Deka Group
Interim Report as at June 2014
Evolving into a securities service provider

Olympia Partner Deutschland

Finanzgruppe

DekaBank

Deka Group at a glance

Business development indicators		30.06.2014	31.12.2013	Change %
Total assets	€m	120,827	116,073	4.1
Total customer assets	€m	207,825	188,725	10.1
of which: Securities business division	€m	173,717	157,219	10.5
of which: Real Estate business division	€m	26,811	26,470	1.3
of which: Capital Markets business division	€m	7,188	4,969	44.7
Number of securities accounts	thousand	3,901	3,954	– 1.3
		1st half 2014	**1st half 2013**	
Net sales	€m	4,045	5,813	– 30.4
of which: Securities business division	€m	1,184	3,577	– 66.9
of which: Real Estate business division	€m	709	1,191	– 40.5
of which: Capital Markets business division	€m	2,119	1,029	105.9
Performance indicators				
Total income	€m	745.7	763.9	– 2.4
of which: Net interest income	€m	171.3	198.8	– 13.8
of which: Net commission income	€m	476.9	484.6	– 1.6
Total expenses	€m	423.6	440.1	– 3.7
of which: Administrative expenses (including depreciation)	€m	422.1	418.0	1.0
Economic result	€m	322.1	323.8	– 0.5
Net income before tax	€m	462.1	377.4	22.4
Key ratios				
Return on equity [1]	%	17.1	18.2	–1.1%-Points
Cost/income ratio [2]	%	56.2	51.4	4.8%-Points
Key regulatory figures [3]		**30.06.2014**	**31.12.2013**	
Capital and reserves (without/with transitional rules)	€m	4,380/4,468	3,824	
Equity ratio (without/with transitional rules)	%	16.1/16.4	17.0	
Core tier 1 capital ratio (without/with transitional rules)	%	11.8/13.3	13.1 [4]	
Risk ratios				
Total risk-bearing capacity	€m	5,504	4,913	12.0
Group risk (value-at-risk) [5]	€m	2,340	2,349	– 0.4
Utilisation of risk-bearing capacity	%	42.5	47.8	– 5.3%-Points
Non-guaranteed rating (short-term/long-term)				
Moody's		P-1/A1	P-1/A1	
Standard & Poor's		A-1/A	A-1/A	
Key employee figures				
Number of employees		4,180	4,035	3.6
Number of active employees		3,672	3,538	3,8

[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 (figures 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] Regulatory ratios as at 30 June 2014 shown in accordance with CRR/CRD IV, as at 31 December 2013 with CRD III.
[4] The core tier 1 capital ratio takes not account of silent capital contributions.
[5] Confidence level: 99.9%, holding period: one year.

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

Content

Foreword

Dear Shareholders and Investors,

A look at the markets in the first half of 2014 shows an impressive trend, with key indices for the major stock markets all close to their historical highs at mid-year, while the eurozone's interest rate fell close to its lowest ever level. Extensive measures by central banks gave markets a powerful boost. The eurozone has stabilised and global economic growth also gained momentum during the reporting period.

At the same time, regulatory requirements for financial services providers are ever more challenging. For DekaBank, which is classed as a systemically relevant financial institution at European level, the current year has been characterised by the ECB's comprehensive assessment, the results of which will be published in the fourth quarter of 2014.

In view of the burdens imposed by additional regulatory requirements, it is all the more important that we manage our operations rigorously and keep a close eye on market effects. We achieved this in the first half of 2014, building on the previous year's encouraging performance. With an economic result of €322.1m, we almost matched the strong figure recorded in the first half of 2013. Stringent cost management enabled us to compensate for higher regulatory expenses and for our investments in connection with the ongoing development to become a fully-fledged securities service provider of the savings banks – the *Wertpapierhaus*.

In all four business divisions – Securities, Real Estate, Capital Markets and Financing – we outperformed our targets. Accordingly, we are on course to achieve our goal of an economic result for the full year almost at the previous year's level. Achieving this target will ensure our ability to pay a dividend and further strengthen our capital base.

Sales of investment certificates for private investors were particularly encouraging in the first six months of 2014. These totalled €1.3bn compared with €0.2bn in the same period of the previous year. In Germany, 95% of savings banks already offer Deka certificates to their customers. This is also proof of the sales potential which the savings banks and the Deka Group are able to mobilise by working together.

Overall, total customer assets in the Deka Group increased from €188.7bn at year-end 2013 to €207.8bn as at 30 June 2014. The mid-year figure includes an amount of approximately €10bn from Landesbank Berlin Investment GmbH, which was acquired on 1 January 2014. The integration of the units acquired from Landesbank Berlin concerned with capital market business and asset management is progressing on schedule. The targets defined during the deliberations on the acquisition were achieved in the first few months of 2014.

One of the key points in our development to becoming the *Wertpapierhaus* is the expansion of Savings Banks Sales. We made good progress in this area. Approximately 100 of the 180 additional sales staff to be recruited by the end of 2015, who will be available to provide support to the savings banks across the regions, had already been employed by mid 2014, and around 70 had already started their jobs in the respective sales regions.

Our initiatives in the key areas of product offering and product quality are also well under way. We have geared our products and services even more precisely to the standardised investment and advisory process of the savings banks. In addition, we support our sales partners with targeted information in a new design. We are especially delighted that the market has recognised the further improvement in the quality of our products. For example, Deka was rated "top investment fund company" in the *Fonds-Kompass* 2014 awards run by *Capital* business magazine.

As an alliance partner within the *Sparkassen-Finanzgruppe*, we are committed to our shared values. They include the consistent alignment of our business policy with sustainability criteria. We are convinced that a sustainable approach will enhance our financial performance in the long term and is therefore also in the interests of the *Sparkassen-Finanzgruppe* as a whole. Following DekaBank's implementation of the German Sustainability Code as a binding regulation last December, we took further measures in the first half of 2014 to continue developing our sustainability strategy and incorporate it into our day-to-day business. We have developed a sustainability filter for the Bank's own investments, which has been in use since 1 July 2014. It ensures that investments of approximately €20bn will be invested according to sustainability criteria in the future. The fact that we have assumed a pioneering role among systemically relevant banks in Germany and Europe motivates us to continue along the path we have chosen.

Sincerely,

Michael Rüdiger
Chief Executive Officer

Interim management report 2014

At a glance

With an economic result of €322.1m in the first half of 2014, the Deka Group almost matched the previous year's figure (€323.8m). This confirms that the Group is on course to achieve its aim of reporting a year-end economic result that is nearly at the previous year's level.

The overall trend in total customer assets was positive, including the activities taken over from Landesbank Berlin. In active investment fund management, funds inflows contributed to the positive level of net sales, particularly with regard to mutual property funds and special funds as well as mandates. Sales of certificates considerably exceeded the previous year's figure and were one of the factors behind the rise in total customer assets, alongside a strong investment fund performance.

The Deka Group's transformation to become a fully-fledged securities service provider – the *Wertpapierhaus* – made further progress. Key measures taken included the expansion of Savings Banks Sales and pooling of the range of product and service solutions for private investors under the new brand, Deka Investments.

Despite more stringent regulatory requirements, the core tier 1 capital ratio (fully loaded) of 11.8% was at a good level. DekaBank's financial strength has remained robust and the Bank's strong ratings continue to provide a sound basis for the implementation of its business model.

Information about the Deka Group

Deka Group profile and strategy

Structure and business model

At the end of 2013 and start of 2014, DekaBank took over the investment fund company LBB-INVEST (LBBI) and the customer-related capital market business of Landesbank Berlin (LBB). This further strengthened the Bank's position as the *Wertpapierhaus* of the German savings banks. As a company assigned to the Securities business division, LBBI acts independently in the Berlin location and continues to sell its products under its own brand.

The customer-oriented capital market business of LBB, which was acquired on 31 December 2013, has been integrated into the Capital Markets business division. In the process, the business division acquired around 70 employees and their customers. The asset portfolios of the customer-oriented capital market business remained with LBB, apart from certificates issued by LBB. Any residual portfolios will be transferred to DekaBank in 2016.

In all other respects, the presentation of the Deka Group's structure and business model provided in the Group management report for 2013 still applies.

Deka Group strategy

The D18 transformation programme, which is set to run over a period of several years, continued in the first six months of 2014. It is primarily designed to support the savings banks in securities-related private customer business and in asset/liability management by providing a comprehensive, advice-centred sales approach and solution-based investment concepts. On this basis, the Deka Group aims consistently to achieve high value contributions for its shareholders in the future.

Support for savings banks in retail business

The expansion of Savings Banks Sales progressed well in the period under review. Approximately 100 of the 180 additional sales staff to be recruited by the end of 2015, who will be available to provide support to the savings banks across the regions, had already been employed by mid 2014.

Further progress was made in gearing the range of available solutions to the uniform investment and advisory process of the savings banks. A range of focused information materials in a new design (info baskets) support securities sales and have been made available to the sales units of the savings banks since April 2014.

The new brand introduced in January 2014, Deka Investments, encompasses the entire range of securities-related products and solutions for private investors. End customer communications were therefore revised, focusing on specific solutions for savings bank customers potentially interested in securities investments. At launch, the campaign centred on the Deka-BasisAnlage (Deka Basic Investment) and Deka-Vermögenskonzept (Deka Wealth Concept) products.

Further development of the product range

With the acquisition of LBBI, Deka's range of mutual securities funds and special funds was expanded. The expansion of the product range related to certificates was supported by the integration of LBB's customer-oriented capital market business.

In performance comparisons, the Deka Group consistently achieves strong ratings. In the Deka Group's view, this confirms that it is on the right track with its products and services.

In the *Capital-Fonds-Kompass 2014*, DekaBank once again received the highest possible 5-star rating. A significantly higher place in the ranking meant that DekaBank moved ahead of its major German competitors. The Bank's service campaign, including its social media activities, received particular praise. In the Euro Fund Awards, DekaBank's securities funds achieved very good positions. At the same time, the Bank's property funds saw their unique market position confirmed once more in the annual rating results of Scope. In addition, the Real Estate business division again achieved a very good rating for its management quality.

Risk and profit management at the Deka Group

With the introduction of the EU's Capital Requirements Regulation (CRR) and the act to implement the EU Capital Requirements Directive (CRD IV) at the start of 2014, the regulatory capital requirements became more stringent for financial institutions. This interim management report states capital ratios applying the transitional provisions (phase in) and also disregarding the transitional provisions (fully loaded).

As part of the expansion of the product range, an adjustment was made to the Deka Group's non-financial performance indicators.

One of the management indicators used up to the end of 2013, assets under management, was replaced with the indicator "total customer assets" with effect from the beginning of the current financial year. Essentially, this figure also includes certificates and third party managed master funds. Total customer assets are reflected at Deka Group level, differentiated according to customer/client segment (retail customers and institutional clients) and product category. A distinction is made here between:

- Mutual funds and fund-based asset management,
- Special funds and mandates,
- Certificates and
- ETF index funds.

The net sales figure now also includes certificates. The comparative figures for 2013 were adjusted accordingly.

For reconciliation of the central in-house management and performance indicator – the economic result – with the IFRS-based result before taxes, please refer to note [1] under segment reporting.

Economic report

Economic environment

General economic conditions in the first half of 2014 once again had only a minimal positive effect on demand from private investors for securities funds. Despite rising stock markets and ongoing low interest rates on deposits, interest in fund products remained weak.

An ample supply of liquidity in the markets and a further cut in the eurozone's key interest rate continued to limit the return achievable on bond and money market products. On the other hand, the Deka Group benefited from further tightening of market spreads in the reporting period, which once again produced positive valuation effects on both bond portfolios and capital market credit products. However, these valuation effects were less marked than in the previous year.

Overall economic conditions

Following a subdued start to the year, global economic growth was more dynamic in the second quarter of 2014. This was mainly attributable to the trend in the USA, which had faced unfavourable weather conditions and a necessary adjustment to inventory investment in the first quarter of this year. However, in the second quarter of 2014, an ongoing revival of economic activity was evident along with a slight acceleration of price trends. The eurozone also benefited from pent-up demand and a positive mood among companies, consumers and investors. Yet the modest growth in GDP has barely impacted the employment market to date. At the same time, the fact that inflation remains low, despite the European Central Bank's expansionary monetary policy, is cause for concern.

In Germany, growth slowed down again after a strong first quarter in which a 0.8% increase was recorded. Nevertheless, the German economy remains the powerhouse of the eurozone. Industrial order intake was high and export figures were excellent. However, production increased only slightly and retail sales were down.

Emerging markets achieved a mixed performance in the first six months of 2014. While the stabilisation of the eurozone impacted favourably on Central Europe, Russia and Ukraine are in recession. After a weak first quarter of this year, China's latest leading indicators were positive again. The country is likely to achieve the government's official growth target of 7.5% for the current year. Asia remains the world's fastest growing region. In Latin America, growth was not very dynamic, although Mexico is benefiting from the upswing in the USA.

In the European money market, a further cut in the interbank rate to 0.15% in June 2014 was reflected in a fall in money market rates. This followed a slight increase in Euribor and Eonia at the beginning of the year. The European Central Bank's (ECB) measures have once again started a hunt for yields in the securities market. Demand for corporate and bank bonds remained steady, although some offered only very low risk premiums. Equity markets also benefited from the relaxed interest rate policy. However, in view of new highs, doubts arose at the same time as to the sustainability of prices. To date, the negative interest rate for deposits has not had any impact.

Sector-related conditions

Trends in capital markets

In the first half of 2014, equity markets performed well and stock prices reached record levels. The DAX climbed above 10,000 points for the first time in June, and the Dow Jones also recorded a new high. Performance was primarily driven by the ECB's relaxed monetary policy and its indication that it would be prepared to take further unconventional measures if general conditions worsen.

In the bond markets, risk premiums on corporate and bank bonds continued to decrease. Yields on bonds from European peripheral countries also reached record lows. Concerns about the Ukraine crisis and the lacklustre quarterly results of European companies faded into the background. In view of the improved economic outlook and reduced fear of fragmentation of the eurozone, investors' risk appetite increased considerably. Demand for bonds in the non-investment-grade segment has been particularly high in this market environment.

However, the unfavourable impact on lower-risk securities typically associated with such developments did not occur. Yields on German *Pfandbriefe* were close to their historical lows and in some cases significantly below comparable swap rates. The tapering of bond buying by the US Fed has not impacted the bond markets to date.

Trends in property markets

The continuing low level of interest rates again put pressure on initial yields in the European property markets during the first half of 2014. Demand was particularly high for office locations in Germany, the UK and Scandinavia, which are generally considered to be safe havens. Accordingly, prices in these markets remained high.

High purchase prices in core markets mean that investors are increasingly looking to regional centres. Although top yields in those markets are also at an historical low on a long-term comparison, they are generally somewhat higher than the level in prime markets. In order to benefit from this situation, investors are prepared to accept significantly higher letting and liquidity risks.

In 2014, rental markets in the eurozone were again affected by high levels of unemployment and weak economic growth in some countries. While top rents in Germany continued to rise slightly and vacancy rates decreased, many other locations in Europe recorded stagnant or falling rent levels and an increase in vacancy rates.

Despite weak economic growth, total income in the European property market was at a steady level as a result of rising prices.

In the USA, demand for office space continued to increase in view of higher employment levels. Accelerating growth in the rental market contributed to a further decline in vacancy rates. Yields remained constant in most locations.

In the Asian office property markets, demand remained at a high level and ensured a further decrease in vacancy rates in the first six months of 2014. The high level of growth in rents in Singapore was mainly responsible for a general acceleration across Asia. In Australia, the combination of lower demand and a surplus of completed construction projects pushed up vacancy rates in all locations.

Investor attitudes

In the first half of 2014, the steady economic environment and strong price performance had scarcely any positive impact on sales of mutual funds in Germany. The volume of investments was slightly down on the same period in the previous year. The BVI's investment statistics indicated net funds inflows of €12.7bn (excluding open-ended property funds) for the first five months of 2014 (previous year: €15.5bn). Bond funds and mixed funds were mainly in demand, whereas equity funds recorded further funds outflows.

Investor interest in open-ended mutual property funds has remained low. The net funds inflow of €0.5bn in the first five months of 2014 was significantly lower than the previous year's figure of €2.0bn. However, this figure was affected by regulatory influences.

At €30.5bn, special funds for institutional investors achieved a somewhat higher net funds inflow than in the same period of the previous year (€29.6bn).

Regulatory provisions

Planned regulatory changes and those under discussion will primarily result in more stringent capital requirements and reporting duties – for both the Deka Group and the savings banks. Even closer cooperation will be required in order to minimise expenses arising in connection with the new regulatory requirements.

On 15 April 2014, the European Parliament adopted the Bank Recovery and Resolution Directive (BRRD), which forms the basis for the European Single Resolution Mechanism (SRM) for banks. The aim of the new regulations is that shareholders, bondholders and other lenders should share in the losses of banks which fail. In addition, funds are made available via the Single Resolution Fund (SRF), which is maintained with national bank levies, provided owners and creditors previously contributed a minimum of 8% of total assets. The Single Resolution Fund is to collect approximately €55bn through a national bank levy within the next eight years.

The legal basis of the Single Resolution Mechanism will probably come into force by the beginning of 2015, although the exact structure of the bank levy has yet to be specified. Together, the BRRD and SRM represent the second pillar of the European banking union and build on the regulations of the Single Supervisory Mechanism (SSM) for banks. In the period before the mechanism comes into force, the ECB is conducting comprehensive balance sheet reviews at systemically relevant banks, including DekaBank. In the first quarter of 2014, the on-site asset quality review (AQR) started at DekaBank. This will be followed by a stress test in the second half of the year. The ECB plans to communicate the results of the AQR and the stress test of the European Banking Authority (EBA) in the second half of October 2014.

Furthermore, the European Parliament adopted more stringent provisions for the Markets in Financial Instruments Directive (MiFID II) in April 2014. Core elements of the directive include the regulation of off-floor trading, closer supervision of commodities derivatives markets, the regulation of high-frequency trading and enhanced investor protection. The concrete implementation of the requirements is currently being discussed. It is likely that the new rules will need to be implemented in national law by the end of 2016.

