. However, this does not constitute a guarantee or assurance that the forecast performance of the funds will actually be achieved. Although the DekaBank Group is not contractually obliged to support these funds, the Group retains the right to support the desired performance of the funds. The level of the provision is determined using possible loss scenarios, taking account of the risks related to liquidity, interest rate structure, duration and spreads. As at the reporting date, €80.4m (31 December 2011: €79.3m) were set aside. The underlying total volume of the funds amounted to €6.0bn (31 December 2011: €5.9bn).

The DekaBank Group's range of products also contains investment funds with market value guarantees of varying degrees. For fixed-term funds, the capital invested less charges and fees is guaranteed as at the maturity date, while a minimum unit value is assured for specific cut-off dates for such funds without a fixed term. As at the reporting date, a provision of €2.4m (31 December 2011: €1.5m) was set aside based on the overall development of the fund assets.

As at the reporting date, the guarantees covered a maximum volume of €5.4bn (31 December 2011: €6.0bn) at the respective guarantee dates. The present value of the volume was €5.3bn (31 December 2011: €5.9bn). The market value of the corresponding fund assets totalled €5.5bn (31 December 2011: €6.1bn).

26 Subordinated capital

€m	30.06.2012	31.12.2011	Change
Subordinated liabilities	770.7	863.4	–92.7
Profit participation capital	20.6	83.0	–62.4
Capital contributions of typical silent partners	518.0	535.9	–17.9
Total	**1,309.3**	**1,482.3**	–173.0

The decline compared with 31 December 2011 is essentially due to subordinated liabilities and profit participation capital which reached final maturity.

27 Equity

€m	30.06.2012	31.12.2011	Change
Subscribed capital	191.7	191.7	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings			
Statutory reserve	13.2	13.2	–
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	2,834.3	2,834.9	–0.6
Total reserves from retained earnings	**2,898.8**	**2,899.4**	–0.6
Revaluation reserve			
For cash flow hedges	–36.7	–33.1	–3.6
For financial investments in the available for sale category	1.6	1.3	0.3
Applicable deferred taxes	11.3	10.2	1.1
Total revaluation reserve	**–23.8**	**–21.6**	–2.2
Currency translation reserve	13.6	12.9	0.7
Consolidated profit/loss	200.8	67.5	133.3
Total	**3,471.4**	**3,340.2**	131.2

Other information

28 Financial instruments under IAS 39 – valuation categories

At DekaBank, financial instruments are classified by balance sheet line items and IFRS categories in accordance with IFRS 7:

€m	30.06.2012	31.12.2011	Change
Asset items			
Loans and receivables			
Due from banks	43,249.2	39,596.7	3,652.5
Due from customers	31,881.3	31,603.0	278.3
Financial investments	1,106.1	1,217.9	–111.8
Held to maturity			
Financial investments	3,113.6	3,185.6	–72.0
Available for sale			
Financial investments	114.7	113.5	1.2
Held for trading			
Financial assets at fair value	40,892.7	39,613.0	1,279.7
Designated at fair value			
Financial assets at fair value	19,119.9	16,927.1	2,192.8
Positive market values from derivative hedging instruments	432.8	428.1	4.7
Total asset items	**139,910.3**	**132,684.9**	7,225.4
Liability items			
Liabilities			
Due to banks	41,313.4	32,870.1	8,443.3
Due to customers	26,444.9	24,417.1	2,027.8
Securitised liabilities	25,276.7	25,277.6	–0.9
Subordinated capital	1,309.3	1,428.3	–173.0
Held for trading			
Financial liabilities at fair value	28,950.5	31,078.4	–2,127.9
Designated at fair value			
Financial liabilities at fair value	12,468.2	13,440.9	–972.7
Negative market values from derivative hedging instruments	560.5	558.7	1.8
Total liability items	**136,323.5**	**129,125.1**	7,198.4

29 Fair value data for financial instruments

Fair value is deemed to be the amount at which a financial instrument can be freely traded between knowledgeable, willing and independent parties in an arm's length transaction. The following table shows the fair values of financial assets and liabilities compared to the respective book values.