The more stringent regulatory requirements in connection with the Basel III reform package came into force on 1 January 2014 in the form of the EU's new Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV). The provisions stipulated in the CRR regarding the composition of equity and capital requirements, large-scale loans and leverage ratios as well as liquidity supply and disclosure are applicable throughout the EU. On 31 March 2014, DekaBank submitted its first report complying with the new regulatory requirements. In addition, DekaBank adjusted the calculation method for core tier 1 capital in line with the Basel III requirements at the beginning of 2014.

Another regulatory project that may impact the financial sector and DekaBank's business activities is the planned introduction of a financial transaction tax (FTT) in ten EU member states, including Germany. The intention is to gradually phase in the financial transaction tax, initially applying it to shares and certain derivatives. The first regulations are to come into force no later than 1 January 2016, according to current plans.

On 14 January 2014, the German Federal Court of Justice (*Bundesgerichtshof* – BGH) dismissed an action brought by the Federation of German Consumer Organisations (*Verbraucherzentrale Bundesverband*) against a major bank which uses the *Behaltensklausel* (retention clause) for sales commission. However, the court left open the question as to whether customers have a claim to recovery of commission which banks obtain through commission business. In the *Sparkassen-Finanzgruppe*, it is assumed as before that no claim to recovery exists on the part of customers.

Business development and profit performance in the Deka Group

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

In the first half of 2014, the Deka Group achieved a good overall economic result of €322.1m, which virtually matched the comparative figure for 2013 (€323.8m). It should therefore be possible to generate an economic result for the full year almost at the previous year's level of €501.5m. This confirms the estimates of economic result and other performance indicators set out in the forecast report of the 2013 Group management report. The value added contribution for the savings banks, which in addition to the economic result also includes payments to the alliance partners, totalled €0.8bn in the first six months of 2014 (previous year: €0.8bn).

Net sales were positive at €4.0bn. In active fund product management, funds outflows from bond and equity funds were more than compensated by funds inflows into special funds and mandates as well as mutual property funds. Certificates contributed €2.1bn to net sales. Retail certificates accounted for more than half of this figure.

The rise in total customer assets to €207.8bn primarily resulted from the takeover of LBBI's investment funds. However, net sales and the positive performance also boosted this figure (Fig. 1).

Total customer assets of the Deka Group *(Fig. 1)*

€m	30.06. 2014	31.12.2013	Change	
Total customer assets of the Deka Group	**207,825**	**188,725**	19,100	10.1%
by customer segment				
Retail customers	104,071	98,249	5,821	5.9%
Institutional customers	103,754	90,475	13,279	14.7%
by product category				
Mutual funds and fund-based asset management	109,142	104,789	4,353	4.2%
Special funds and mandates	84,942	73,443	11,498	15.7%
Certificates	7,188	4,969	2,220	44.7%
ETF index funds	6,444	5,456	988	18.1%
Other	108	67	40	60.1%

The Deka Group's financial and risk position was sound at mid-year 2014. Utilisation of overall risk-bearing capacity decreased to 42.5% compared with year-end 2013 (47.8%) and was at a non-critical level. Compared with year-end 2013, the Deka Group's liquidity position was almost unchanged and remained comfortable.

The core tier 1 capital ratio (fully loaded), calculated taking into account the CRD IV requirements, amounted to 11.8% as at 30 June 2014. Overall, the application of the new regulations produced lower capital ratios as a result of the reduction in eligible capital, together with an increase in risk-weighted assets due to the more stringent provisions. The strain on capital was mitigated by the partial reinvestment of net income for 2013. Based on planned reinvestment, the target level of 12% is likely to be achieved by 2016 if applying the transitional rules (phase in) and by 2017 without the transitional rules (fully loaded).

Ratings

Following the adoption of the EU Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM), the rating agencies reviewed their rating methods. In this context, Moody's changed the outlook for 82 financial institutions from stable to negative in May 2014, since the new framework conditions have reduced the probability of and access to government support for financial institutions. This affected twelve German banks, including DekaBank. The long-term A1 rating and the financial strength rating of C– remained unchanged. However, the long-term rating was assigned a negative outlook due to the changed conditions while the financial strength remains unchanged. The short-term rating of P-1 also remained unchanged. Standard & Poor's (S&P) ratings have been A (long-term) and A-1 (short-term) since October 2013. Compared with the sector as a whole, DekaBank's ratings remain strong.

Profit performance in the Deka Group

The economic result of €322.1m (previous year: €323.8m) essentially comprised contributions from core business (Fig. 2). This result increased by 1.5% to €283.6m (previous year: €279.5m). As in the previous year, the Securities business division made the most significant profit contribution, although the previous year's figure was not quite matched. The Real Estate, Financing and Capital Markets business divisions all exceeded the respective figures for the previous year, in some cases considerably. In the year to date, non-core business generated income of €38.5m (previous year: €44.3m). This figure was once again dominated by positive valuation results.

On the income side, the strong results for the first half of 2013 were not entirely matched. Compared with the previous year (€763.9m), income was down by 2.4% to €745.7m. Net commission income again accounted for the highest profit contribution, with a figure just below the previous year's level. In line with expectations, expenses of €423.6m were below the previous year's figure of €440.1m. This resulted in a cost/income ratio of approximately 56%.

At €171.3m, net interest income fell short of the previous year's figure (€198.8m), but exceeded expectations. One decisive factor for the decrease was the lower contribution based on fees and commission paid by customers in the Financing business division, which had been expected and reflects lower volume. At the same time, net interest income from real estate lending was slightly down on the previous year. In addition, net interest income from Treasury was below the previous year's level.

Risk provisions of €–2.5m were considerably lower than in the previous year (€–51.1m). The lower net increase in lendings of €–5.3m compared with the previous year (€–49.4m) was a decisive factor. Specific provisions were not required in the same volume as in the previous year. Risk provisions for securities in the loans and receivables (lar) and held to maturity (htm) categories were not material, as was also the case in the previous year.

Net commission income decreased by 1.6% to €476.9m compared with the previous year (€484.6m). Commission from investment fund business was marginally below the previous year's figure, due to lower income from performance-related commission. Commission on banking transactions exceeded the comparative figure for 2013, mainly as a result of higher contributions from lending and commission business.

Overall, net financial income was down by 14.1% to €158.6m (previous year: €184.7m).

Net financial income from trading book portfolios rose by 36.6% to €184.2m (previous year: €134.8m). The contribution from money and currency transactions as well as repo/lending activities was slightly up on the previous year and accounted for more than half of net financial income as at 30 June 2014. The Structuring & Deka Issuing Activities business unit benefited from brisk demand for structured securities and significantly exceeded the previous year's figure. Derivatives trading also increased substantially, whereas the contributions from bond trading fell short of the comparative figure for the previous year.

Net financial income from banking book portfolios of €– 28.4m was considerably lower than the mid-year figure for 2013 (€51.6m). The result reflected positive valuation effects in non-core business as a result of tightening market spreads. The main reason for the negative overall result was the increase of €– 56.0m in general provisions to cover potential risks, which were set up outside the IFRS income statement without specific allocation to business divisions.

The previous year's net financial income included a negative income effect of €– 30.0m, which related to general provisions.

Other operating income amounted to €– 55.8m (previous year: €– 54.8m). In the first half of 2014, the figure was impacted by charges following actuarial losses from pension provisions of €– 39.6m. These are not included in the IFRS income statement as they are posted directly in equity (revaluation reserve). However, they were reported in the economic result as loss for the period. The corresponding figure as at 30 June 2013 was significantly impacted by expenses relating to provisions for legal risks.

Administrative expenses increased by only 1.0% to €422.1m compared with the previous year (€418.0m) and were below the budgeted figure.

Personnel expenses increased from €205.3m in the previous year to €218.7m. The main reasons for this increase were adjustments to pay scales and an increase in staff capacity, which resulted from the expansion of sales support as well as the acquisition of LBBI and LBB's customer-oriented capital market business.

Operating expenses (excluding depreciation and amortisation as well as the bank levy) decreased from €188.9m to €177.5m. Higher expenses for marketing and sales, audit expenses as part of the ongoing asset quality review and the integration of the activities taken over from LBB were more than compensated by lower consultancy expenses, especially on IT projects. The bank levy was close to the comparative figure for 2013. The change in depreciation and amortisation was also negligible, with both figures at a low overall level.

Restructuring expenses totalled €1.5m. The previous year's figure of €22.1m reflected higher expenses as part of the transformation process to become the *Wertpapierhaus*.

Profit performance in the Deka Group *(Fig. 2)*

€m	1st half 2014	1st half 2013	Change	
Net interest income	171.3	198.8	–27.5	–13.8%
Provisions for loan losses	–5.3	–49.4	44.1	89.3%
Net commission income	476.9	484.6	–7.7	–1.6%
Net financial income [1]	158.6	184.7	–26.1	–14.1%
Other operating income	–55.8	–54.8	–1.0	–1.8%
Total profit	**745.7**	**763.9**	–18.2	–2.4%
Administrative expenses (including depreciation)	422.1	418.0	4.1	1.0%
Restructuring expenses	1.5	22.1	–20.6	–93.2%
Total expenses	**423.6**	**440.1**	–16.5	–3.7%
Economic result	**322.1**	**323.8**	–1.7	–0.5%

[1] Net financial income includes risk provisions for securities in the lar and htm categories of approximately €2.8m (previous year: €– 1.7m).

Business development and profit performance in the business divisions and Treasury

Business development and profit performance in the Securities business division

The Securities business division has strengthened its position in the market by taking on the funds of LBBI, and also considerably increased total customer assets thanks to strong value growth. Net sales were positive in the first half of the year. The economic result fell short of the previous year's figure.

Net sales performance and total customer assets

At €1.2bn, net sales in the Securities business division were lower than in the previous year (€3.6bn). Negative net sales in the retail customers segment (€–0.6bn) were offset by net inflows of €1.8bn in the institutional customers segment (Fig. 3).

Net sales performance in the Securities business division *(Fig. 3)*

€m	1st half 2014	1st half 2013
Net sales performance in the Securities business division	**1,184**	**3,577**
by customer segment		
Retail customers	−613	−561
Institutional customers	1,797	4,139
by product category		
Mutual funds and fund-based asset management	−479	−317
ETF index funds	163	239
Special funds and mandates	1,500	3,655

Outflows in the mutual funds and fund-based asset management category were mainly associated with bond and equity funds, and to a lesser extent with capital protected funds. While the performance for mixed funds was positive overall, there was no repeat of the strong inflows seen in the previous year. Net sales performance was positive for fund-based asset management. Deka-Vermögenskonzept (Deka Wealth Concept) continued to perform well, with net inflows of €0.8bn.

ETF equity funds and ETF bond funds achieved combined net sales of €0.2bn, putting them roughly at the same level as in the previous year.

The main factor affecting sales of institutional products was the strong growth in net sales experienced by special securities funds. However, master fund sales fell short of the previous year's figure, which included a major mandate.

The business division's total customer assets rose by €16.5bn to €173.7bn (end of 2013: €157.2bn) (Fig. 4). Of this increase in volume, €10.1bn related to LBBI.

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

€m	30.06.2014	31.12.2013	Change	
Total customer assets in the Securities business division	**173,717**	**157,219**	16,499	10.5%
by customer segment				
Retail customers	80,633	76,361	4,272	5.6%
Institutional customers	93,084	80,858	12,226	15.1%
by product category				
Mutual funds and fund-based asset management	86,432	82,320	4,112	5.0%
of which equity funds	21,267	19,452	1,815	9.3%
of which bond funds	32,214	32,334	−120	−0.4%
of which mixed funds	14,396	13,225	1,171	8.9%
ETF index funds	6,444	5,456	988	18.1%
Special funds and mandates	80,841	69,442	11,398	16.4%

As at 30 June 2014, 54.5% of equity funds (end of 2013: 79.4%) outperformed their respective benchmarks. For bond funds, the figure was 74.3% (end of 2013: 78.4%). The proportion of funds receiving an above-average rating (Morningstar) stood at 39.5% (end of 2013: 34.7%).

Profit performance in the Securities business division

The business division's economic result came to €150.6m, falling below the high level seen in the previous year (€177.6m) (Fig. 5).

Net commission income, which is a key figure for this business division, fell by 7.1% compared with the previous year, to €325.2m. The increase in portfolio-related commission was offset by lower performance-related commission. Net interest income and net financial income made a larger contribution to results than in the previous year.

The 8.2% increase in expenses, to €210.2m, is a reflection of the higher headcount, most of which is due to the LBBI acquisition, and also an increased focus on sales and marketing activities.

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

€m	1st half 2014	1st half 2013	Change	
Net commission income	325.2	349.9	−24.7	−7.1%
Other operating income	35.6	21.9	13.7	62.6%
Total income	**360.8**	**371.8**	−11.0	−3.0%
Administrative expenses (including depreciation)	208.2	194.2	14.0	7.2%
Restructuring expenses	2.0	0.0	2.0	n.a.
Total expenses	**210.2**	**194.2**	16.0	8.2%
Economic result	**150.6**	**177.6**	−27.0	−15.2 %

Business development and profit performance in the Real Estate business division

The Real Estate business division achieved a positive net sales performance, in both retail and institutional business. Strict management of liquidity and returns continued, meaning that the division was able to achieve value growth in line with the market, representing an improvement on the previous year. The economic result was significantly higher than expected, surpassing the extraordinarily good result achieved in the first six months of 2013.

The division's two investment management companies both successfully completed the process of converting to the requirements of the German Investment Code (*Kapitalanlagegesetzbuch* – KAGB) during the first six months of 2014, and received authorisation from Germany's Federal Financial Supervisory Authority BaFin.

Net sales performance and total customer assets

The business division's net sales for the period were €0.7bn, falling short of the previous year's extremely high figure (€1.2bn), but were nonetheless satisfactory (Fig. 6).

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

€m	1st half 2014	1st half 2013
Net sales Real Estate business division	**709**	**1,191**
by customer segment		
Retail customers	474	1,020
Institutional customers	234	171
by product category		
Mutual property funds	495	1,020
Special funds and individual property funds	213	171

The net sales figure of €0.5bn for open-ended property funds (previous year: €1.0bn) arose from reinvestment of distributions, and was largely attributable to Deka-ImmobilienEuropa.

At €234m, net sales of institutional customers were slightly above the previous year's level (€171m), and were mostly attributable to Deka Immobilien special funds.

Compared with the situation at the end of 2013, total customer assets rose by 1.3%, reaching €26.8bn (Fig. 7). Open-ended mutual property funds generated an average annualised volume-weighted yield of 2.2% (previous year: 1.8%). The average liquidity ratio of the open-ended mutual property funds as at 30 June 2014 stood at roughly 19%, slightly below the 2013 year-end figure of 20%. The average occupancy rate remained at its previous high level.

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

€m	30.06.2014	31.12.2013	Change	
Total customer assets Real Estate division	**26,811**	**26,470**	342	1.3%
by customer segment				
Retail customers	21,192	20,997	195	0.9%
Institutional customers	5,620	5,473	147	2.7%
by product category				
Mutual property funds	22,710	22,469	242	1.1%
Special funds and individual property funds	4,101	4,001	100	2.5%

The volume of property purchases and sales for the reporting period was €1.3bn, with the funds mostly acting as buyers.

Deka Immobilien Investment's credit funds acquired a total of 17 loans with a volume of €142.2m. As at 30 June 2014, the total loan volume in the financing categories of property, infrastructure and transport amounted to €761.7m (end of 2013: €671.9m).

Real estate lending

Despite continuing competition in the market, new business arranged in real estate lending totalled €1.1bn (previous year: €0.8bn), including extensions of €0.1bn. The volume of external placements stood at €0.2bn (previous year: €0.6bn). As in the previous year, more than half of the loans placed with third parties were with members of the *Sparkassen-Finanzgruppe*.

Gross loan volume increased slightly compared with the level at the end of 2013 (€6.0bn), rising to €6.4bn. The average rating for the loan portfolio on the DSGV master scale improved by one point during the reporting period, from 6 to 5. This corresponds to a rating of BBB– on S&P's external rating scale. Including the portfolio secured by collateral, the rating on the DSGV master scale remained unchanged at A–, which is likewise A– on S&P's scale.

Of the total portfolio, €5.1bn (end of 2013: €4.8bn) related to commercial property financing, €1.0bn (end of 2013: €1.0bn) to open-ended property fund financing and €0.3bn (end of 2013: €0.3bn) to public-sector construction projects, a segment which is being phased out.

Profit performance in the Real Estate business division

At €83.3m, the business division's economic result once again slightly surpassed the previous year's extremely good figure (€78.0m) (Fig. 8).

The small decline in net interest income, which stood at €34.5m (previous year: €38.5m), reflects a number of factors, not least the market environment for new real estate lending. Loan loss provisions fell from €6.7m to €1.3m and remained positive overall. The previous year's figure was more strongly impacted by rating improvements. At €108.1m, net commission income was higher than in the previous year (€98.0m). Portfolio-related commissions, buying and construction fees and commissions on real estate lending all exceeded the figures for the comparative period. Part of the increase in net financial income was a result of increases in the valuation of fund units held in the Group's own portfolio.

Expenses amounted to €64.0m, in line with the previous year (€63.8m). There was a small rise in personnel expenses and in sales and marketing costs, while other operating expenses fell.

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

€m	1st half 2014	1st half 2013	Change	
Net interest income	34.5	38.5	–4.0	–10.4%
Provisions for loan losses	1.3	6.7	–5.4	–80.6%
Net commission income	108.1	98.0	10.1	10.3%
Net financial income	1.3	–1.5	2.8	186.7%
Other operating income	2.1	0.1	2.0	(>300%)
Total income	**147.3**	**141.8**	5.5	3.9%
Administrative expenses (including depreciation)	63.3	63.8	–0.5	–0.8%
Restructuring expenses	0.7	0.0	0.7	n/a
Total expenses	**64.0**	**63.8**	0.2	0.3%
Economic result	**83.3**	**78.0**	5.3	6.8%

Business development and profit performance in the Capital Markets business division

In a challenging market environment, repo/lending transactions remained an important source of income for the Capital Markets business division. Operational growth was also achieved, particularly in the areas of structuring and own issues. The integration of LBB's customer-oriented capital market business allowed the business division to expand its range of activities. The division's economic result for the period significantly exceeded that for the first half of 2013.

Business development in the Capital Markets business division

Although market conditions remained difficult, with a continuing oversupply of liquidity from central banks, the business division was able to maintain a high level of income from repo/lending transactions. In money market and foreign exchange trading, capital markets business benefited from positive valuation effects in bond portfolios, though these were less pronounced than in the previous year. Customer-driven business was once again expanded in the area of structuring and own issues. New issues of certificates, for both private and institutional investors, also played their part in this. By 30 June 2014, 95% of savings banks included retail certificates in the range of products they offer. Thanks to strong sales of €2.1bn, volumes in certificates business had reached €7.2bn (end of 2013: €5.0bn). There was also a rise in derivatives trading, while the contribution to the results made by bond trading was somewhat lower than in the previous year.

Profit performance in the Capital Markets business division

The business division's economic result of €138.1m was significantly higher than in the previous year (€52.7m) (Fig. 9). The key factor in this was the increase in net financial income from customer business. Net commission income also rose, while net interest income remained close to the previous year's level.

When comparing the interim figures it should be noted that the previous year's income was negatively impacted by one-off factors in relation to the creation of provisions and a general allowance for potential risks originating from past years.

In spite of the personnel and other operating expenses incurred in integrating LBB's customer-oriented capital market business, administrative expenses were €89.4m – only moderately higher than the previous year's figure of €87.3m. Savings were achieved in particular on IT-related project costs.

Profit performance in the Capital Markets business division *(Fig. 9)*

€m	**1st half 2014**	**1st half 2013**	Change	
Net interest income	14.9	14.4	0.5	3.5%
Provisions for loan losses	–0.1	–0.4	0.3	75.0%
Net commission income	41.3	38.8	2.5	6.4%
Net financial income (excluding one-off factors)	181.7	151.4	30.3	20.0%
Other operating income (excluding one-off factors)	1.0	–0.4	1.4	(>300%)
Total income (excluding one-off factors)	**238.8**	**203.8**	35.0	17.2%
Administrative expenses (including depreciation)	89.4	87.3	2.1	2.4%
Restructuring expenses	0.3	0.0	0.3	n/a
Total income	**89.7**	**87.3**	2.4	2.7%
Economic result (excluding one-off factors)	**149.1**	**116.5**	**32.6**	**28.0%**
One-off factors[1]	–11.0	–63.8	52.8	82.8%
Economic result (including one-off factors)	**138.1**	**52.7**	85.4	162.0%

[1] Consists principally of the creation of provisions and a general allowance for potential risks.

Business development and profit performance in the Financing business division

In spite of a further reduction in the loan portfolio, the business division was able to increase the volume of new business arranged to €2.1bn (previous year: €1.8bn). A significant proportion of this related to savings bank financing. At €0.2bn, the volume placed externally surpassed the previous year's figure (€0.1bn).

Gross loan volume attributable to savings bank financing remained practically unchanged when compared with the position at the end of 2013, at €13.2bn. Thanks to repayments and the increased level of activity in external placements, the business division's overall gross loan volume of €19.6bn was lower than at the end of 2013 (€20.4bn). Volume in the infrastructure financing segment fell from €2.8bn to €2.4bn. Business volume in the transport and export finance segment was also lower, falling from €4.4bn to €4.1bn; of the total volume, €1.3bn related to ship financing (previous year: €1.3bn).

The average rating for the loan portfolio on the DSGV master scale remained unchanged at 5, corresponding to BBB– on S&P's rating scale.

The business division's economic result for the first six months of the year was €22.1m, against a negative value in the previous year of €–19.0m (Fig. 10). The improved result is largely due to lower allocations to provisions for loan losses. The fall in net interest income is attributable to the smaller loan portfolio, as expected.

Profit performance in the Financing business division *(Fig. 10)*

€m	1st half 2014	1st half 2013	Change	
Net interest income	40.6	50.1	–9.5	–19.0%
Provisions for loan losses	–9.5	–54.8	45.3	82.7%
Net commission income	4.3	0.7	3.6	(>300%)
Net financial income	0.1	–1.5	1.6	106.7%
Other operating income	0.3	0.1	0.2	200.0%
Total income	**35.8**	**–5.4**	41.2	(>300%)
Administrative expenses (including depreciation)	13.5	13.6	–0.1	–0.7%
Restructuring expenses	0.2	0.0	0.2	n/a
Total expenses	**13.7**	**13.6**	0.1	0.7%
Economic result	**22.1**	**–19.0**	41.1	216.3%

Business development and profit performance in non-core business

The strategy of reducing the portfolio whilst safeguarding assets in non-core business has proven to be effective, and this approach continued during the first six months of 2014. The gross loan volume of lending business and credit substitute transactions that are not part of the core business fell from €2.8bn at the end of 2013 to €2.4bn as at 30 June 2014. The loan portfolio was reduced from €1.7bn to €1.4bn, while the volume of capital market credit products fell from €1.2bn to €1.0bn. As in the previous year, selective sales, redemptions, early repayments and individual positions reaching maturity all played their part. The rating on the DSGV master scale remains unchanged at 5.

The economic result fell to €38.5m (previous year: €44.3m), but was nonetheless higher than expected (Fig. 11). This was mainly driven by a further tightening of market spreads for capital market credit products. At €10.7m, net interest income fell short of the previous year's figure as a result of the fall in lending volumes, which was expected. Expenses stood at €1.5m – lower than the interim figure for 2013 (€1.9m), which was itself already low.

Profit performance of non-core business *(Fig. 11)*

€m	1st half 2014	1st half 2013	Change	
Net interest income	10.7	17.8	–7.1	–39.9%
Provisions for loan losses	3.0	–0.9	3.9	(>300%)
Net commission income	0.1	0.0	0.1	n/a
Net financial income	26.2	29.3	–3.1	–10.6%
Other operating income	0.0	0.0	0.0	n/a
Total income	**40.0**	**46.2**	–6.2	–13.4%
Administrative expenses (including depreciation)	1.5	1.9	–0.4	–21.1%
Restructuring expenses	0.0	0.0	0.0	n/a
Total expenses	**1.5**	**1.9**	–0.4	–21.1%
Economic result	**38.5**	**44.3**	–5.8	–13.1%

Treasury profit performance

Treasury's economic result of €25.1m (previous year: €54.9m) is largely driven by net interest income (Fig. 12). As expected, at €38.3m this was lower than the previous year's figure (€56.6m). Net financial income was close to break-even point, coming in at €3.5m; the previous year's figure (€18.2m) included higher valuation effects. Administrative expenses have been reduced to €14.5m, compared with the previous year's figure (€17.3m).

Treasury profit performance *(Fig. 12)*

€m	1st half 2014	1st half 2013	Change	
Net interest income	38.3	56.6	−18.3	−32.3%
Net commission income	−2.3	−2.8	0.5	17.9%
Net financial income	3.5	18.2	−14.7	−80.8%
Other operating income	0.1	0.2	−0.1	−50.0%
Total income	**39.6**	**72.2**	−32.6	−45.2%
Administrative expenses (including depreciation)	14.5	17.3	−2.8	−16.2%
Restructuring expenses	0.0	0.0	0.0	n/a
Total expenses	**14.5**	**17.3**	−2.8	−16.2%
Economic result	**25.1**	**54.9**	−29.8	−54.3%

Financial position and assets and liabilities of the Deka Group

Financial position, capital structure, assets and liabilities

The Deka Group's total assets increased compared with year-end 2013 by €4.8bn to €120.8bn as at 30 June 2014 (Fig. 13).

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

€m	30.06.2014	31.12.2013	Change	
Balance sheet total	**120,827**	**116,073**	4,754	4.1%
Selected items on the assets side:				
Due from banks and customers	56,339	57,673	−1,334	−2.3%
Financial assets at fair value	59,650	53,064	6,587	12.4%
Financial investments	3,593	3,820	−226	−5.9%
Selected items on the liabilities side:				
Due to banks and customers	65,691	60,001	5,690	9.5%
Securitised liabilities	22,058	23,717	−1,659	−7.0%
Financial liabilities at fair value	25,958	25,559	400	1.6%

On the assets side, the total amount due from banks and customers was slightly down by €1.3bn to €56.3bn compared with year-end 2013. Financial assets recognised at fair value through profit or loss rose considerably by €6.6bn to €59.7bn. They accounted for approximately 49% of total assets. The decisive factors for this were, in particular, increased market values for derivatives (€1.4bn) and a higher portfolio volume of fixed-interest securities (€4.2bn).

On the liabilities side, amounts due to banks and customers increased by €5.7bn to €65.7bn as at 30 June 2014, corresponding to around 54% of total assets. The increase mainly resulted from a higher volume of money market activities, especially repo transactions.

Financial liabilities recognised at fair value through profit or loss increased slightly by €0.4bn to €26.0bn. Of this, €14.1bn was attributable to market values of derivative financial instruments, €0.8bn to short selling of securities and €11.0bn to the Deka Group's own issues valued at fair value. Securitised liabilities decreased slightly to €22.1bn compared with year-end 2013 (€– 1.7bn).

Change in regulatory capital

Capital adequacy is determined in accordance with the CRR. Alongside counterparty risks, market risk positions and operational risks, the credit valuation adjustment (CVA) risk is also taken into account for the first time. Capital and reserve requirements under banking supervisory law were complied with at all times during the reporting period (Fig. 14).

The core tier 1 capital ratio (fully loaded) amounted to 11.8% as at 30 June 2014. If applying the transitional rules (phase in), the core tier 1 capital ratio stood at 13.3%. Without application of the new regulations, the ratio was 13.1% at year-end 2013. The decrease essentially resulted from an increase in risk assets following the introduction of more stringent provisions under the CRR and higher amounts calculated for market risk positions. Partial reinvestment of the net income for 2013 had a favourable impact.

Breakdown of equity in the Deka Group *(Fig. 14)*

€m	30.06.2014		31.12.2013
	CRR/CRD IV (without transitional rules)	CRR/CRD IV (with transitional rules)	CRD III
Core tier 1 capital	3,205	3,631	2,943
Core capital	3,205	3,760	3,495
Supplementary capital	1,174	708	329
Capital and reserves	**4,380**	**4,468**	3,824
Default risks	14,845	14,845	13,850
Market risk positions	9,184	9,184	6,813
Operational risk	1,852	1,852	1,799
CVA risk	1,361	1,361	–
Risk-weighted assets	**27,242**	**27,242**	22,462
%			
Equity ratio	**16.1**	**16.4**	17.0
Core capital ratio	**11.8**	**13.8**	15.6
Core tier 1 capital ratio	**11.8**	**13.3**	13.1[1]

[1] Excluding silent capital contributions.

Liquidity and refinancing

As a capital market-oriented bank, DekaBank has to comply with the liquidity management requirements set out by the regulator under MaRisk (Minimum Requirements for Risk Management). These requirements stipulate that banks must hold sufficient levels of funds, and highly liquid assets eligible as collateral for central bank borrowing, to enable them to bridge a short-term refinancing requirement in the event of 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 they can be turned into cash without significant loss in value and regulatory requirements are complied with. DekaBank comfortably met both requirements again in the first half of 2014.

In accordance with the regulatory definition, the highly liquid securities cover a potential cash outflow in the combined stress scenario across all maturity bands, instead of the first month specified by MaRisk. DekaBank's liquidity position remains very strong under the specific stress conditions considered. In the short-term maturity band of up to one month, all the stress scenarios analysed resulted in liquidity surpluses.

The regulatory requirements of the German Liquidity Regulation (*Liquiditätsverordnung – LiqV*) were also exceeded throughout the reporting period. The average for the liquidity ratio of the first maturity band, determined on a daily basis, was 1.39 during the reporting period (previous year: 1.35). It moved within a range from 1.32 to 1.55. As at 30 June 2014, the ratio stood at 1.39 (year-end 2013: 1.41).

Further information regarding the Deka Group's liquidity situation can be found in the risk report.

Refinancing is carried out using conventional money market and capital market instruments, including the issuance of public sector *Pfandbriefe*, short-term bearer bonds based on the CP Programme, as well as medium to long-term bearer bonds based on the EMTN Programme. DekaBank also uses the repo and lending markets, call money and time deposits to raise and invest liquidity.

In the period from December 2013 to January 2014, DekaBank strengthened its capital ratio and at the same time its risk cover potential by placing subordinated capital with a volume of €500m. This first placement of subordinated capital for ten years was very well received by market participants. The issues were predominantly placed with institutional investors as well as savings banks and other banks.

Human resources report

In the first six months of 2014, the workforce increased by 3.8% to 3,672 (end of 2013: 3,538). The number includes people actively involved in work processes at DekaBank calculated as full-time equivalents. The main reason for the increase in staff numbers was the inclusion of approximately 110 LBBI employees, who joined the Deka Group at the beginning of the year. The campaign launched to step up sales support for the savings banks also had an impact. In the period under review, an additional 60 employees were employed in support roles.

In accordance with the provisions of Section 613a of the German Commercial Code, BGB (business transfer), the contracts of employment of LBBI employees were transferred to the Deka Group with all rights and obligations. This was also the case for employees who joined the Deka Group at the end of 2013 from LBB's customer-oriented capital market business.

A new innovation platform was set up in the first half of 2014 for the Deka Group's ideas management. By the end of this year, the savings banks are also to be given access to the platform. It is expected that this innovation platform will help increase the number of ideas submitted and the consequent cost savings.

Post balance sheet events

No major developments of particular significance occurred after the reporting date of 30 June 2014.

Forecast and opportunities report

Forecast report

The Deka Group plans its future business development on the basis of assumptions that seem most probable from a current perspective. However, plans and statements about growth during 2014 are subject to uncertainties.

Actual trends in the international capital, money and property markets or in the Deka Group's business divisions may diverge markedly from our assumptions, which are partly based on expert estimates. The Deka Group's risk position is summarised in the risk report. If the risk scenarios referred to in the risk report should materialise, for example as a result of stress situations or counterparty default, this may result in negative differences from the forecast during the remaining months of the 2014 financial year. Conversely, opportunities may result in expectations being exceeded.

Expected macroeconomic trends

The eurozone remains on course for recovery. For the current year, GDP growth of 1.1% is expected, with Germany contributing the lion's share of this growth with an anticipated 2.2% increase. However, the positive trend will only gradually be reflected in employment markets. Inflation may be even lower than expected.

In the USA, after the initial difficulties at the start of this year, growth is likely to accelerate quickly and climb to 2.2% for the full year. The rate of inflation is also likely to increase again noticeably.

While pent-up demand has driven growth in the industrialised countries, growth in the emerging markets remained below average. In view of China's economic stabilisation, the risk of the region entering a broadly-based phase of weak economic growth has diminished. Overall, global economic growth is likely to be modest at 3.2%.

Expected sector-related conditions

Expected trends in the capital markets

The ECB is likely to continue its expansionary monetary policy and refrain from increasing its key interest rate before 2017. However, the ECB remains unwilling to buy government bonds on a large scale. At the same time, the Fed intends to reduce its government bond buying to zero this year and start increasing interest rates from mid-2015.

In the bond market, yields in the short-term segment are at a low. Despite the negative ECB interest rate on deposits, they are not expected to fall further. Demand for mid-range maturities is likely to remain high. The prospect of future increases in US interest rates will impact yields of long-dated German government bonds. Consequently, the yield curve is set to steepen in the 5-10-year segment.

In view of continuing low interest rates and robust economic performance in the USA and Europe, DekaBank expects the equity markets and other risk asset classes to offer further potential in the remaining months of the year. The earnings performance of companies provides fundamental support for the German equity market, which is expected to continue rising at a moderate rate, albeit with increased volatility.

Expected trends in the property markets

The ongoing economic recovery is likely to ensure continuing consolidation in the European rental markets. Significant pent-up demand remains for locations in southern Europe. However, DekaBank does not expect substantial rental growth averaging 2.5% p.a. until 2016. At that point, stronger economic growth is likely to be reflected in falling unemployment and vacancy rates. In Germany, rental growth is expected to be robust at 2.5% over the course of the year. However, a rise in the number of completed construction projects may curb the trend in the long term. Office property prices are likely to increase further in view of continuing low interest on alternative investment products. They are also set to remain high in the medium term. Overall, the positive income trend in the European property market is expected to continue, given the anticipated further decline in yields during 2014 and 2015.

In the USA, demand for office space is likely to increase further in the current year on the back of a positive economic outlook. Vacancy rates are expected to go on falling in view of still moderate supply growth. Technology and energy centres such as Chicago and Los Angeles will benefit from this trend. Prices are not expected to rise, however.

Property markets in Asia's major cities are set to profit from sharp growth in rents, as vacancy rates are likely to decrease. Conversely, rent levels in Australia are set to stagnate. For the current year, DekaBank expects a further decline in yields in Australia and Japan, whereas a slight rise in yields is anticipated in Singapore and Hong Kong.

Expected business development and profit performance

In the remaining months of the 2014 financial year, the Deka Group expects a steady overall trend in its financial position and continues to forecast an economic result on a par with that of 2013. Since pressures in the form of higher risk provisions cannot be ruled out in the second half of 2014 and higher administrative expenses are expected, partly as a result of project and sales-related activities, and past experience shows that earnings performance tends to be more subdued in the last six months of the year, the strong half-year results cannot be extrapolated for the full year. This also applied in previous years.

The various campaigns as part of the transformation process to becoming the *Wertpapierhaus* were on schedule as at 30 June 2014 and will be systematically continued. A detailed description of these measures is included in the 2013 annual report.

At Deka Group level, net sales for the year as a whole are expected to be higher than in the previous year. The management indicator "assets under management", which was used in the forecast report for 2013, has been replaced with the indicator "total customer assets". A moderate increase is forecast for this figure.

The Securities business division still plans to achieve significantly higher net sales than in the previous year. With regard to bond and money market funds, the sales situation continues to be viewed as difficult in the current interest rate environment.

The Real Estate business division assumes that net sales of units in open-ended property funds will be slightly down on the previous year's figure. Taking into account special funds and individual property funds, it is also unlikely that the previous year's volume will be fully matched. In real estate lending, the proven business strategy will be continued.

For the Capital Markets and Financing business divisions, the Deka Group confirms its expectations as published in the outlook for 2013 following a positive trend in the first six months of 2014. In non-core business, the volume of loan products and credit substitute transactions is to be further reduced by the end of this year.