	30.06.2012			31.12.2011		
€m	**Fair value**	**Book value**	**Difference**	**Fair value**	**Book value**	**Difference**
Asset items						
Cash reserve	183.9	183.9	–	368.2	368.2	–
Due from banks (loans and receivables)	43,854.3	43,249.2	605.1	40,109.1	39,596.7	512.4
Due from customers (loans and receivables)	32,180.6	31,881.3	299.3	31,836.2	31,603.0	233.2
Financial assets at fair value	60,012.6	60,012.6	–	56,540.1	56,540.1	–
Positive market values from derivative hedging instruments	432.8	432.8	–	428.1	428.1	–
Loans and receivables	1,029.5	1,106.0	–76.5	1,141.2	1,217.9	–76.7
Held to maturity	3,168.3	3,113.6	54.7	3,124.0	3,185.6	–61.6
Available for sale	114.7	114.7	–	113.5	113.5	–
Financial investments	4,312.5	4,334.3	–21.8	4,378.7	4,517.0	–138.3
Total asset items	**140,976.7**	**140,094.1**	**882.6**	**133,660.4**	**133,053.1**	**607.3**
Liability items						
Due to banks	41,596.8	41,313.4	283.4	33,109.4	32,870.1	239.3
Due to customers	27,097.1	26,444.9	652.2	25,023.7	24,417.1	606.6
Securitised liabilities	25,256.2	25,276.7	–20.5	25,220.3	25,277.6	–57.3
Financial liabilities at fair value	41,418.7	41,418.7	–	44,519.3	44,519.3	–
Negative market values from derivative hedging instruments	560.5	560.5	–	558.7	558.7	–
Subordinated liabilities	1,300.2	1,309.3	–9.1	1,485.3	1,482.3	3.0
Total liability items	**137,229.5**	**136,323.5**	**906.0**	**129,916.7**	**129,125.1**	**791.6**

For financial instruments due on demand, the fair value corresponds to the respective amount payable as at the reporting date. These include cash on hand and overdraft facilities and sight deposits with regard to banks and customers.

The fair values of amounts due from banks or customers are determined using the present value method. The future cash flows from receivables are discounted at a risk-adjusted market rate. The differing credit ratings of borrowers are taken into account through appropriate adjustments in the discount rates. This procedure also applies to securities held as loans and receivables. The fair value determined on the basis of financial valuation models can be considerably affected by the underlying assumptions. The fair value is therefore to be seen as the model value as at the reporting date, which could not necessarily be realised through the direct sale or settlement of the financial instrument.

Financial instruments in the held to maturity category are fixed-interest securities for which there is a liquid market. The fair values here correspond to the market prices.

The fair value of long-term liabilities is determined on the basis of market prices as well as by discounting the contractually agreed-on cash flows. The interest rates used are those at which the Group could issue comparable debt securities on the reporting date.

The redemption price published by the respective investment company is used for the valuation of non-consolidated funds.

Allocation according to fair value hierarchy

For allocation to the fair value hierarchy in accordance with the provisions of IFRS 7, the quality of the input parameters for determining fair value is defined according to the three levels below:

Level 1: Market prices, i.e. prices from active markets that are used unchanged
Level 2: Market data which are not market prices as in level 1 but which are directly (prices) or indirectly (derived from prices) observable in the market
Level 3: Factors which are not based on observable market data (i.e. assumptions and estimates of the management)

The decisive factor governing allocation of the individual financial instruments to the fair value hierarchy shown below is the level input that is significant to the fair value measurement of the financial instrument in its entirety.

The table below shows the allocation of all financial instruments carried at fair value in accordance with the fair value hierarchy based on fair values with accrued interest:

	30.06.2012				31.12.2011			
€m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Derivative financial instruments	606.1	21,646.9	67.5	22,320.5	420.4	23,317.6	57.6	23,795.6
Bonds and other fixed-interest securities	21,871.4	8,950.7	2,163.3	32,985.4	16,536.8	9,932.6	2,267.1	28,736.5
Shares and other non fixed-interest securities	2,354.0	313.6	–	2,667.6	1,827.3	157.0	–	1,984.3
Other financial assets at fair value	–	2,524.4	–	2,524.4	–	2,504.0	–	2,504.0
Liabilities								
Derivative financial instruments	316.1	30,681.4	40.9	31,038.4	219.9	32,859.6	39.6	33,119.1
Other financial instruments	3,856.0	7,084.8	–	10,940.8	4,068.7	7,890.2	–	11,958.9

Structured financial instruments with embedded derivatives that have to be separated, which are allocated to the trading book or for which the fair value option has been exercised, are shown in the table under derivative financial instruments.