Expected financial and risk position

The Deka Group expects no significant changes to its financial position and liquidity position compared with the situation as at 30 June 2014. At year-end 2014, the core tier 1 capital ratio (fully loaded) is likely to remain below the target value of 12%, which is to be achieved by 2017 – following the application of the transitional rules in 2016.

The utilisation of overall risk-bearing capacity is expected to remain at a non-critical level based on today's estimate, although a perceptible increase in the rate of utilisation cannot be ruled out during the remaining months of the year. This may occur, for example, as a result of greater market volatility or following adjustments as part of the current validation of risk models. We have already included such a potential increase in our planning.

Risk report

Organisation of risk management and control

There have been no significant changes in the organisation of risk management and control relative to the description provided in the 2013 Group management report. Adjustments have been made only to a number of selected areas.

The mechanisms for monitoring compliance as part of operational risk are currently being further refined or expanded, as part of an over-arching project. These changes are based on the new compliance function introduced by the 4th amendment to MaRisk (German Minimum Requirements for Risk Management).

The internal models used to capture market risk were also developed further during the period under review, with a view to achieving regulatory recognition of the internal market risk model. During the first half of 2014, this work included further refinements to the range of yield curves and their use in calculating market risk.

In terms of risk reporting, the largest change was to expand significantly the presentation of risk concentrations, specifically counterparty risks. In this context, the underlying data for the credit risk report was also aligned more closely with the financial indicators used for internal limit-setting. In order to improve comparability, this change was also applied to the figures reported at the end of 2013.

Overall risk position of DekaBank

Risk definitions, concentrations and measurement

For risk management purposes, the individual risk types are derived from the annual risk inventory. As in the past, the Deka Group continues to view counterparty risk, market price risk, operational risk, liquidity risk and business risk as material, along with reputational risk across the board.

The definitions used for the individual types of risk are the same as those presented in the 2013 Group Management Report.

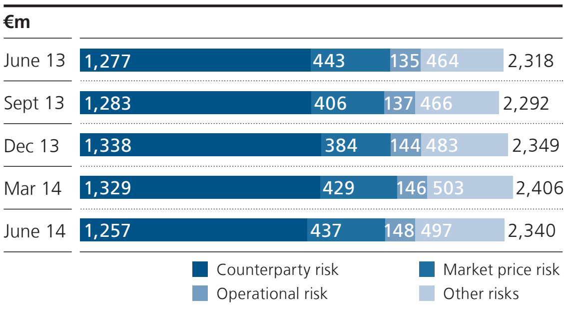
The risk profile presented in the 2013 Group management report, along with the associated risk concentrations and areas of focus for each business division remain largely unchanged, as do the risk measurement concepts based on them. The allocation of risk capital to the business divisions was changed during the year, in view of the LBB activities taken over, and taking into account current medium-term planning. However, the overall risk limit for the Deka Group remains unchanged.

Overall risk position for the first half of 2014

Given the relatively calm market environment and low levels of volatility, the Deka Group's overall risk position has changed only marginally when compared with the end of 2013.

Under the liquidation approach, which is used for management purposes, the Deka Group's overall risk (Value-at-Risk or VaR, with a confidence level of 99.9% and a holding period of one year) stood at €2,340m as at 30 June 2014 (end of 2013: €2,349m). Counterparty risk fell considerably, due in part to repayments, improvements in individual ratings and a fall in migration risk, but this was offset by a rise in market price risk arising both from the expansion of positions in individual portfolios and changes in risk modelling methods. The inclusion for the first time of risks and losses associated with LBBI, along with the number and size of loss events, led to a small

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



rise in operational risk. There was also a moderate increase in business risk in the Securities business division, as LBBI's net provisions, and the increased capital requirements associated with these, were taken into account for the first time. The remaining types of risk that are included in the analysis of risk-bearing capacity made only a minor contribution to overall risk (Fig. 15).

As a result of the changes in market price risk and business risk referred to above, the risk attributable to core business increased to €2,159m (end of 2013: €2,075m). In contrast, the decline in VaR for non-core business to €220m (end of 2013: €333m) reflects the continued progress in reducing the portfolio and beneficial changes in spreads.

In spite of the slightly higher level of risk overall, the utilisation of total risk-bearing capacity fell from 47.8% at the end of 2013 to 42.5% at the end of the current reporting period. The utilisation of risk-bearing capacity remained at a non-critical level throughout the whole of the period under review. The main reason for the reduced utilisation is the rise of €591m in overall risk-bearing capacity to €5,504m (end of 2013: €4,913m). This is primarily the result of raising a total of around €500m of subordinated capital. The results to date were also taken into account, and this had a further positive effect.

Subordinated capital is not taken into account in primary risk cover potential. Even so, the additional subordinated capital still had a positive effect here, as it freed up elements of primary capital that were previously tied up by the capital buffer for potential stress situations. The increase in primary risk-cover potential from €3,628m at the end of 2013 to €3,990m as at 30 June 2014 led to a reduction in utilisation from 64.7% to 58.6%.

As well as being considered on an ongoing basis, the macroeconomic stress scenarios that are run on a regular basis also confirmed that total risk-bearing capacity was assured throughout the whole of the reporting period. As at 30 June 2014, the forecast utilisation of total risk-bearing capacity at a measurement date twelve months into the future was below 80% in all scenarios.

Under the going concern approach, that is also analysed as an additional measure, risk-bearing capacity was also assured at all times. Although the utilisation of risk cover potential still available after taking into account a core tier 1 capital ratio of 10.5% increased during the first six months of 2014 from 39.2% to 49.1% (confidence level of 95%), this is still a non-critical level. The major reason for the higher utilisation was the first-time application of CRD IV, which meant that a considerably higher deduction had to be posted in respect of the regulatory tied capital concerned. The free risk cover potential fell (taking into account a core tier 1 capital ratio of 10.5%) by a total of €277m.

Market price risks

During the reporting period the VaR of market price risk for Treasury, the Capital Markets business division and non-core business (with a confidence level of 95% and a risk horizon of ten days) increased from €39.1m to €44.4m (Fig. 16). The operating management limit for Treasury and capital markets business was 60% utilised overall at the end of the first half of 2014 (end of 2013: 53%).

Value-at-risk for treasury, Capital Markets business division and non-core business [1)]
(Confidence level 95%, holding period ten days) *(Fig. 16)*

€m			30.06.2014			31.12.2013	
Category	Treasury and Capital Markets business division	Non-core business	Treasury, Capital Markets business division and non-core business	Treasury and Capital Markets business division	Non-core business	Treasury, Capital Markets business division and non-core business	Change in risk
Interest rate risk	41.3	7.0	44.3	37.0	8.6	39.2	13.0%
Interest rate – general	6.4	1.4	7.5	5.9	1.9	4.8	56.3%
Spread	39.7	6.9	42.6	36.7	8.1	38.9	9.5%
Share price risk	1.3	0.0	1.3	2.7	0.0	2.7	−51.9%
Currency risk	0.8	0.6	1.4	0.5	0.6	0.4	250.0%
Total risk	**41.6**	**7.0**	**44.4**	**36.9**	**8.5**	**39.1**	13.6%

1) Risk ratios for interest rate risk and total risk taking account of diversification; includes issue-specific credit risk spread.

The significant rise in spread risk from €38.9m at the end of 2013 to €42.6m is attributable to the build-up of the liquidity reserve and of positions in the Treasury banking book, particularly in connection with bonds issued by domestic public authorities. Additionally, work undertaken to refine the range of yield curves had the effect of increasing risk. This particularly affected general interest rate risk, which stood at €7.5m as at 30 June 2014 (end of 2013: €4.8m). Significantly lower interest rates in the first half of the year, coupled with falling interest rate volatility, had the effect of reducing risk. Nonetheless, these factors, along with the reduction in the non-core business portfolio were not enough to compensate for the increase in risk.

Because risk positions in the Treasury banking book were reduced, share price risk fell to €1.3m (end of 2013: €2.7m) and was therefore once again insignificant. Currency risk increased during the reporting period as a result of the positions held and the changes in methodology referred to above, rising from €0.4m to €1.4m. At this level, it remains of only minor relevance. As at 30 June 2014, the currency position related mainly to US dollars.

Counterparty risks

The counterparty risk determined using the Credit-Value-at-Risk, or CVaR (confidence level of 99.9% and a risk horizon of one year) fell by €81m compared with 31 December 2013 (€1,338m), ending the period under review at €1,257m. Positive effects of ratings, and hence lower migration risks, contributed to this drop. The reduction in risk was achieved in spite of a moderate increase in positions in the Capital Markets business division (including from the inclusion of LBB's customer-oriented capital market business) and in Treasury. This was offset to a small extent by the ongoing reduction in the non-core business portfolio, which was also aided by unsche-duled repayments. As at 30 June 2014 the results of the validation and further methodological development of the credit portfolio model had also come into effect. These led to a slight increase in risk, but this was more than made up for by the effects set out above.

Gross loan volume increased by a total of €6.5bn over the six-month period to €145.2bn (Fig. 17). The majority of the increase relates to financial institutions and reflects factors such as the higher volume of repo/lending business compared with year-end. There were also volume increases in bond positions issued by domestic public authorities in the domestic public sector risk segment, primarily in connection with the establishment of a larger liquidity reserve. In contrast, volumes in the savings banks risk segment declined, as there was a fall in demand for money market transactions, particularly in the second quarter. Changes in volumes in the remaining risk segments were relatively insignificant. The ongoing reduction in the non-core business portfolio accounted for a fall of €0.4bn in gross loan volume.

Gross loan volume *(Fig. 17)*

€m	30.06.2014	31.12.2013
Financial institutions	71,462	64,864
Public sector Germany	19,589	18,282
Savings banks	12,862	14,220
Corporates	10,575	10,130
Funds (transactions and units)	13,578	13,939
Property risks	6,549	6,279
Transport & export finance	4,076	4,354
Energy and utility infrastructure	1,608	1,910
Other	4,856	4,712
Total	**145,155**	**138,691**

In view of extensive collateralisation, and relative to gross loan volume, the change in net loan volume was small. Compared with the end of 2013 (€53.5bn), it increased by only €0.2bn, to €53.6bn (Fig. 18). In the financial institutions risk segment there was an increase in net loan volume, primarily due to the declining share of covered bonds. The gross volume of repo/lending transactions is significant, but had no material effect because of the ample collateralisation. In contrast, there was a further decline in volumes in connection with domestic public authorities, primarily caused by lower volumes of repo/lending business with the counterparties concerned. There were only minor changes in the remaining risk segments.

Net loan volume *(Fig. 18)*

€m	30.06.2014	31.12.2013
Financial institutions	19,409	18,329
Public sector Germany	3,762	4,783
Savings banks	9,824	9,890
Corporates	7,415	6,851
Funds (transactions and units)	6,362	6,313
Property risk	1,558	1,564
Transport & export finance	609	650
Energy and utility infrastructure	1,523	1,824
Other	3,160	3,253
Total	**53,622**	**53,458**

In terms of regional distribution, the loan portfolio remained strongly focused on the eurozone during the period under review. As at 30 June 2014, 75.5% (end of 2013: 73.1%) of gross loan volume was attributable to eurozone countries. The rise is a consequence of increased business with financial institutions in the eurozone. Germany accounted for just under half of the total gross loan volume. In addition, Great Britain, France and Luxembourg also accounted for a large share. There was a significant increase in business with counterparties in France and Luxembourg, as well as in Germany.

The loan volume relating to borrowers in Italy, Spain, Ireland, Greece and Portugal fell to just €3.8bn compared with the figure of €4.0bn at the end of 2013. This corresponds to a 2.6% (end of 2013: 2.9%) share of overall loan volume. The gross loan volume attributable to counterparties in Russia stood at €0.6bn at the end of the reporting period. DekaBank has no exposure in Ukraine.

In terms of maturities, DekaBank's loan portfolio migrated even more towards the shorter term. As at 30 June 2014, 45.2% of gross loan volume (end of 2013: 43.7%) related to business with a residual term of under one year. This also includes a higher share of repo/lending business. In contrast, the share of maturities of ten years or more accounts for as little as 3%. The average legal residual term of gross loan volume remained almost constant, standing at 2.6 years (+0.1 years).

The savings banks' ability to use the Capital Markets business division as a clearing member (central counterparty or CCP) led to a significant rise in loan volume with EUREX Clearing AG. This meant that the proportion of loans falling within the category of €2.5bn and above increased further when compared with the end of 2013. These positions are mainly made up of collateralised transactions such as repo/lending transactions, most of which are collateralised with securities, derivative transactions concluded under netting agreements, and covered securities such as *Pfandbriefe* or securities either issued or backed by the Federal Republic of Germany. Due to this extensive level of collateralisation, the remaining net loan volume is considerably lower. For loan volumes under the €2.5bn threshold, DekaBank also recorded an increase in connection with repo/lending transactions.

Over the past six months, the average rating for the gross loan volume improved from 3 to 2 on the DSGV master scale. The average probability of default decreased slightly, from 15 bps to 13 bps. The rating for the net loan volume remained unchanged at 3, with an average probability of default of 16 bps (end of 2013: 17 bps), meaning that DekaBank reached its target rating for lending business overall. Within the groupings determined by rating class, the rating of around 91% of net loan volume did not change relative to the end of 2013. The majority of rating changes for the remainder were upgrades. Overall, ratings for financial institutions improved from 2 to A, while savings banks continued to receive the best possible rating of AAA (Fig. 19).

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

€m	Average PD in bps	Average rating 30.06.2014	30.06.2014	Average PD in bps	Average rating 31.12.2013	31.12.2013
Financial institutions	8	A	19,409	11	2	18,329
Savings banks	1	AAA	9,824	1	AAA	9,890
Corporates	18	3	7,415	21	4	6,851
Public sector international	5	A+	2,001	6	A	1,958
Public sector Germany	1	AAA	3,762	1	AAA	4,783
Public infrastructure	245	10	791	81	7	913
Transport & export finance	162	8	609	174	9	650
Energy and utility infrastructure	109	8	1,523	139	8	1,824
Property risk	39	5	1,558	43	5	1,564
Retail portfolio	14	3	279	15	3	292
Funds (transaction and units)	14	3	6,362	14	2	6,313
Equity investments	40	5	89	121	8	90
Total result	**16**	**3**	**53,622**	**17**	**3**	**53,458**

Provisions for loan losses reported on the balance sheet declined from €227.4m at the end of 2013 to €220.0m, mainly due to the utilisation of specific valuation allowances. General portfolio provisions for country and creditworthiness risks and provisions for portfolio risks changed only slightly compared with the end of 2013 (Fig. 20).

Provisions for loan losses by risk segment *(Fig. 20)*

€m	Financial institutions	Funds	Transport & export finance	Energy and utility infrastructure	Property risk	Public infra-structure	Corporates	Other	30.06.2014	31.12.2013
Impaired gross loan volume [1]	**0.0**	**0.0**	**433.4**	**25.3**	**72.0**	**67.7**	**16.6**	**1.0**	**616.0**	**632.2**
Collateral at fair value	**0.0**	**0.0**	**182.9**	**0.0**	**44.0**	**0.0**	**0.0**	**0.0**	**226.9**	**212.3**
Impaired net loan volume [1]	**0.0**	**0.0**	**250.5**	**25.3**	**28.0**	**67.7**	**16.6**	**1.0**	**389.1**	**419.9**
Provisions for loan losses [2]	**4.9**	**0.7**	**119.3**	**14.1**	**36.2**	**24.0**	**20.0**	**0.8**	**220.0**	**227.4**
Specific valuation allowances	0.0	0.0	88.8	4.1	30.7	20.4	15.9	0.1	160.0	179.2
Provisions	0.0	0.0	11.3	0.0	0.0	0.0	0.4	0.3	12.0	3.3
Portfolio valuation allowances for country risks	0.0	0.0	1.3	1.9	0.0	0.0	0.0	0.0	3.2	1.3
Portfolio valuation allowances for creditworthiness risks	4.9	0.7	17.9	8.1	5.5	3.6	3.7	0.4	44.8	43.6

[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 and specific provisions have been recognised.

Operational risks

The VaR determined for operational risks, using an advanced measurement approach (AMA), with a confidence level of 99.9% and a risk horizon of one year, increased in the first half of 2014 from €144m to €148m. This small rise is in part attributable to the inclusion for the first time of loss events and scenarios for LBBI, and also to additional internal loss events occurring during the reporting period, and external loss events. Nonetheless, the level of risk and utilisation of the allocated risk capital remain non-critical. As part of the process of allocating VaR to the business divisions and operating units, which is important for internal management purposes, the Securities business division was given a higher weighting. The main reasons for this were the inclusion of LBBI and the loss events that occurred.

The OR loss potential identified in the Group-wide risk inventory remained at €49.7m, the same figure as at the end of 2013. In contrast to VaR, which is an upper limit for losses, allocating a specific probability that the limit will not be exceeded, loss potential is an expected value that results from the estimated likelihood and scale of losses of all OR scenarios in the Deka Group. The increase in risk resulting from taking on those risks associated with LBBI was mostly counteracted by lower risks in the business divisions and Corporate Centres.

Liquidity risks

Ample levels of liquidity continued to be available to the Deka Group during the first half of 2014. In terms of liquidity potential, the Group has access to a high level of liquid securities, which for the most part are eligible as central bank collateral, as well as to surplus cover available within the cover pool and corresponding repo transactions. A substantial part of the Group's liquidity generation and provision is driven by its business with savings banks and funds.

There were no limit overruns at any time during the reporting period. There were clear positive liquidity balances in all relevant maturity bands of the leading funding matrix, the "combined stress scenario", for periods of up to 20 years.

As at 30 June 2014, the accumulated liquidity balance of the Deka Group's "combined stress scenario" funding matrix in the short-term range (up to one week) stood at €5.3bn (end of 2013: €6.3bn). In the maturity band of up to one month, the liquidity surplus totalled €9.7bn (end of 2013: €9.5bn), and in the medium to long-term range (three months) it was €16.3bn (end of 2013: €13.6bn) (Fig. 21).