Provided that they are not products traded on the stock market, derivatives are in principle measured using standard valuation models based on observable market data. Furthermore, in individual cases and under restrictive conditions, derivatives traded on the stock market are also measured using standard, accepted valuation models. This individual case rule applies to special EUREX options where the published price is not based on sales or actual trading volume, but on the valuation using a theoretical EUREX model.

Fair values for insufficiently liquid securities, interest rate swaps and interest rate/currency swap agreements as well as unlisted interest rate futures are determined on the basis of discounted future cash flows (the discounted cash flow model). The market interest rates applying to the remaining time to maturity of the financial instruments are always used. The transactions valuated using this method are allocated to level 2.

In some cases, the fair value for non-synthetic securitisations as at the reporting date was calculated using the discounted cash flow model. Where the spreads currently observable for the relevant transaction are deemed to be valid, the market interest rate was used as the input for the discounted cash flow model. Otherwise the modified discounted cash flow model was used. The underlying discounting rate used in the model was determined on the basis of the current swap curve, the implied historical spread – derived from the last available liquid market price – and an adjustment for any changes in the credit rating in the meantime. The value thus calculated was also adjusted by a factor, determined using an indicator model. This factor reflects how the last observable market price would have had to change in the meantime (liquidity factor). In our opinion, the resultant fair value represents the price which market players acting rationally would have agreed on. As this model contains subjective elements, we have also determined the market values for possible alternative values for the liquidity factor. As at 30 June 2012, the market value could have been €7.2m lower or €0.6m higher accordingly. This corresponds to changes in the liquidity factor of – 1.4% and + 0.1% respectively. The specific shifts in turn arise as borderline cases of the underlying market model.

Where observable prices or price indications for individual transactions were deemed to be valid, these were applied or used to check the plausibility of the model-based fair values. As in the previous year, all non-synthetic securitisation transactions amounting to €2.2bn (31 December 2011: €2.3bn) have been allocated to level 3.

The cash flows used for the theoretical valuation of securitisations are based on detailed analyses of the securitised transactions. Here as well, subjective assumptions have to be made, e.g. for the exercise of call rights or the likelihood of refinancing for expiring loans, which facilitate alternative scenarios. In addition to the standard scenario, DekaBank determines a scenario with less favourable market development, e.g. non-exercise of call rights and lack of refinancing. Under this adverse scenario, the market value of the theoretically valued positions would have been €6.3m lower as at 30 June 2012.

The fair value of synthetic securitisation transactions is determined using a Copula model calibrated to the market prices of index tranches. These are also shown in level 3. When measuring bespoke CSO positions, DekaBank uses one of the standard base correlation mapping techniques. However, as there is a large number of alternative mapping techniques, none of which is particularly superior, DekaBank also determines the difference compared with these other valuations via a corresponding shift in the base correlation curve of +/– 15%. Accordingly, at 30 June 2012, the market value of the bespoke CSOs could have been €0.2m lower or higher.

30 Government-based credit exposure in individual European countries

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

	30.06.2012			31.12.2011		
€m	Nominal amount[1]	Book value	Fair value	Nominal amount[1]	Book value	Fair value
Greece						
Debt securities (held to maturity category)	–	–	–	50.0	13.6	13.6
Debt securities (designated at fair value category)	–	–	–	50.0	12.7	12.7
Credit default swaps[2]	–	–	–	13.0	–7.4	–7.4
Credit linked notes[3] (held for trading category)	–	–	–	–13.0	–7.5	–7.5
Ireland						
Credit default swaps[2]	3.0	–0.2	–0.2	3.0	–0.5	–0.5
Credit linked notes[3] (held for trading category)	–3.0	–3.0	–3.0	–3.0	–2.6	–2.6
Italy						
Debt securities (designated at fair value category)	–	–	–	50.0	44.2	44.2
Debt securities (held for trading category)	150.0	148.9	148.9	165.0	163.5	163.5
Debt securities short (held for trading category)	–1.0	–1.0	–1.0	–4.1	–3.9	–3.9
Credit default swaps[2]	30.0	–3.9	–3.9	45.0	–4.1	–4.1
Credit linked notes[3] (held for trading category)	–25.0	–21.0	–21.0	–40.0	–34.7	–34.7
Portugal						
Debt securities (designated at fair value category)	–	–	–	55.0	43.9	43.9
Credit default swaps[2]	–0.4	–	–	9.6	–2.4	–2.4
Credit linked notes[3] (held for trading category)	–	–	–	–10.0	–6.2	–6.2
Spain						
Receivables (loans and receivables category)	59.0	59.1	58.2	90.2	90.9	89.9
Debt securities (designated at fair value category)	10.0	9.4	9.4	40.0	37.7	37.7
Credit default swaps[2]	40.6	–3.8	–3.8	54.1	–3.6	–3.6
Credit linked notes[3] (held for trading category)	–20.0	–17.8	–17.8	–35.0	–33.6	–33.6
Hungary						
Debt securities (designated at fair value category)	6.0	5.6	5.6	50.0	43.1	43.1
Credit default swaps[2]	–3.9	0.2	0.2	–	–	–
Total	**245.3**	**172.5**	**171.6**	**569.8**	**343.1**	**342.1**