Combined stress scenario funding matrix of Deka Group as at 30 June 2014 *(Fig. 21)*

€m	D1	>D1–1M	>1M–12M	>12M–5Y	>5Y–20Y	>20Y
Liquidity potential (accumulated)	21,344	33,204	4,444	50	9	33
Net cash flows from derivatives (accumulated)[1]	–156	61	2,005	2,061	1,102	1,144
Net cash flows from other products (accumulated)	–17,243	–23,519	15,081	14,860	5,044	–2,118
Liquidity balance (accumulated)	**3,944**	**9,745**	**21,529**	**16,970**	**6,155**	**–942**
For information purposes:						
Net cash flows from derivatives by legal maturity (accumulated)	–156	–40	–416	–1,483	–2,355	809
Net cash flows from other products by legal maturity (accumulated)	–12,982	–29,860	–25,101	–4,567	–1,944	–2,638
Net cash flows by legal maturity (accumulated)	**–13,139**	**–29,900**	**–25,517**	**–6,049**	**–4,299**	**–1,829**

[1] Including synthetic lending substitute transactions.

As at 30 June 2014, 67.6% of the Group's total refinancing was obtained via money market products, and 32.4% was derived from capital market products. Money market products represent a higher proportion because of the growth in short-term business. In terms of its maturity structure, the refinancing profile for lending business was balanced. Most of the investors in money market refinancing are financial service providers such as clearing houses, stock exchanges and funds, or large banks and savings banks. This means that the Group's refinancing continued to be broadly diversified by investor group.

Likewise, the Group exceeded the regulatory requirements of the German Liquidity Directive (*Liquiditätsverordnung – LiqV*) at all times during the reporting period. The average liquidity ratio during the reporting period for the first maturity band, determined on a daily basis, was 1.39 (previous year: 1.35 (July to December)). It fluctuated within a range of 1.32 to 1.55. As at 30 June 2014, the ratio stood at 1.39 (end of 2013: 1.41).

Business risk

Business risk increased during the reporting period, from €421m to €433m. The main reason for this was that LBBI was included in the calculation for the first time, leading to an increased capital requirement for the Securities business division. Accordingly, the risk capital allocated in respect of business risk was adjusted upwards. Business risk in the Real Estate business division, along with overall business risk, remained roughly at the same level as in the previous year.

Other risks

There were only minor changes in shareholding risk, property risk and property fund risk compared with the position at the end of 2013, and overall these risks were insignificant.

Structured capital market credit products

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

In terms of volume, this portfolio is no longer a significant part of DekaBank's overall portfolio, given that the business is being wound down. Accordingly, after a significant reduction in the previous year, the net nominal value declined further, standing at €0.8bn as at 30 June 2014 (end of 2013: €1.0bn).

As at 30 June 2014, 88.8% of the portfolio (end of 2013: 88.0%) was rated as investment grade, with more rating upgrades than downgrades in the first half of the year. As before, the remaining portfolio is focused on western Europe. As at 30 June 2014, 79.2% of the securitisations related to the European market.

Based on current expectations, around half of the remaining securitised positions will be repaid or will expire by the end of 2017.

Based on a confidence level of 95% and a holding period of ten days, the credit spread risk for the securitisation positions in non-core business totalled €4.5m as at 30 June 2014 (end of 2013: €6.1m).

Interim financial statements

Statement of comprehensive income for the period from 1 January to 30 June 2014

€m	Notes	1st half 2014	1st half 2013	Change	
Interest and similar income		849.0	1,147.8	–298.8	–26.0%
Interest expenses		697.0	989.5	–292.5	–29.6%
Net interest income	[6]	**152.0**	**158.3**	–6.3	–4.0%
Provisions for loan losses	[7]	**–5.3**	**–49.4**	44.1	89.3%
Net interest income after provisions for loan losses		**146.7**	**108.9**	37.8	34.7%
Commission income		1,101.4	1,143.0	–41.6	–3.6%
Commission expenses		626.2	659.0	–32.8	–5.0%
Net commission income	[8]	**475.2**	**484.0**	–8.8	–1.8%
Trading profit or loss	[9]	**154.3**	**169.4**	–15.1	–8.9%
Profit or loss on financial instruments designated at fair value	[10]	**136.2**	**108.0**	28.2	26.1%
Profit or loss from fair value hedges in accordance with IAS 39		**2.5**	**4.0**	–1.5	–37.5%
Profit or loss on financial investments	[11]	**1.8**	**0.5**	1.3	260.0%
Administrative expenses	[12]	**422.1**	**418.0**	4.1	1.0%
Other operating profit	[13]	**–32.5**	**–79.4**	46.9	59.1%
Net income before tax		**462.1**	**377.4**	84.7	22.4%
Income taxes	[14]	**172.6**	**138.3**	34.3	24.8%
Interest expenses for atypical silent capital contributions		**20.1**	**20.7**	–0.6	–2.9%
Net income		**269.4**	**218.4**	51.0	23.4%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		269.4	218.4	51.0	23.4%
Changes not recognised in income					
Items that will be reclassified into profit or loss					
Reserve from the measurement of available for sale financial instruments		–0.6	–0.6	0.0	0.0%
Reserve from the measurement of cash flow hedges		–9.6	7.2	–16.8	–233.3%
Reserve from currency translation		0.4	–1.0	1.4	140.0%
Deferred taxes on items that can be reclassified into profit or loss		3.2	–2.1	5.3	252.4%
Items that will not be reclassified into profit or loss					
Revaluation gains/losses on defined benefit pension obligations		–39.6	0.0	–39.6	n/a
Deferred taxes on items that cannot be reclassified into profit or loss		12.6	0.0	12.6	n/a
Results not recognised in income		**–33.6**	**3.5**	–37.1	(< –300%)
Net income for the period under IFRS		**235.8**	**221.9**	13.9	6.3%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		235.8	221.9	13.9	6.3%

Balance sheet as at 30 June 2014

€m	Notes	30.06.2014	31.12.2013	Change	
Assets					
Cash reserves		**132.6**	**527.3**	–394.7	–74.9%
Due from banks	[15]	**31,452.8**	**30,727.7**	725.1	2.4%
(net after provisions for loan losses amounting to)	[17]	(2.3)	(3.5)	–1.2	–34.3%
Due from customers	[16]	**24,886.8**	**26,945.7**	–2,058.9	–7.6%
(net after provisions for loan losses amounting to)	[17]	(200.8)	(211.3)	–10.5	–5.0%
Financial assets at fair value	[18]	**59,650.4**	**53,063.6**	6,586.8	12.4%
(of which deposited as collateral)		(12,040.1)	(8,634.3)	3,405.8	39.4%
Positive market values from derivative hedging instruments		**300.6**	**234.6**	66.0	28.1%
Financial investments	[19]	**3,593.3**	**3,819.7**	–226.4	–5.9%
(net after provisions for loan losses amounting to)		(3.1)	(5.9)	–2.8	–47.5%
(of which deposited as collateral)		(432.6)	(547.5)	–114.9	–21.0%
Intangible assets	[20]	**206.3**	**89.4**	116.9	130.8%
Property, plant and equipment	[21]	**30.5**	**30.8**	–0.3	–1.0%
Current income tax assets		**174.9**	**180.9**	–6.0	–3.3%
Deferred income tax assets		**135.1**	**151.3**	–16.2	–10.7%
Other assets		**263.3**	**301.9**	–38.6	–12.8%
Total assets		**120,826.6**	**116,072.9**	4,753.7	4.1%
Liabilities					
Due to banks	[22]	**40,008.2**	**39,000.7**	1,007.5	2.6%
Due to customers	[23]	**25,682.8**	**21,000.5**	4,682.3	22.3%
Securitised liabilities	[24]	**22,058.2**	**23,717.3**	–1,659.1	–7.0%
Financial liabilities at fair value	[25]	**25,958.4**	**25,558.6**	399.8	1.6%
Negative market values from derivative hedging instruments		**152.8**	**200.2**	–47.4	–23.7%
Provisions	[26]	**553.1**	**432.0**	121.1	28.0%
Current income tax liabilities		**109.0**	**75.7**	33.3	44.0%
Deferred income tax liabilities		**32.6**	**21.0**	11.6	55.2%
Other liabilities		**807.9**	**836.9**	–29.0	–3.5%
Subordinated capital	[27]	**1,464.5**	**1,409.6**	54.9	3.9%
Atypical silent capital contributions		**52.4**	**52.4**	0.0	0.0%
Equity	[28]	**3,946.7**	**3,768.0**	178.7	4.7%
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		3,366.6	3,365.0	1.6	0.0%
d) Revaluation reserve		–83.8	–49.8	–34.0	–68.3%
e) Currency translation reserve		12.5	12.1	0.4	3.3%
f) Accumulated profit/loss (consolidated profit)		269.4	58.7	210.7	(> 300 %)
g) Minority interests		0.0	0.0	0.0	n/a
Total liabilities		**120,826.6**	**116,072.9**	4.753.7	4.1%

Condensed statement of changes in equity for the period from 1 January to 30 June 2014

€m	Subscribed capital	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 01.01.2013	**191.7**	**190.3**	**3,126.8**	**58.7**
Net income				218.4
Other comprehensive income				
Net income for the period under IFRS	**–**	**–**	**–**	**218.4**
Changes in the scope of consolidation and other changes			0.5	
Distribution				−58.7
Holdings as at 30.06.2013	**191.7**	**190.3**	**3,127.3**	**218.4**
Net income				77.5
Other comprehensive income				
Net income for the period under IFRS	**–**	**–**	**–**	**77.5**
Changes in the scope of consolidation and other changes			0.5	
Allocation to reserves from retained earnings			237.2	−237.2
Holdings as at 31.12.2013	**191.7**	**190.3**	**3,365.0**	**58.7**
Net income				269.4
Other comprehensive income				
Net income for the period under IFRS	**–**	**–**	**–**	**269.4**
Changes in the scope of consolidation and other changes			1.6	
Distribution				−58.7
Holdings as at 30.06.2014	**191.7**	**190.3**	**3,366.6**	**269.4**

Revaluation reserve				Currency translation reserve	Total before minority interests	Minority interests	Equity
Provisions for pensions	Cash flow hedges	Financial instruments available for sale	Deferred taxes				
−82.6	**−10.2**	**1.2**	**29.1**	**13.2**	**3,518.2**	–	**3,518.2**
					218.4		**218.4**
0.0	7.2	−0.6	−2.1	−1.0	**3.5**	–	**3.5**
0.0	**7.2**	**−0.6**	**−2.1**	**−1.0**	**221.9**	–	**221.9**
					0.5	–	**0.5**
					−58.7		**−58.7**
−82.6	**−3.0**	**0.6**	**27.0**	**12.2**	**3,681.9**	–	**3,681.9**
					77.5		**77.5**
−6.2	18.2	0.0	−3.8	−0.1	**8.1**		**8.1**
−6.2	**18.2**	**0.0**	**−3.8**	**−0.1**	**85.6**	–	**85.6**
					0.5	–	**0.5**
					–		–
−88.8	**15.2**	**0.6**	**23.2**	**12.1**	**3,768.0**	–	**3,768.0**
					269.4		**269.4**
−39.6	−9.6	−0.6	15.8	0.4	**−33.6**		**−33.6**
−39.6	**−9.6**	**−0.6**	**15.8**	**0.4**	**235.8**	–	**235.8**
					1.6	–	**1.6**
					−58.7		**−58.7**
−128.4	**5.6**	**0.0**	**39.0**	**12.5**	**3,946.7**	–	**3,946.7**

Condensed cash flow statement for the period from 1 January to 30 June 2014

€m	1st half 2014	1st half 2013
Cash and cash equivalents at the beginning of the period	**527.3**	**3,387.7**
Cash flow from operating activities	−419.4	−1,317.6
Cash flow from investing activities	108.5	−3.2
Cash flow from financing activities	−15.9	−91.0
Effects of changes in the scope of consolidation	−67.9	0.0
Cash and cash equivalents at the end of the period	**132.6**	**1,975.9**

The definitions for the individual cash flow components are the same as in the 2013 consolidated financial statements.

Notes

Segment reporting

1 Segmentation by business divisions

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

However, 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. Due to the requirements of IFRS 8, since 2007 the economic result has also been included in external reporting as material segment information.

	Securities		Real Estate		Capital Markets		Financing	
	Economic result							
€m	1st half 2014	1st half 2013	1st half 2014	1st half 2013	1st half 2014	1st half 2013	1st half 2014	1st half 2013
Net interest income	32.5	21.4	34.5	38.5	14.9	14.4	40.6	50.1
Provisions for loan losses	–	–	1.3	6.7	–0.1	–0.4	–9.5	–54.8
Net commission income	325.2	349.9	108.1	98.0	41.3	38.8	4.3	0.7
Net financial income [2]	5.7	3.3	1.3	–1.5	181.7	132.9 [5]	0.1	–1.5
Other operating income [3]	–2.6	–2.8	2.1	0.1	–10.0	–45.7	0.3	0.1
Total income	**360.8**	**371.8**	**147.3**	**141.8**	**227.8**	**140.0**	**35.8**	**–5.4**
Administrative expenses (including depreciation)	208.2	194.2	63.3	63.8	89.4	87.3	13.5	13.6
Restructuring expenses [3]	2.0	–	0.7	–	0.3	–	0.2	–
Total expenses	**210.2**	**194.2**	**64.0**	**63.8**	**89.7**	**87.3**	**13.7**	**13.6**
(Economic) result before tax	**150.6**	**177.6**	**83.3**	**78.0**	**138.1**	**52.7**	**22.1**	**–19.0**
Cost/income ratio [4]	0.58	0.52	0.43	0.47	0.39	0.62	0.30	0.28

[1] As of the first half of 2014, income effects from actuarial gains and losses are no longer allocated to the respective segment, but shown separately under Other. Moreover, no figures are provided under Other for the cost/income ratio and Group risk as these are not meaningful here.
[2] This includes the result from assets held for trading (trading book portfolio), the result from non-trading assets (banking book portfolio), the result from other financial investments as well as the result from repurchased own issues. In addition, this includes the risk provision for securities in the loans and receivables and held to maturity categories in the amount of €2.8m (first half of 2013: €–1.7m).

Material changes in variables and ratios are shown in the following table:

	Securities		Real Estate		Capital Markets		Financing	
€m	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Group risk (value-at-risk) [1]	550	513	198	195	441	397	244	291
Total customer assets [2]	173,717	157,219	26,811	26,470	7,188	4,969	–	–
Gross loan volume [3]	6,371	6,189	6,439	6,060	86,417	82,223	19,646	20,416

[1] Value-at-risk based on the liquidation value method with confidence level of 99.9% and holding period of one year. As a result of the diversification between the segments (including Other and non-core business) taken into account in market price risk, the risk for core business and the risk for the Deka Group are not determined by adding the values for the segments together.
[2] Figures for the previous year adjusted due to the switch in non-financial performance indicator from "assets under management" to "total customer assets". Total customer assets include fund units in the Group's own portfolios amounting to €1,180.6m (31 December 2013: €1,195.2m).
[3] The data basis was adjusted as at 31 March 2014 to align it more closely with internal limits and thus to the management indicators. The figures as at 31 December 2013 were also restated for comparison purposes.
[4] The gross loan volume includes equity investments not allocated to the respective segments but illustrated separately in the Other segment.

	Treasury		Other[1]		Total core business		Non-core business		Group		Reconciliation		Group	
	Economic result												Net income before tax according to IFRS	
	1st half 2014	1st half 2013	1st half 2014	1st half 2013	1st half 2014	1st half 2013	1st half 2014	1st half 2013	1st half 2014	1st half 2013	1st half 2014	1st half 2013	1st half 2014	1st half 2013
	38.3	56.6	–0.2	–	160.6	181.0	10.7	17.8	171.3	198.8	–19.3	–40.5	152.0	158.3
	–	–	–	–	–8.3	–48.5	3.0	–0.9	–5.3	–49.4	–	–	–5.3	–49.4
	–2.3	–2.8	0.2	–	476.8	484.6	0.1	–	476.9	484.6	–1.7	–0.6	475.2	484.0
	3.5	18.2	–59.9[6]	4.0[6]	132.4	155.4	26.2	29.3	158.6	184.7	136.2	97.2	294.8	281.9
	0.1	0.2	–45.7	–6.7	–55.8	–54.8	–	–	–55.8	–54.8	24.8	–2.5	–31.0	–57.3
	39.6	**72.2**	**–105.6**	**–2.7**	**705.7**	**717.7**	**40.0**	**46.2**	**745.7**	**763.9**	**140.0**	**53.6**	**885.7**	**817.5**
	14.5	17.3	31.7	39.9	420.6	416.1	1.5	1.9	422.1	418.0	–	–	422.1	418.0
	–	–	–1.7	22.1	1.5	22.1	–	–	1.5	22.1	–	–	1.5	22.1
	14.5	**17.3**	**30.0**	**62.0**	**422.1**	**438.2**	**1.5**	**1.9**	**423.6**	**440.1**	**–**	**–**	**423.6**	**440.1**
	25.1	**54.9**	**–135.6**	**–64.7**	**283.6**	**279.5**	**38.5**	**44.3**	**322.1**	**323.8**	**140.0**	**53.6**	**462.1**	**377.4**
	0.37	0.24	–	–	0.59	0.54	0.04	0.04	0.56	0.51				

3) Restructuring expenses are reported separately in segment reporting instead of under other operating income according to the balance sheet.
4) Calculation of the cost/income ratio excluding restructuring expenses and provisions for loan losses.
5) This includes the provision for potential losses from management-relevant effects in the amount of €–17.6m.
This is additional information provided on a voluntary basis and is not an integral part of the IFRS disclosures.
6) This includes the provision for potential losses resulting from management-relevant effects in the amount of €–56.0m (first half of 2013: €–12.4m).
This is additional information provided on a voluntary basis and is not an integral part of the IFRS disclosures.

	Treasury		Other		Total core business		Non-core business		Group	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	738	701	–	–	2,159	2,075	220	333	2,340	2,349
	–	–	108	67	207,824	188,725	–	–	207,824	188,725
	23,801	20,874	88[4]	90[4]	142,762	135,852	2,393	2,839	145,155	138,691

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 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 are illustrated in full for internal management purposes. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in reconciliation to Group income before tax in the "reconciliation" column. Effects relevant for management are also taken into account in the economic result.

Based on the definition of Section 19 (1) of the German Banking Act (KWG), the gross loan volume includes additional risk positions such as, among other things, underlying risks from equity derivatives transactions and transactions for the purposes of mapping the guarantees of guarantee funds, as well as the volume of off-balance sheet counterparty risks.

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

Securities

The Securities segment consists of all the Deka 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 products from selected international cooperation partners. The Deka 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 customer sales. The segment also includes business involving listed ETF index funds. The range of services offered by the segment also includes the Master KVG activities, which institutional customers can use to pool their assets under management with one investment company. The Securities segment also comprises services for custodial accounts, fund administration as well as central fund management services.

Real Estate

All property-related activities of the Deka Group are pooled in the Real Estate segment. This encompasses property investment products for private and institutional investors. The product range includes open-ended property, mutual and special 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. The Real Estate Lending unit completes the Asset Management services offered with financial solutions for third parties, thus offering professional property investors various exit routes.

Capital Markets

The Capital Markets segment is the central product and infrastructure provider as well as a provider of services to savings banks for DekaBank's capital market products. The segment focuses on customer business between the savings banks, DekaBank and capital management companies, providing the link between customers and the capital markets. To fully utilise the platform, services are also offered to selected customers outside the *Sparkassen-Finanzgruppe*, in particular to banks, insurance companies and pension funds.

Financing

The Financing segment includes lending activities that are suitable for asset management. The lending business consists of the management and product launch of loan financing operations, for example savings bank finance, aircraft and ship financing, that is suitable for asset management or meets the needs of institutional customers. The focus is on loans that can be passed on to other banks and institutional investors. The Financing segment is also the central point of contact for savings bank funding.

Treasury

The Treasury corporate centre is part of the overall bank management system. Key areas are the management of market price risks relating to the banking book as well as management of liquidity and the long-term refinancing of the Deka Group. Treasury supports all business divisions in its role as central resource manager. Treasury is listed as a separate segment in the segment reporting.

Other

In particular, income and expenses that are not attributable to the other operating segments are reported under Other. These essentially relate to overheads, actuarial gains and losses resulting from the measurement of pension obligations as well as the general provision for potential losses that are not directly allocable to any operating segment.

Non-core business

Business activities that are being discontinued have been pooled in non-core business since 2009. Securitisations and loans that no longer form part of the core business are managed in non-core business and reduced while safeguarding assets.

Reconciliation of segment results to the consolidated financial statements

In the reporting period, the reporting and measurement differences between internal reporting and IFRS net income before tax amount to €–140.0m (first half of 2013: €–53.6m).

This includes a valuation result of €–89.7m (first half of 2013: €–59.8m) from interest rate and currency-related capital market effects as well as management-related effects. In total, €21.2m (first half of 2013: €–35.4m) of the valuation result relates to trading book portfolios.

The management-related effects refer to a provision for potential charges that are taken into account in corporate management due to the management function of the economic result, but cannot be recorded in IFRS reporting at the present time due to the lack of sufficient reliability.

The general provisioning amount to cover potential risks that could come into effect in the coming months was increased during the first half of the year by €56.0m (in the first half of 2013 the net effect on income amounted to €–30.0m). The total effect on income during the reporting period was reported under Other. With regard to the income effect in the previous year, €–17.6m was attributable to the Capital Markets segment and €–12.4 to Other. As at 30 June 2014, the general provisioning amount stands at €–123.6m (31 December 2013: €–67.6m).

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 from hedging instruments (€–9.7m; first half of 2013: €7.2m) is reported accordingly in the revaluation reserve with no impact on income and thus as part of the economic result. Also recorded in the economic result is the change in the revaluation reserve from actuarial gains and losses in the amount of €–39.6m (first half of 2013: €0.0m) as well as from available for sale portfolios in the amount of €–0.6m (first half of 2013: €–0.6m).

The other amounts shown in the reconciliation column refer to reporting differences between management reporting and the consolidated financial statements. Of these, €21.7m (first half of 2013: €40.6m) relates to internal transactions which are reported in the economic result mainly in net interest income and the corresponding contrary income effects in net financial income. There are also reporting differences in net financial income and in other operating income from the different allocation of income effects from repurchased 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 by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) into European law at the time the financial statements were prepared 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 condensed interim financial statements were prepared in accordance with Section 37y of the Securities Trading Act (WpHG) in conjunction with Section 37w WpHG, with particular account taken of the requirements of IAS 34 (Interim financial reporting).

The consolidated interim financial statements, which are reported in euros, comprise a balance sheet, statement of comprehensive income, condensed statement of changes in equity, condensed cash flow statement and selected explanatory notes. All figures are rounded in accordance with standard commercial practice. This may result in small discrepancies in the calculation of totals within tables.

3 Accounting policies

The interim report is based on the accounting policies of the 2013 annual 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 2013 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 empirical values and other factors, including expectations regarding future events that appear reasonable under the given circumstances. Among other factors, estimation uncertainties arise in connection with loan loss provisions as well as provisions and other liabilities. Where material estimates were required, the assumptions made are outlined in detail below in the explanation for the relevant line items.

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

New or revised accounting regulations were applied by the Deka Group for the first time in the first half of 2014. The new or revised International Financial Reporting Standards (IFRS) relevant for the Group and taken into consideration when preparing the present interim report are described below.

The amendments to IAS 32 “Financial Instruments – Offsetting Financial Assets and Financial Liabilities”, which were published in December 2011, were implemented in the first half of 2014. Implementation had no material impact on the Group.

The regulations in IFRS 10 “Consolidated Financial Statements” and IFRS 11 “Joint Arrangements” were applied in the Deka Group for the first time on 1 January 2014. The first-time application of the new standards did not have any material impact on the consolidated financial statements.

IFRIC 21 "Levies", which was first published in May 2013, was implemented for the first time in the Deka Group in the first half of 2014. The interpretation had no impact on the consolidated financial statements of the Deka Group.

The other IFRS amendments which have to be applied for the first time in financial year 2014 had no or only minor effects for the consolidated financial statements.

Furthermore, the following new or revised standards, which are relevant to the Deka Group, were published by the IASB but not yet adopted into European law and thus did not have to be applied:

IFRS 15 "Revenue from Contracts with Customers", which was published by the IASB in May 2014, will in future replace the existing rules on revenue recognition, including the rules pursuant to IAS 18 "Revenue", and collates all rules on revenue recognition in one single standard. The new standard comprises a five-step model which is to be used to determine the level and timing of revenue recognition. Subject to adoption by the EU into European law, the new standard will first apply retrospectively to financial years starting on or after 1 January 2017. Various simplification options have been granted for first-time application. Earlier adoption is allowed. The impact on the consolidated financial statements is currently being reviewed.

The definitive provisions for IFRS 9 were published on 24 July 2014. At its meeting in February 2014, the IASB provisionally decided that IFRS 9 will be mandatory for financial years starting on or after 1 January 2018 at the earliest.

5 Changes in the scope of consolidation

In addition to DekaBank as parent company, a total of 11 domestic (31 December 2013: 10) and 8 foreign subsidiaries (31 December 2013: 8) in which DekaBank directly or indirectly holds the majority of voting rights are included in the consolidated financial statements. Furthermore, the scope of consolidation includes 9 (31 December 2013: 8) special funds and continues to include one mutual fund that are controlled by DekaBank. The change in the scope of consolidation stems from the acquisition of shares in Landesbank Berlin Investment GmbH, Berlin (LBBI). For more detailed information, please see note [20].

In total, 17 (31 December 2013: 16) companies in which DekaBank has direct or indirect holdings were not consolidated. They are of minor significance for the presentation of the assets, financial position and earnings of the Group. The shares held in these companies are reported under financial investments.

Mutual funds are not consolidated due to their minor importance to the consolidated financial statements. The significance for the presentation of the assets, financial position and earnings of the Group is assessed using simulation calculations. The units in non-consolidated mutual funds are recognised at fair value through profit or loss. These are shown under financial assets at fair value.

Equity investments in S Broker AG & Co. KG and Dealis Fund Operations GmbH (associated companies) as well as the equity investment in S PensionsManagement GmbH (joint venture company) are included in the consolidated financial statements using the equity method.

The subsidiaries, joint ventures, associated companies and funds as well as the companies and equity investments not included in the consolidated financial statements due to lack of materiality are shown in the list of shareholdings (note [35]).

Notes to the statement of comprehensive income

6 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 and the associated refinancing expenses are not included as they are reported in trading profit or loss. Under IAS 32, silent capital contributions are classified as debt and the payments to typical silent partners are reported in interest expenses.

€m	1st half 2014	1st half 2013	Change
Interest income from			
Lending and money market transactions	417.8	549.1	–131.3
Interest rate derivatives (economic hedges)	153.0	305.4	–152.4
Fixed-interest securities and debt register claims	158.7	165.4	–6.7
Hedging derivatives (hedge accounting)	23.7	62.8	–39.1
Current income from			
Shares and other non fixed-interest securities	93.9	63.5	30.4
Equity investments	1.9	1.6	0.3
Total interest income	**849.0**	**1,147.8**	–298.8
Interest expenses for			
Liabilities	301.4	373.2	–71.8
Interest rate derivatives (economic hedges)	262.5	415.8	–153.3
Hedging derivatives (hedge accounting)	40.6	56.4	–15.8
Securitised liabilities	73.9	120.7	–46.8
Subordinated capital	8.8	13.6	–4.8
Typical silent capital contributions	9.8	9.8	–
Total interest expenses	**697.0**	**989.5**	–292.5
Net interest income	**152.0**	**158.3**	–6.3

7 Provisions for loan losses

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

€m	1st half 2014	1st half 2013	Change
Allocations to provisions for loan losses	–30.1	–75.0	44.9
Direct write-downs on receivables	–3.6	–0.4	–3.2
Reversals of provisions for loan losses	20.1	25.3	–5.2
Income on written-down receivables	8.3	0.7	7.6
Provisions for loan losses	**–5.3**	**–49.4**	44.1

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

8 Net commission income

€m	1st half 2014	1st half 2013	Change
Commission income from			
Investment fund business	1,011.1	1,062.9	–51.8
Securities business	60.8	53.7	7.1
Lending business	17.5	11.9	5.6
Other	12.0	14.5	–2.5
Total commission income	**1,101.4**	**1,143.0**	–41.6
Commission expenses for			
Investment fund business	611.3	644.1	–32.8
Securities business	8.8	7.3	1.5
Lending business	5.2	6.4	–1.2
Other	0.9	1.2	–0.3
Total commission expenses	**626.2**	**659.0**	–32.8
Net commission income	**475.2**	**484.0**	–8.8

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

9 Trading profit or loss

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

€m	1st half 2014	1st half 2013	Change
Sales and valuation results	–156.4	–327.3	170.9
Net interest income and current income from trading transactions	320.2	502.0	–181.8
Commission on trading transactions	–9.5	–5.2	–4.3
Trading profit or loss	**154.3**	**169.5**	–15.2

10 Profit or loss on financial instruments designated at fair value

This item includes profit or loss on financial instruments allocated to the designated at fair value subcategory as well as the profit or loss on derivatives in the banking book.

€m	1st half 2014	1st half 2013	Change
Sales and valuation results	128.1	115.8	12.3
Foreign exchange profit or loss	8.2	–7.7	15.9
Commission	–0.1	–0.1	–
Total	**136.2**	**108.0**	28.2

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

11 Profit or loss on financial investments

€m	1st half 2014	1st half 2013	Change
Sales and valuation results from securities	–1.3	0.5	–1.8
Sales and valuation results from share ownership	–0.9	–0.1	–0.8
Net income from investments valued at equity	1.2	1.8	–0.6
Reversal of/allocation to risk provision for securities	2.8	–1.7	4.5
Net income from financial investments	**1.8**	**0.5**	1.3

12 Administrative expenses

€m	1st half 2014	1st half 2013	Change
Personnel expenses	218.7	205.3	13.4
Operating expenses	191.0	202.8	–11.8
Depreciation of property, plant and equipment and intangible assets	12.4	9.9	2.5
Administrative expenses	**422.1**	**418.0**	4.1

Operating expenses include the pro rata contribution to the restructuring fund for credit institutions (bank levy) amounting to €13.5m (first half of 2013: €13.9m).

13 Other operating income

The breakdown in other operating income is as follows:

€m	1st half 2014	1st half 2013	Change
Income from repurchased debt instruments	**–14.9**	**–2.2**	–12.7
Other operating income	8.1	6.6	1.5
Other operating expenses	25.7	83.8	–58.1
Other operating income	**–32.5**	**–79.4**	46.9

The change in income from repurchased debt instruments is attributable to unscheduled redemptions in the first half of the year. The higher figure for other operating expenses in the first half of 2013 is due to non-recurring effects in the previous year.

14 Income taxes

Based on the corporation tax and trade tax rates applicable for 2014, 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 partnership. As in the previous year, this portion of the tax expense is shown as part of income tax expenses.

Notes to the consolidated balance sheet

15 Due from banks

€m	30.06.2014	31.12.2013	Change
Domestic banks	22,604.8	22,428.1	176.7
Foreign banks	8,850.3	8,303.1	547.2
Due from banks before risk provisions	**31,455.1**	**30,731.2**	723.9
Provisions for loan losses	–2.3	–3.5	1.2
Total	**31,452.8**	**30,727.7**	725.1

16 Due from customers

€m	30.06.2014	31.12.2013	Change
Domestic borrowers	6,421.8	9,293.4	–2,871.6
Foreign borrowers	18,665.8	17,863.6	802.2
Due from customers before risk provision	**25,087.6**	**27,157.0**	–2,069.4
Provisions for loan losses	–200.8	–211.3	10.5
Total	**24,886.8**	**26,945.7**	–2,058.9

17 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	30.06.2014	31.12.2013	Change
Provisions for loan losses – due from banks			
Portfolio valuation allowances for creditworthiness risks	2.3	3.5	–1.2
Provisions for loan losses – due from customers			
Specific valuation allowances	160.0	179.2	–19.2
Portfolio valuation allowances for creditworthiness risks	37.6	30.8	6.8
Portfolio valuation allowances for country risks	3.2	1.3	1.9
Total	**203.1**	**214.8**	–11.7

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

€m	Opening balance 01.01.2014	Allocation	Utilisation	Reversal	Reclassification	Currency effects	Closing balance 30.06.2014
Provisions for loan losses – due from banks							
Portfolio valuation allowances for creditworthiness risks	3.5	–	–	1.2	–	–	2.3
Sub-total	**3.5**	**–**	**–**	**1.2**	**–**	**–**	**2.3**
Provisions for loan losses – due from customers							
Specific valuation allowances	179.2	9.6	16.1	14.1	–	1.4	160.0
Portfolio valuation allowances for creditworthiness risks	30.8	7.3	–	0.5	–	–	37.6
Portfolio valuation allowances for country risks	1.3	1.9	–	–	–	–	3.2
Sub-total	**211.3**	**18.8**	**16.1**	**14.6**	**–**	**1.4**	**200.8**
Provisions for credit risks							
Specific risks	3.3	11.3	–	2.6	–	–	12.0
Portfolio risks	3.5	–	–	1.7	–	–	1.8
Sub-total	**6.8**	**11.3**	**–**	**4.3**	**–**	**–**	**13.8**
Total	**221.6**	**30.1**	**16.1**	**20.1**	**–**	**1.4**	**216.9**

€m	Opening balance 01.01.2013	Allocation	Utilisation	Reversal	Reclassification	Currency effects	Closing balance 31.12.2013
Provisions for loan losses – due from banks							
Specific valuation allowances	365.1	–	343.3	19.6	–2.2	–	–
Portfolio valuation allowances for creditworthiness risks	2.3	1.2	–	–	–	–	3.5
Sub-total	**367.4**	**1.2**	**343.3**	**19.6**	**–2.2**	**–**	**3.5**
Provisions for loan losses – due from customers							
Specific valuation allowances	284.1	101.9	155.1	38.8	–	–12.9	179.2
Portfolio valuation allowances for creditworthiness risks	53.6	1.3	–	24.1	–	–	30.8
Portfolio valuation allowances for country risks	1.3	–	–	–	–	–	1.3
Sub-total	**339.0**	**103.2**	**155.1**	**62.9**	**–**	**–12.9**	**211.3**
Provisions for credit risks							
Specific risks	2.7	1.1	–	0.4	–	–0.1	3.3
Portfolio risks	3.3	0.2	–	–	–	–	3.5
Sub-total	**6.0**	**1.3**	**–**	**0.4**	**–**	**–0.1**	**6.8**
Total	**712.4**	**105.7**	**498.4**	**82.9**	**–2.2**	**–13.0**	**221.6**

Key ratios for provisions for loan losses:

%	30.06.2014	31.12.2013
Reversal / allocation ratio as at reporting date[1] (Quotient from net allocation and lending volume)	– 0.03	– 0.07
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.04	1.48
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.42	0.43
Net provisioning (Quotient from provisions for loan losses and lending volume)	0.69	0.65

[1] Reversal ratio shown without leading sign.

The calculations of the key ratios are based on a lending volume in the balance sheet of €31.6bn (31 December 2013: €34.1bn).

Provisions for loan losses by risk segment:

	Valuation allowances and provisions for loan losses		Loan defaults [1]		Net allocations to [2] / reversals of valuation allowances and provisions for loan losses	
€m	**30.06.2014**	**31.12.2013**	**2014**	**2013**	**2014**	**2013**
Customers						
Transport & export finance	119.4	112.3	3.7	72.1	– 10.2	– 24.1
Property risks	36.5	37.1	– 0.1	34.0	1.2	– 7.2
Public infrastructure	24.0	21.7	–	23.1	– 2.3	– 16.3
Corporates	18.9	20.2	– 0.7	6.6	1.1	6.6
Energy and utility infrastructure	13.9	25.3	8.5	22.9	– 0.9	– 1.1
Other	1.9	1.5	–	–	– 0.1	0.9
Total customers	**214.6**	**218.1**	**11.4**	**158.7**	**– 11.2**	**– 41.2**
Banks	**2.3**	**3.5**	**–**	**343.7**	**1.2**	**18.4**
Total	**216.9**	**221.6**	**11.4**	**502.4**	**– 10.0**	**– 22.8**

[1] Including payments received on written-down receivables.
[2] Negative in the column.