[1] For a net view, the nominal values of receivables, securities and protection seller transactions are set off against protection buyer transactions with negative nominal values.
[2] The fair value reflects the net fair value of credit default swaps that relate to sovereign liabilities of the respective country.
[3] The figure shown is the fair value of credit linked notes issued by the Bank and relating to a liability of the respective country.

Direct exposure to Greece and Portugal was reduced in the financial year. As before, there are receivables relating to Greek borrowers totalling €38.3m from project finance for infrastructure restructuring, for which valuation allowances of €21.1m have been recognised. In the event of a default, a direct receivable is due from Greece. The Bank also holds bonds from Portuguese credit institutions with a nominal value of €66.7m, which are allocated to the held to maturity category. Valuation allowances of €13.7m have been recognised for these bonds.

In addition to the exposure to the government of Spain, there is also exposure to Spanish local authorities and the Spanish banking sector among others. The nominal value of the receivables relating to Spanish local authorities amounts to €121.9m. The exposure to Spanish banks essentially relates to bonds with a nominal value of €144.6m, including one bond in the held to maturity category with a nominal value of €25.0m and a loan with a nominal value of €250.0m which is allocated to the loans and receivables category. Furthermore, there are receivables relating to securities repurchase and securities lending transactions amounting to €218.8m which are predominantly collateralised by securities from Spanish issuers.

31 Derivative transactions

The derivative financial instruments used in the DekaBank Group can be broken down by market value as follows:

	Positive fair values		Negative fair values	
€m	**30.06.2012**	**31.12.2011**	**30.06.2012**	**31.12.2011**
Interest rate risks	10,776.7	11,259.7	10,718.7	11,380.3
Currency risks	464.7	457.5	1,237.0	1,180.7
Share and other price risks	10,199.5	10,872.0	16,587.1	18,214.5
Total	**21,440.9**	**22,589.2**	**28,542.8**	**30,775.5**

32 Equity under banking supervisory law

The following table shows the composition of capital and reserves:

€m	**30.06.2012**	**31.12.2011**	Change
Subscribed capital	286.3	286.3	–
Less own shares	94.6	94.6	–
Open reserves	811.0	551.1	259.9
Silent capital contributions	552.4	552.4	–
Fund for general banking risks	1,810.0	1,661.0	149.0
Deductions under Section 10 (2a) KWG	57.0	44.0	13.0
Deductions under Section 10 (6) and (6a) KWG (half)	1.5	3.8	–2.3
Of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	1.5	2.5	–1.0
Core capital	**3,306.6**	**2,908.4**	398.2
Profit participation capital	–	20.0	–20.0
Subordinated liabilities	535.0	747.3	–212.3
Other components	–25.0	251.0	–276.0
Deductions under Section 10 (6) and (6a) KWG (half)	1.5	3.8	–2.3
Of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	1.5	2.5	–1.0
Supplementary capital	**508.5**	**1,014.5**	–506.0
Modified available capital	**3,815.1**	**3,922.9**	–107.8
Tier III funds	–	–	–
Capital and reserves	**3,815.1**	**3,922.9**	–107.8

The following table shows the items subject to a capital charge:

€m	30.06.2012	31.12.2011	Change
Default risks	16,600.0	16,988.0	–388.0
Market risk positions	5,313.0	6,363.0	–1,050.0
Operational risks	1,725.0	1,788.0	–63.0

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

%	30.06.2012	31.12.2011	Change
Core capital ratio	14.0	11.6	2.4
Core tier 1 capital ratio	11.7	9.4	2.3
Total capital ratio	16.1	15.6	0.5

Silent capital contributions are not considered in the calculation of the core tier 1 capital ratio; these do not come under the transitional provisions of Basel III and as of the beginning of 2013 will no longer be usable as core tier 1 capital.

The capital and reserves requirement under banking supervisory law was complied with at all times during the reporting period and stands considerably above the statutory minimum values.

33 Contingent and other liabilities

€m	30.06.2012	31.12.2011	Change
Irrevocable lending commitments	1,438.7	1,691.6	–252.9
Other liabilities	1,227.7	1,084.6	143.1
Total	**2,666.4**	**2,776.2**	–109.8

In the first half of 2012, the *Sparkassen-Finanzgruppe* and thus also the security reserve of the *Landesbanken and Girozentralen* decided to contribute a total of €1bn to the restructuring of WestLB. Of this amount, €250m is attributable to the security reserve and DekaBank participates in this amount in line with its share of the total volume of the security reserve.

The guarantees provided by DekaBank refer to financial guarantees under IFRS, which are stated net in compliance with IAS 39. The nominal amount of the guarantees in place as at the reporting date is €0.5bn (31 December 2011: €0.4bn).

34 List of shareholdings

DekaBank directly or indirectly holds at least 20% of the shares in the following companies.

Consolidated subsidiaries:

Name, registered office	Equity share in %
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Realkredit Klassik	86.82
Teilgesellschaftsvermögen Deka Infrastrukturkredit	66.47
Deka Real Estate Lending k.k., Tokyo	100.00
Deka(Swiss) Privatbank AG, Zurich	80.00[1)]
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.00
ETFlab Investment GmbH, Munich	100.00
Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main	100.00
International Fund Management S.A., Luxembourg	100.00
Roturo S.A., Luxembourg	100.00
VM Bank International S.A. i.L., Luxembourg	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

1) Consolidation ratio based on economic ownership 100%.

Consolidated funds:

Name, registered office	Equity share in %
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-DGZ 10-FONDS, Frankfurt/Main	100.00
A-DGZ 13-FONDS, Luxembourg	100.00
A-DGZ-FONDS, Frankfurt/Main	100.00
A-DKBankLUX1-FONDS, Luxembourg	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
Deka Treasury Corporates-FONDS, Frankfurt/Main	100.00

Associated companies and joint ventures consolidated at equity:

Name, registered office	Equity share in %
S PensionsManagement GmbH, Cologne	50.00
Dealis Fund Operations GmbH, Frankfurt/Main	49.90
S Broker AG & Co. KG, Wiesbaden	30.64

Non-consolidated companies:

Name, registered office	Equity share in %
Banking Services Luxembourg S.A.R.L., Luxembourg	100.00
Datogon S.A., Luxembourg	100.00
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00
Deka Immobilien k.k., Tokyo	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 01 mbH, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deutsche Landesbankenzentrale AG, Berlin	100.00
Europäisches Kommunalinstitut S.A.R.L., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Perfeus S.A., Luxembourg	100.00
STIER Immobilien AG, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00

Non-consolidated funds:

Name, registered office	Fund volume €m	Equity share in %
RE-AVT-FundMaster, Frankfurt/Main	55.1	100.00
Deka-BR 45, Frankfurt/Main	5.0	100.00
ETFlab Deutsche Börse EUROGOV® France 1-3, Munich	7.1	99.99
Deka-Nachhaltigkeit Renten, Luxembourg	20.7	99.43
Deka-Nachhaltigkeit Aktien, Luxembourg	20.7	99.12
Deka-DiscountStrategie 1/2016, Frankfurt/Main	9.7	98.74
Deka-Staatsanleihen Europa, Frankfurt/Main	21.6	94.33
Deka-PB Ausgewogen, Frankfurt/Main	10.6	91.49
Deka-PB Offensiv, Frankfurt/Main	10.6	90.83
Deka-BasisAnlage VL, Frankfurt/Main	0.5	90.29
Deka-HedgeSelect, Frankfurt/Main	49.4	90.20
Deka-Nachhaltigkeit Balance, Luxembourg	21.2	88.91
ETFlab Deutsche Börse EUROGOV® France, Munich	8.8	88.18
ETFlab MSCI Europe MC, Munich	5.5	87.79
Mix-Fonds: Select ChancePlus, Luxembourg	1.0	87.26
ETFlab iBoxx € Liquid Sovereign Diversified 10+, Munich	9.0	81.88
TORRUS Multi-Strategy Funds, Luxembourg	38.9	73.49