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

18 Financial assets at fair value through profit or loss

In addition to securities and receivables in the categories held for trading and designated at fair value, the financial assets at fair value through profit or loss include 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	30.06.2014	31.12.2013	Change
Held for trading			
Bonds and debt securities	18,641.8	18,125.1	516.7
Positive market values from derivative financial instruments (trading)	12,280.7	10,933.8	1,346.9
Shares	2,420.6	1,463.4	957.2
Money market securities	720.2	758.9	−38.7
Investment fund units	686.3	987.0	−300.7
Promissory note loans	653.7	528.2	125.5
Total – held for trading	**35,403.3**	**32,796.4**	2,606.9
Designated at fair value			
Bonds and debt securities	19,662.1	15,996.2	3,665.9
Amounts due from securities repurchase agreements	2,508.1	2,511.3	−3.2
Positive market values from derivative financial instruments (economic hedges)	1,395.6	1,362.0	33.6
Investment fund units	626.1	377.3	248.8
Money market securities	50.0	15.1	34.9
Participating certificates	5.2	5.3	−0.1
Total – designated at fair value	**24,247.1**	**20,267.2**	3,979.9
Total	**59,650.4**	**53,063.6**	6,586.8

19 Financial investments

€m	30.06.2014	31.12.2013	Change
Loans and receivables			
Debt securities and other fixed-interest securities	530.5	631.7	−101.2
Held to maturity			
Debt securities and other fixed-interest securities	3,003.5	3,114.8	−111.3
Available for sale			
Debt securities and other fixed-interest securities	–	16.4	−16.4
Shares and other non fixed-interest securities	–	0.1	−0.1
Equity investments	34.3	35.1	−0.8
Shares in affiliated, non-consolidated companies	1.1	1.1	–
Shares in companies valued at equity	27.0	26.4	0.6
Financial investments before risk provision	**3,596.4**	**3,825.6**	−229.2
Risk provision	−3.1	−5.9	2.8
Total	**3,593.3**	**3,819.7**	−226.4

20 Intangible assets

€m	30.06.2014	31.12.2013	Change
Purchased goodwill	148.1	53.1	95.0
Software	30.8	36.0	–5.2
Other intangible assets	27.4	0.3	27.1
Total	**206.3**	**89.4**	116.9

The increase in "purchased goodwill" and "other intangible assets" is due to the acquisition of shares in LBBI.

On 1 January 2014 (acquisition date), DekaBank acquired 100.0% of the shares and voting rights of LBBI. LBBI is a medium-sized German investment management company and manages mutual funds for private investors as well as special funds for institutional investors. The company administers total customer assets of around €10bn as at 30 June 2014 and will continue to do so under its own name. The acquisition strengthens DekaBank's position as a fully-fledged securities service provider for savings banks in relation to private and institutional customers and increases the Deka Group's market share in fund business.

A cash purchase price of €70.0m was paid at the date of acquisition. In return for taking on the pension obligations, the bank received a compensation payment from the seller, which reduced the amount payable by €2.1m. The purchase agreement also stipulated a provisional purchase price that is linked to the future performance of the total customer assets. The potential non-discounted sum of all future payments that DekaBank could be committed to under the provisional purchase price agreement lies between zero and a maximum of around €74.4m. For the first time, a fair value of €56.4m was determined for the provisional purchase price as at 30 June 2014 and carried as a provision.

As at 30 June 2014, the provisional amount of the goodwill resulting from the company acquisition amounts to €95.0m. This is based on expected future earnings relating to the total customer assets managed by LBBI.

The identifiable assets acquired and liabilities assumed are shown in the breakdown below:

€m	
Total purchase price	**124.3**
Identifiable assets acquired and liabilities assumed	
Due from banks	20.9
Shares and other non fixed-interest securities	20.6
Intangible assets	31.2
Other assets	8.9
Provisions	13.5
Other liabilities	38.8
Total identifiable net assets	**29.3**
Purchased goodwill	**95.0**

Since 1 January 2014, LBBI has generated earnings of €31.5m (interest, commission and other operating income) and net income after tax of €7.5m, which was accordingly taken into account in the consolidated statement of comprehensive income as at 30 June 2014.

21 Property, plant and equipment

€m	30.06.2014	31.12.2013	Change
Land and buildings	13.0	13.3	–0.3
Plant and equipment	15.5	15.5	0.0
Technical equipment and machines	2.0	2.0	0.0
Total	**30.5**	**30.8**	–0.3

22 Due to banks

€m	30.06.2014	31.12.2013	Change
Domestic banks	24,449.7	26,554.5	– 2,104.8
Foreign banks	15,558.5	12,446.2	3,112.3
Total	**40,008.2**	**39,000.7**	1,007.5

23 Due to customers

€m	30.06.2014	31.12.2013	Change
Domestic customers	18,970.8	15,174.1	3,796.7
Foreign customers	6,712.0	5,826.4	885.6
Total	**25,682.8**	**21,000.5**	4,682.3

24 Securitised liabilities

The securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Under IAS 39, the own bonds held in the Group in the nominal amount of €1.7bn (31 December 2013: €1.9bn) were deducted from the issued bonds.

€m	30.06.2014	31.12.2013	Change
Debt securities issued	17,996.2	18,896.2	–900.0
Money market securities issued	4,062.0	4,821.1	–759.1
Total	**22,058.2**	**23,717.3**	–1,659.1

25 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 line item.

€m	30.06.2014	31.12.2013	Change
Held for Trading			
Trading issues	7,183.4	4,910.3	2,273.1
Securities short portfolios	839.2	1,277.9	–438.7
Negative market values from derivative financial instruments (trading)	12,599.6	12,648.3	–48.7
Total – held for trading	**20,622.2**	**18,836.5**	1,785.7
Designated at fair value			
Issues	3,840.2	5,163.9	–1,323.7
Negative market values from derivative financial instruments (economic hedges)	1,496.0	1,558.2	–62.2
Total – designated at fair value	**5,336.2**	**6,722.1**	–1,385.9
Total	**25,958.4**	**25,558.6**	399.8

The fair value of issues in the designated at fair value category includes cumulative effects of changes in that liability's own credit risk amounting to €27.4m (31 December 2013: €24.0m).

26 Provisions

€m	30.06.2014	31.12.2013	Change
Provisions for pensions and similar commitments	172.2	121.3	50.9
Provisions for restructuring measures	38.5	45.5	–7.0
Provisions for credit risks	13.8	6.8	7.0
Provisions for legal proceedings and recourses	2.5	1.7	0.8
Provisions in human resources	0.6	0.6	–
Sundry other provisions	325.5	256.1	69.4
Total	**553.1**	**432.0**	121.1

In measuring pension provisions, the actuarial interest rate used of 2.75% was 0.55 percentage points lower than the actuarial interest rate used as at 31 December 2013. The extent of the obligation was determined on the basis of actuarial valuations and an actuarial loss amounting to €39.6m was recognised in other comprehensive income (OCI).

The increase in sundry other provisions is mainly due to the acquisition of shares in LBBI (see note [20]).

Sundry other provisions essentially refer to the following:

Amongst other things, the Deka Group's range of products includes investment funds with guarantees of varying degrees. At maturity of the fund or the investment period, the management company guarantees the capital invested less charges or the unit value at the start of the respective investment period. The amount of the provision is determined from the forecast shortfall at the guarantee date, which yields a difference between the expected and guaranteed unit value. On the reporting date, €2.9m (31 December 2013: €1.6m) was set aside based on the development of the respective fund assets. As at the reporting date, the guarantees covered a maximum volume of €4.4bn (31 December 2013: €5.1bn) at the respective guarantee dates. The market value of the corresponding fund assets totalled €4.6bn (31 December 2013: €5.3bn). These also include the funds described below with a forecast return performance with a volume of €2.0bn (31 December 2013: €2.5bn).

Investment funds, whose return is forecast and published on the basis of current money market interest rates set by the Group, exist in two fund varieties with and without a capital guarantee. However, the forecast return is not guaranteed. Although the Deka Group is not contractually obliged to meet the funds' target returns, the Deka Group retains the right to support the desired performance of the fund and has set aside the necessary amount. 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, €69.9m (31 December 2013: €70.4m) was set aside. The underlying total value of the funds amounted to €5.6bn (31 December 2013: €6.3bn), of which €2.0bn (31 December 2013: €2.5bn) related to funds with a capital guarantee and €3.6bn (31 December 2013: €3.8bn) related to funds without a capital guarantee.

27 Subordinated capital

€m	30.06.2014	31.12.2013	Change
Subordinated liabilities	954.7	868.7	86.0
Profit participation capital	–	21.3	–21.3
Capital contributions of typical silent partners	509.8	519.6	–9.8
Total	**1,464.5**	**1,409.6**	54.9

28 Equity

€m	30.06.2014	31.12.2013	Change
Subscribed capital	191.7	191.7	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings	3,366.6	3,365.0	1.6
Revaluation reserve			
For provisions for pensions	–128.4	–88.8	–39.6
For cash flow hedges	5.6	15.2	–9.6
For financial investments in the available for sale category	–0.0	0.6	–0.6
Applied deferred taxes	39.0	23.2	15.8
Total revaluation reserve	**–83.8**	**–49.8**	–34.0
Currency translation reserve	12.5	12.1	0.4
Consolidated profit/loss	269.4	58.7	210.7
Total	**3,946.7**	**3,768.0**	178.7

Other information

29 Financial instruments under IAS 39 – valuation categories

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

€m	30.06.2014	31.12.2013	Change
Asset items			
Loans and receivables			
Due from banks	31,452.8	30,727.7	725.1
Due from customers	24,886.8	26,945.7	–2,058.9
Financial investments	530.0	631.0	–101.0
Held to maturity			
Financial investments	3,000.9	3,109.6	–108.7
Available for sale			
Financial investments	62.4	79.1	–16.7
Held for trading			
Financial assets at fair value	35,403.3	32,796.4	2,606.9
Designated at fair value			
Financial assets at fair value	24,247.1	20,267.2	3,979.9
Positive market values from derivative hedging instruments	300.6	234.6	66.0
Total asset items	**119,883.9**	**114,791.3**	5,092.6
Liability items			
Other liabilities			
Due to banks	40,008.2	39,000.7	1,007.5
Due to customers	25,682.8	21,000.5	4,682.3
Securitised liabilities	22,058.2	23,717.3	–1,659.1
Subordinated capital	1,464.5	1,409.6	54.9
Held for trading			
Financial liabilities at fair value	20,622.2	18,836.5	1,785.7
Designated at fair value			
Financial liabilities at fair value	5,336.2	6,722.1	–1,385.9
Negative market values from derivative hedging instruments	152.8	200.2	–47.4
Total liability items	**115,324.9**	**110,886.9**	4,438.0

30 Fair value data for financial instruments

Fair value is deemed to be the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

Furthermore, when valuing OTC derivatives, the Bank takes Credit Value Adjustments (CVA) or Debit Value Adjustments (DVA) into consideration in order to account for counterparties' or its own credit risk, provided these are not already included elsewhere in the valuation model. If a netting agreement exists for counterparties, the calculation is performed at the level of the counterparty based on the net position. In other cases, the calculation is performed on the basis of the individual positions.

The following table shows the fair values of financial assets and liabilities compared to the respective book values.

	30.06.2014			31.12.2013		
€m	**Fair value**	**Book value**	**Difference**	**Fair value**	**Book value**	**Difference**
Asset items						
Cash reserve	132.6	132.6	–	527.3	527.3	–
Due from banks (loans and receivables)	31,827.8	31,452.8	375.0	31,103.8	30,727.7	376.1
Due from customers	25,208.6	24,886.8	321.8	27,276.4	26,945.7	330.7
Financial assets at fair value	59,650.4	59,650.4	–	53,063.6	53,063.6	–
Positive market values from derivative hedging instruments	300.6	300.6	–	234.6	234.6	–
Financial assets	3,714.2	3,593.3	120.9	3,913.7	3,819.7	94.0
Loans and receivables	468.6	530.0	–61.4	548.5	631.0	–82.5
Held to maturity	3,183.2	3,000.9	182.3	3,286.1	3,109.6	176.5
Available for sale	62.4	62.4	–	79.1	79.1	–
Other assets	169.2	169.2	–	134.6	134.6	–
Total asset items [1]	**121,003.4**	**120,185.7**	817.7	**116,254.0**	**115,453.2**	800.8
Liability items						
Due to banks	40,259.6	40,008.2	251.4	39,193.9	39,000.7	193.2
Due to customers	26,142.4	25,682.8	459.6	21,432.3	21,000.5	431.8
Securitised liabilities	22,166.1	22,058.2	107.9	23,752.8	23,717.3	35.5
Financial liabilities at fair value	25,958.4	25,958.4	–	25,558.6	25,558.6	–
Negative market values from derivative hedging instruments	152.8	152.8	–	200.2	200.2	–
Subordinated liabilities	1,506.7	1,464.5	42.2	1,391.0	1,409.6	–18.6
Other liabilities	424.8	424.8	–	329.9	329.9	–
Total liability items [2]	**116,610.8**	**115,749.7**	861.1	**111,858.7**	**111,216.8**	641.9

[1] Includes financial assets due on demand or short-term financial assets with a book value of €807.9m.
[2] Includes financial liabilities due on demand or short-term financial liabilities with a book value of €4,966.9m.

For financial instruments due on demand or short-term financial instruments, the fair value corresponds to the respective amount payable as at the reporting date. The book value therefore represents a reasonable approximation to the fair value. These include, among other things, cash on hand, overdraft facilities, sight deposits with regard to banks and customers, and financial instruments included in the other assets or liabilities item. These financial instruments are not allocated to any level of the fair value hierarchy in the table below.

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

Interests in affiliated unlisted companies and other equity investments in the amount of €62.4m (31 December 2013: €62.6m) included in financial investments allocated to the available for sale category, for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at cost. There is currently no intention to sell these assets. These financial instruments are not allocated to any level of the fair value hierarchy in the table below.

Fair value hierarchy

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

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

Level 2 (valuation method based on observable market data): Financial instruments whose fair value can be determined either from similar financial instruments traded on active and liquid markets, from similar or identical financial instruments traded on less liquid markets or based on valuation methods with directly or indirectly observable input factors are allocated to this level.

Level 3 (valuation method not based on observable market data): Financial instruments whose fair value is determined based on valuation models using, among other things, input factors not observable in the market, provided they are significant for the valuation, are allocated to this level.

The following table shows the book value (including accrued interest) of the financial instruments carried at fair value, allocated to the respective fair value hierarchy level:

	30.06.2014				31.12.2013			
€m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset items								
Assets at fair value								
Financial assets at fair value	29,411.2	28,833.2	1,406.0	59,650.4	29,847.6	21,357.8	1,858.2	53,063.6
Debt securities and other fixed-interest securities	25,470.2	12,863.7	1,393.9	39,727.8	27,268.0	6,304.1	1,851.4	35,423.5
Shares and other non fixed-interest securities	3,733.0	–	5.2	3,738.2	2,050.0	783.0	–	2,833.0
Derivative financial instruments								
Interest-rate-related derivatives	–	8,166.7	0.6	8,167.3	–	6,635.2	0.9	6,636.1
Currency-related derivatives	–	121.7	–	121.7	–	126.9	–	126.9
Share-price and other price-related derivatives	208.0	5,173.0	6.3	5,387.3	529.6	4,997.3	5.9	5,532.8
Other financial assets (dafv)	–	2,508.1	–	2,508.1	–	2,511.3	–	2,511.3
Positive market values from derivative hedging instruments	–	300.6	–	300.6	–	234.6	–	234.6
Financial investments	–	–	–	–	16.5	–	–	16.5
Total asset items	**29,411.2**	**29,133.8**	**1,406.0**	**59,951.0**	**29,864.1**	**21,592.4**	**1,858.2**	**53,314.7**
Liability items								
Liabilities at fair value								
Financial liabilities at fair value	1,142.2	24,603.4	212.8	25,958.4	1,844.4	23,584.9	129.3	25,558.6
Short portfolios	797.3	41.9	–	839.2	1,276.7	1.2	–	1,277.9
Derivative financial instruments								
Interest-rate-related derivatives	–	7,390.7	1.2	7,391.9	–	6,132.4	1.0	6,133.4
Currency-related derivatives	–	101.8	–	101.8	–	129.9	–	129.9
Share-price and other price-related derivatives	344.9	6,247.0	10.0	6,601.9	567.7	7,363.9	11.7	7,943.3
Issues	–	10,822.0	201.6	11,023.6	–	9,957.6	116.6	10,074.2
Negative market values from derivative hedging instruments	–	152.8	–	152.8	–	200.2	–	200.2
Total liability items	**1,142.2**	**24,756.2**	**212.8**	**26,111.2**	**1,844.4**	**23,785.1**	**129.3**	**25,758.8**

Fair value hierarchy level 1

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

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

Fair value hierarchy level 2

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

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

Provided that they are not products traded on the stock market, derivative financial instruments are in principle measured using standard valuation models, such as the Black-Scholes model, the Black-76 model, the Hull-White 1 and 2 factor models, displaced diffusion models or the local volatility model. The models are always calibrated using observable market data.

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

Interest rate swaps and interest/currency swap arrangements as well as unlisted interest rate futures are measured on the basis of the discounted cash flow model using the market interest rates applying to the remainder of the term of the financial instruments. The tenor structures of the individual interest rates are taken into account by means of separate curves. In the case of euro instruments, discounting is carried out with the EONIA curve, which is also used for bootstrapping of interest rate curves.

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

Fair values of single name and index credit default swaps are determined using a standard hazard rate model calibrated to the respective par CDS spreads. For tranched basket credit swaps, a Gaussian Copula model is used, whose parameters are determined on the basis of iTraxx and CDX index tranche spreads.

In the reporting period, transfers out of level 2 and into level 1 amounting to €1.1bn (31 December 2013: €1.9bn) were carried out primarily for bonds and other fixed-interest securities as well as for shares and other non fixed-interest securities, as prices in an active market were available for these financial instruments on the reporting date and could be used for the valuation without adjustment. Furthermore, bonds and other fixed-interest securities in the amount of €3.8bn (31 December 2013: €0.6bn) were migrated from level 1 into level 2. Of this amount, €2.3bn was due to a more refined approach to level classification, the remainder to the absence of an active market. In the Deka Group, reclassifications between the individual levels in the fair value hierarchy are deemed to have been carried out as at the end of the respective reporting period.