Non-consolidated funds:

Name, registered office	Fund volume €m	Equity share in %
Deka-DiscountStrategie 12/2015, Frankfurt/Main	10.3	72.46
ETFlab MSCI Japan LC, Munich	6.9	70.68
ETFlab iBoxx € Liquid Sovereign Diversified 7-10, Munich	7.7	66.19
ETFlab Deutsche Börse EUROGOV® France 3-5, Munich	15.0	64.77
ETFlab MSCI Europe LC, Munich	33.2	61.74
ETFlab MSCI Japan MC, Munich	1.1	59.20
ETFlab MSCI Europe, Munich	23.6	59.13
Deka-PB Defensiv, Frankfurt/Main	18.4	56.49
ETFlab MSCI USA, Munich	32.8	56.17
Deka-Russland, Luxembourg	90.9	53.71
Deka-Zielfonds 2045-2049, Frankfurt/Main	2.5	52.33
ETFlab MSCI USA LC, Munich	47.8	52.00
RE-FundMaster, Frankfurt/Main	29.3	50.09
ETFlab iBoxx € Liquid Sovereign Diversified 1-10, Munich	8.9	47.93
ETFlab EURO STOXX® Select Dividend 30, Munich	32.6	46.72
Mix-Fonds: Balance Mix 70, Luxembourg	3.9	45.30
ETFlab Deutsche Börse EUROGOV® Germany 3-5, Munich	392.2	44.72
ETFlab MSCI Emerging Markets, Munich	10.9	44.22
Deka Immobilien PremiumPlus – Private Banking, Luxembourg	81.3	41.84
ETFlab STOXX® Europe Strong Growth 20, Munich	2.1	41.11
ETFlab EURO STOXX 50® Daily Short, Munich	6.7	41.05
ETFlab iBoxx € Liquid Sovereign Diversified 3-5, Munich	7.4	40.17
Deka: EuroGarant 9, Luxembourg	76.6	39.43
ETFlab MSCI USA MC, Munich	1.8	38.53
ETFlab MSCI Japan, Munich	7.5	37.94
ETFlab Deutsche Börse EUROGOV® Germany, Munich	513.1	35.61
Deka-Institutionell Aktien Europa, Frankfurt/Main	12.2	35.56
Deka-Zielfonds 2040-2044, Frankfurt/Main	3.0	35.52
Mainfranken Strategiekonzept, Frankfurt/Main	14.9	34.86
ETFlab iBoxx € Liquid Sovereign Diversified 5-7, Munich	12.4	32.81
ETFlab Deutsche Börse EUROGOV® France 5-10, Munich	9.6	29.41
Deka-Zielfonds 2050-2054, Frankfurt/Main	3.0	28.45
Deka-VolatilityCash, Luxembourg	405.8	28.03
ETFlab Deutsche Börse EUROGOV® Germany 1-3, Munich	291.4	25.09
WestInvest Target Select Shopping, Düsseldorf	157.5	24.61
Deka-ZielGarant 2046-2049, Luxembourg	3.6	24.16
WestInvest Target Select Hotel, Düsseldorf	101.1	23.25
Deka-ZielGarant 2042-2045, Luxemburg	3.8	22.43
ETFlab STOXX® Europe Strong Style Composite 40, Munich	3.2	22.43
IFM Euroaktien, Luxembourg	35.8	22.17
ETFlab iBoxx € Liquid Sovereign Diversified 1-3, Munich	41.6	20.99

35 Related party disclosures

The DekaBank Group has business dealings with related parties. These include DekaBank's shareholders, subsidiaries that are not consolidated due to lack of materiality, joint ventures and associated companies. Non-consolidated own mutual funds and special funds where the holding of the DekaBank 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 at normal market terms and conditions as part of ordinary business activities. These relate amongst others to loans, call money, time deposits and derivatives. The liabilities of the DekaBank 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 non-consolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**30.06.2012**	**31.12.2011**	**30.06.2012**	**31.12.2011**
Assets				
Due from customers	–	–	0.9	6.9
Financial assets at fair value	–	–	13.1	13.4
Other assets	–	–	0.2	0.2
Total assets	**–**	**–**	**14.2**	**20.5**
Liabilities				
Due to customers	28.2	19.9	19.3	19.6

Contingent liabilities from guarantee credits in the amount of €14.0m are owed to subsidiaries (31 December 2011: €13.6m).