Fair value hierarchy level 3

The bonds and debt securities in the designated at fair value category and reported under financial assets at fair value through profit or loss essentially relate to synthetic and non-synthetic securitisations which the Bank has been reducing whilst safeguarding assets since the start of 2009.

The fair value of synthetic securitisation transactions is determined using Copula models calibrated to the market prices of index tranches. When valuing the bespoke CSO positions, DekaBank uses one of the standard base correlation mapping procedures. 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 alternative valuations. A discount of 7.0% on the model price was used here. Accordingly, the market value of bespoke CSOs as at 30 June 2014 could have been €1.7m higher.

The fair value for non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations or via spreads derived from indicative quotations for similar bonds. These quotations are obtained from various brokers as well as from market price providers, such as Markit. The bid-ask spreads from the price indications available were used to determine an average spread for the individual segments, which was used as an estimate for price sensitivity. Using this half bid-ask spread, a variation range of 0.7 percentage points averaged across the portfolio was obtained. Hence the market value of the securitisation positions concerned could have been €2.6m lower or higher.

To a small extent, the Bank also allocates equity and interest rate derivatives or issues with embedded equity and interest rate derivatives to level 3, if among other things unobservable valuation parameters are used which are significant for their valuation. For equity and interest rate derivatives requiring correlations in the valuation, the Bank typically uses historical correlations with the respective share prices or interest rate fixings or changes to these. Using a 14.0% shift, the sensitivity of the equity option positions concerned as at 30 June 2014 amounts to around €–1.6m. The size of the shift was determined on the basis of relevant historical fluctuations in the correlations. For interest rate derivatives based on an index spread, the sensitivity in terms of the correlation between the relevant reference indices is mapped via shifts in the model parameters. The resulting change in the correlation is approximately +3%, resulting in a measurement difference of €–0.5m.

Performance of financial instruments in fair value hierarchy level 3

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

	Financial assets at fair value					Financial liabilities at fair value		
€m	Bonds and debt securities (Held for Trading)	Bonds and debt securities (Designated at Fair Value)	Shares and other non fixed-interest securities	Interest-rate-related derivatives	Share-price and other price-related derivatives	Interest-rate-related derivatives	Share-price and other price-related derivatives	Issues
As at January 2013	–	2,094.8	–	–	4.7	0.4	8.7	36.1
Additions through purchase	1.0	–	–	0.9	–	0.7	0.2	–
Disposals through sale	–	78.2	–	–	–	–	–	–
Additions through issues	–	–	–	–	–	–	–	81.2
Maturity/repayments	–	241.8	–	–	–	–	0.2	4.1
Transfers								
To level 3	5.7	–	–	–	–	–	–	3.9
From level 3	–	–	–	–	–	–	–	–
Changes arising from measurement/disposal[1)]								
Recognised in profit or loss	–	67.5	–	–	1.2	0.3	–3.0	0.6
Recognised in other comprehensive income	–	–	–	–	–	–	–	–
As at 31 December 2013	**6.7**	**1,842.3**	**–**	**0.9**	**5.9**	**0.8**	**11.7**	**116.5**
Additions through purchase	616.7	152.9	–	–	–	–	–	–
Disposals through sale	390.7	18.7	–	–	–	–	–	–
Additions through issues	–	–	–	–	–	–	–	91.0
Maturity/repayments	–	167.9	–	–	–	–	2.2	13.4
Transfers								
To level 3	120.2	183.7	5.2	–	–	–	–	–
From level 3	5.6	988.9	–	–	–	–	–	–
Changes arising from measurement/disposal[1)]								
Recognised in profit or loss	0.9	39.7	–	–0.3	0.4	–0.1	–0.5	–7.3
Recognised in other comprehensive income	–	–	–	–	–	–	–	–
As at 30 June 2014	**348.2**	**1,043.1**	**5.2**	**0.6**	**6.3**	**0.9**	**10.0**	**201.4**

[1)] For assets, positive amounts indicate profits and negative amounts losses. For liabilities, positive amounts indicate losses and negative amounts profits.

Bonds and other fixed-interest securities amounting to around €1.0bn were migrated from level 3 to level 2. These relate essentially to balance sheet lending transactions which were valued as at 30 June 2014 using the price provided by the issuer. In addition, bonds and other fixed-interest securities amounting to €0.3bn were migrated to level 3. As a result of a change in the market data situation, broker quotations were no longer observable for these securities as at 30 June 2014. Consequently, the valuation had to be carried out using parameters that are not observable in the market.

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

	Financial assets at fair value				Financial liabilities at fair value		
€m	Bonds and debt securities (Held for Trading)	Bonds and debt securities (Designated at Fair Value)	Interest-rate-related derivatives	Share-price and other price-related derivatives	Interest-rate-related derivatives	Share-price and other price-related derivatives	Issues
All realised profits and losses of the period recognised in the total result [1]							
Net interest income	–	3.2	–	–	–	–	–
Trading result	0.7	–	–	–	–	0.1	–0.3
Profit or loss on financial instruments designated at fair value	–	5.5	–	–	–	–	–
All unrealised profits and losses of the period recognised in the total result [1]							
Net interest income	–	3.9	–	–	–	–	–
Trading result	0.2	–	–0.3	0.4	–0.1	–0.6	–7.0
Profit or loss on financial instruments designated at fair value	–	27.1	–	–	–	–	–

[1] For assets, positive amounts indicate profits and negative amounts losses. For liabilities, positive amounts indicate losses and negative amounts profits.

Measurement processes for financial instruments in fair value hierarchy level 3

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

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

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

For financial instruments whose present value is determined using a valuation model, the prices needed to calibrate the model are either found directly, independently of trading, or are checked via an independent price verification process (IPV) to ensure they are consistent with the market, and are corrected if necessary. The valuation models used are either validated by Risk Control or implemented in Risk Control independently of trading.

The appropriateness of the models is examined by Risk Control on a regular basis, and at least annually. The results of the examination form the basis for a joint recommendation agreed between Risk Control, Finance and the trading units on whether the valuation models should continue to be used or require further development.

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

31 Government-based credit exposure in individual European countries

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

	30.06.2014			31.12.2013		
€m	**Nominal[1]**	**Book value**	**Fair value**	**Nominal[1]**	**Book value**	**Fair value**
Ireland						
Debt securities (held for trading category)	30.0	32.6	32.6	–	–	–
Italy						
Debt securities (held for trading category)	245.0	244.1	244.1	170.0	169.1	169.1
Credit default swaps (protection seller transaction)	70.0	0.3	0.3	20.0	1.0	1.0
Credit default swaps (protection buyer transaction)	–50.0	–0.2	–0.2	–	–	–
Credit linked notes[2] (held for trading category)	–20.0	–19.8	–19.8	–20.0	–19.0	–19.0
Portugal						
Credit default swaps (protection seller transaction)	8.7	0.0	0.0	8.6	0.3	0.3
Credit default swaps (protection buyer transaction)	–8.7	0.0	0.0	–8.6	–0.3	–0.3
Spain						
Receivables (loans and receivables category)	2.8	2.8	2.8	3.0	3.6	3.6
Debt securities (held for trading category)	3.0	3.0	3.0	5.0	5.1	5.1
Credit default swaps (protection seller transaction)	53.9	0.3	0.3	31.8	–0.2	–0.2
Credit default swaps (protection buyer transaction)	–25.0	–0.1	–0.1	–	–	–
Credit linked notes[2] (held for trading category)	–17.0	–17.4	–17.4	–17.0	–17.0	–17.0
Total	**292.7**	**245.6**	**245.6**	**192.8**	**142.6**	**142.6**

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

As at 31 December 2013, the Bank held a bond from a Portuguese financial institution with a nominal value of €46.7m, which was redeemed in full as agreed in the contract in the reporting year.

In addition to exposure to the government of Spain, the Bank also has exposure to Spanish banks. These relate essentially to a loan with a nominal value of €150.0m (31 December 2013: €250.0m) allocated to the loans and receivables category, as well as to bonds with a nominal value of €444.1m (31 December 2013: €511.9m), including a bond in the held to maturity category with a nominal volume of €25.0m (31 December 2013: €25.0m). The other bonds are measured at fair value through profit or loss. There are also receivables from securities repurchase agreements amounting to €446.8m (31 December 2013: €506.9m) allocated to the loans and receivables category. In the reporting period, derivatives with a fair value of €30.0m as at 30 June 2014 were concluded with Spanish banks. The exposure to Spanish municipal authorities amounting to €60.0m was repaid in full in the reporting period.

Furthermore, DekaBank holds loan receivables with a nominal value of €280.7m (31 December 2013: €279.1m) allocated to the loans and receivables category, which are due from companies which are majority state-owned by Russia, as well as bonds with a nominal value of €7.7m (31 December 2013: €4.0m), which are measured at fair value through profit or loss. There is no exposure to Ukraine.

32 Derivative transactions

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

	Nominal value		Positive fair values		Negative fair values	
€m	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Interest rate risks[1]	499,150.6	465,012.3	10,074.4	6,978.5	9,230.0	6,390.1
Currency risks	19,298.7	18,091.6	413.9	483.3	551.6	522.0
Share price and other price risks[1]	41,513.5	44,839.7	5,396.8	5,545.7	6,613.1	7,958.1
Total	**559,962.8**	**527,943.6**	**15,885.1**	**13,007.5**	**16,394.7**	**14,870.2**
Net amount presented on the statement of financial position			**13,976.9**	**12,530.4**	**14,248.4**	**14,406.8**

[1] Positive/negative fair values before offsetting against variation margin paid or received.

33 Equity under banking supervisory law

As at 30 June 2014, the capital and reserves under banking supervisory law and the capital ratios have been calculated on the basis of the capital requirements that came into force on 1 January 2014 pursuant to the regulation on prudential requirements for credit institutions and investment firms (Capital Requirement Regulation – CRR) and directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirement Directive IV (CRD IV)), which are subject to certain transitional provisions.

The figures presented below are shown in accordance with the transitional provisions as well as pursuant to full application of the new regulations. The comparison figures as at year-end 2013 are based on the rules under Capital Requirements Directive III (CRD III) which was applicable at the time.

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

	30.06.2014		31.12.2013
€m	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRD III
Core tier 1 capital	3,205	3,631	2,943
Additional capital	–	129	552
Core capital	**3,205**	**3,760**	**3,495**
Supplementary capital	**1,174**	**708**	**329**
Capital and reserves	**4,380**	**4,468**	**3,824**

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

	30.06.2014		31.12.2013
€m	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRD III
Default risks	14,845	14,845	13,850
Market risk positions	9,184	9,184	6,813
Operational risks	1,852	1,852	1,799
CVA risk	1,361	1,361	–

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

%	30.06.2014 CRR/CRD IV (without transitional provisions)	30.06.2014 CRR/CRD IV (with transitional provisions)	31.12.2013 CRD III
Core tier 1 capital ratio	11.8	13.3	13.1
Core capital ratio	11.8	13.8	15.6
Equity ratio	16.1	16.4	17.0

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

34 Contingent and other liabilities

€m	30.06.2014	31.12.2013	Change
Irrevocable lending commitments	681.5	782.8	–101.3
Other liabilities	61.3	70.3	–9.0
Total	**742.8**	**853.1**	–110.3

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 stands at €0.2bn (31 December 2013: €0.3bn).

35 List of shareholdings

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	61.77
Teilgesellschaftsvermögen Deka Infrastrukturkredit	5.41
Deka Real Estate Lending k.k., Tokyo	100.00
ExFin AG, Zurich (formerly: Deka(Swiss) Finanz AG)	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.00
Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main	100.00
International Fund Management S.A., Luxembourg	100.00
Landesbank Berlin Investment GmbH, Berlin	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

Consolidated funds:

Name, registered office	Equity share in %
A-DGZ-FONDS, Frankfurt/Main	100.00
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-DGZ 13-FONDS, Luxembourg	100.00
A-DKBankLUX1-FONDS, Luxembourg	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
BG-Asset-Fonds, Berlin	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 %
Datogon S.A., Luxembourg	100.00
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	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.à.r.l., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Perfeus S.A., Luxembourg	100.00
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00
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
Comtesse DTD Ltd., London	9.99

Non-consolidated funds:

Name, registered office	Fund volume in €m	Equity chare in %
RE-AVT-FundMaster, Frankfurt/Main	71.5	100.00
Deka-BR 45, Frankfurt/Main	5.8	100.00
Deka-Renten 3-7, Luxembourg	5.1	100.00
Deka Deutsche Börse EUROGOV® France UCITS ETF, Munich	8.9	99.83
Deka-PB Ausgewogen, Frankfurt/Main	11.5	99.75
Deka-PB Offensiv, Frankfurt/Main	12.6	99.14
PMIM-MultiAsset-LBB-Invest, Berlin	0.1	97.56
Deka-DiscountStrategie 1/2016, Frankfurt/Main	14.7	96.82
Deka Deutsche Börse EUROGOV® France 1-3 UCITS ETF, Munich	6.8	87.49
MLIS Multi-Strategy Fund of UCITS Fund, Luxembourg	9.3	87.23
IFM Euroaktien, Luxembourg	10.2	77.17
Deka-DiscountStrategie 12/2015, Frankfurt/Main	12.1	77.03
Mix-Fonds: Select ChancePlus, Luxembourg	1.6	73.49
Deka DAX® ex Financials 30 UCITS ETF, Luxembourg	31.9	72.95
Deka MSCI Europe MC UCITS ETF, Munich	8.3	68.84
Deka Deutsche Börse EUROGOV® France 3-5 UCITS ETF, Munich	9.9	68.00
Deka MSCI Japan UCITS ETF, Munich	14.9	57.79
RE-FundMaster, Frankfurt/Main	27.6	57.23
Deka Deutsche Börse EUROGOV® France 5-10 UCITS ETF, Munich	10.2	54.17
Deka-Immobilien PremiumPlus – Private Banking, Luxembourg	70.2	50.68
Deka-Nachhaltigkeit Renten, Luxembourg	40.6	46.78
Deka-Zielfonds 2045-2049, Frankfurt/Main	3.9	43.50
Deka Deutsche Börse EUROGOV® Germany 3-5 UCITS ETF, Munich	393.7	41.05
Deka MDAX® UCITS ETF, Munich	102.0	41.03
Mix-Fonds Haspa: ChancePlus, Luxembourg	1.4	38.62
Deka Deutsche Börse EUROGOV® Germany 1-3 UCITS ETF, Munich	178.3	36.73
IP Bond-Select P, Luxembourg	17.0	36.66
Deka-Nachhaltigkeit Balance, Luxembourg	27.4	33.72
Deka-EuroCash S (A), Luxembourg	782.9	32.26
Deka-GlobalStrategie Garant 80, Luxembourg	17.2	30.51
Deka-EuroFlex Plus CF, Luxembourg	175.8	30.06
Deka EURO STOXX® Select Dividend 30 UCITS ETF, Munich	101.5	27.87
Deka iBoxx EUR Liquid Sovereign Diversified 10+ UCITS ETF, Munich	11.3	27.79
Deka MSCI Japan MC UCITS ETF, Munich	7.0	26.77
Deka Deutsche Börse EUROGOV® Germany UCITS ETF, Munich	529.4	20.82

36 Related party disclosures

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

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

Business dealings with shareholders of DekaBank and non-consolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**30.06.2014**	**31.12.2013**	**30.06.2014**	**31.12.2013**
Asset items				
Due from customers	45.1	45.1	0.3	0.3
Financial assets at fair value	–	–	2.6	6.2
Other assets	–	–	0.3	0.2
Total asset items	**45.1**	**45.1**	**3.2**	**6.7**
Liability items				
Due to customers	82.9	86.0	51.5	12.2
Financial liabilities at fair value	–	–	1.7	–
Total liability items	**82.9**	**86.0**	**53.2**	**12.2**

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

	Joint ventures / associated companies		Other related parties	
€m	**30.06.2014**	**31.12.2013**	**30.06.2014**	**31.12.2013**
Asset items				
Due from customers	0.6	–	–	–
Financial assets at fair value	–	35.5	–	–
Other assets	2.3	3.5	0.1	0.3
Total asset items	**2.9**	**39.0**	**0.1**	**0.3**
Liability items				
Due to customers	43.9	33.6	13.2	0.1
Financial liabilities at fair value	36.7	33.0	–	–
Total liability items	**80.6**	**66.6**	**13.2**	**0.1**

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 in compliance with the generally accepted German accounting principles convey a true and fair view of the net assets, financial position and results of operations of the Group and that the interim management report conveys a true and fair view of the business performance, including the business results and position of the Group, and suitably presents the material risks and opportunities and likely development of the Group over the rest of the financial year.

Frankfurt/Main, 11 August 2014

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger   Behrens   Dr. Danne

Müller   Dr. Stocker

Review Report

To DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main

We have reviewed the condensed interim consolidated financial statements – comprising balance sheet, statement of comprehensive income, condensed statement of changes in equity, condensed cash flow statement and selected explanatory notes – together with the interim group management report of the DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main, for the period from 1 January to 30 June, 2014 that are part of the semi annual financial report according to § 37 w WpHG ["*Wertpapierhandelsgesetz*": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Frankfurt am Main, 12 August, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski	Fox
Wirtschaftsprüfer	Wirtschaftsprüfer

Administrative Board and Board of Management of DekaBank

(as of 1 August 2014)

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

Reinhard Boll
President of the Savings Banks and Giro Association for Schleswig-Holstein, Kiel

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

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

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

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

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

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

Walter Kleine
Sparkasse Hannover, Hanover

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

Dr. Ulrich Netzer
President of the Savings Banks Association Bavaria, Munich

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

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

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

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

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

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
Mayor 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

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

(End of the term of office: 31 December 2018)

Board of Management

Michael Rüdiger
CEO

Oliver Behrens
Deputy CEO

Dr. Matthias Danne
Member

Martin K. Müller
Member

Dr. Georg Stocker
Member

Executive Manager

Manfred Karg

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

Ordering reports
We would be pleased to send you a printed copy of the Interim Report 2014 of the Deka Group (German version). If you would like to receive our annual reports or interim reports on a regular basis, please contact our Corporate Communications department:
Phone: +49 (0) 69 71 47-14 54.

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Photography/Picture credits
Olaf Hermann, Langen

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

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

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