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

	Joint ventures / associated companies		Other related parties	
€m	**30.06.2012**	**31.12.2011**	**30.06.2012**	**31.12.2011**
Assets				
Due from customers	51.0	69.4	–	0.4
Financial assets at fair value	21.3	18.8	–	–
Other assets	5.4	6.3	2.0	1.3
Total assets	**77.7**	**94.5**	**2.0**	**1.7**
Liabilities				
Due to customers	30.3	36.6	9.9	16.5
Financial liabilities at fair value	65.2	56.9	–	–
Total liabilities	**95.5**	**93.5**	**9.9**	**16.5**

Assurance of the Board of Management

We assure that to the best of our knowledge, the consolidated interim financial statements prepared in accordance with the applicable reporting standards for interim reporting convey a true and fair view of the Group's net assets, financial position and results of operations and that the interim management report provides 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 rest of the financial year.

Frankfurt/Main, 9 August 2012

DekaBank
Deutsche Girozentrale

The Board of Management

Behrens Dr. Danne

Dr. h. c. Oelrich Dr. Stocker

Review report

To DekaBank Deutsche Girozentrale, Berlin/Frankfurt am Main

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of DekaBank Deutsche Girozentrale, Berlin/Frankfurt am Main, for the period from January 1 to June 30, 2012 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures 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 express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, 10 August 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Stefan Palm	ppa. Mirko Braun
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Administrative Board and Board of Management of DekaBank
(as of 1 August 2012)

Administrative Board

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

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

Thomas Mang
Second Deputy Chairman
President of the Savings Banks Association Lower Saxony, Hanover

Representatives elected by the Shareholders' Meeting

Michael Breuer
President of the Rhineland Savings Banks and Giro Association, Düsseldorf

Dr. Johannes Evers
President of the Savings Banks Association Berlin and Chairman of the Management Board of Landesbank Berlin AG, Berlin

Dr. Rolf Gerlach
President of the Savings Banks Association Westphalia-Lippe, Münster

Volker Goldmann
Chairman of the Management Board of Sparkasse Bochum, Bochum

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

Reinhard Henseler
Chairman of the Management Board of Nord-Ostsee Sparkasse, Flensburg

Walter Kleine
Chairman of the Management Board of Sparkasse Hannover, Hanover

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

Harald Menzel
Chairman of the Management Board of Sparkasse Mittelsachsen, Freiberg

Hans-Werner Sander
Chairman of the Management Board of Sparkasse Saarbrücken, Saarbrücken

Eugen Schäufele
Chairman of the Management Board of Kreissparkasse Reutlingen, Reutlingen

Siegmund Schiminski
Chairman of the Management Board of Sparkasse Bayreuth, Bayreuth

Peter Schneider
President of the Savings Banks Association Baden-Wuerttemberg, Stuttgart

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

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

Johannes Werner
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

Alexander Wüerst
Chairman of the Management Board of Kreissparkasse Köln, Cologne

Theo Zellner
President of the Savings Banks Association Bavaria, Munich

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

Dr. Stephan Articus
Executive Director of the German Association of Cities, Cologne

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

Roland Schäfer
Major of the City of Bergkamen and President of the German Association of Towns and Municipalities, Berlin

Employee Representatives appointed by the Staff Committee

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

Heike Schillo
Savings Banks Sales South Germany, DekaBank Deutsche Girozentrale, Frankfurt/Main

(End of the term of office:
31 December 2013)

Board of Management

Oliver Behrens
Acting Chairman

Dr. Matthias Danne
Member

Hans-Jürgen Gutenberger
Member (until 31 July 2012)

Dr. h. c. Friedrich Oelrich
Member

Dr. Georg Stocker
Member (from 1 August 2012)

Executive Managers

Manfred Karg

Osvin Nöller

Thomas Christian Schulz

Financial calendar

November 2012: Interim Report as at 30 September 2012

Publication dates are preliminary and subject to change.

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

Ordering reports
We would be pleased to send you a printed copy of the Interim Report 2012 of the DekaBank Group (German version). If you would like to receive our annual reports or interim reports on a regular basis, please contact our Internal Communication & Media department:
Phone: +49 (0) 69 71 47-14 54.

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