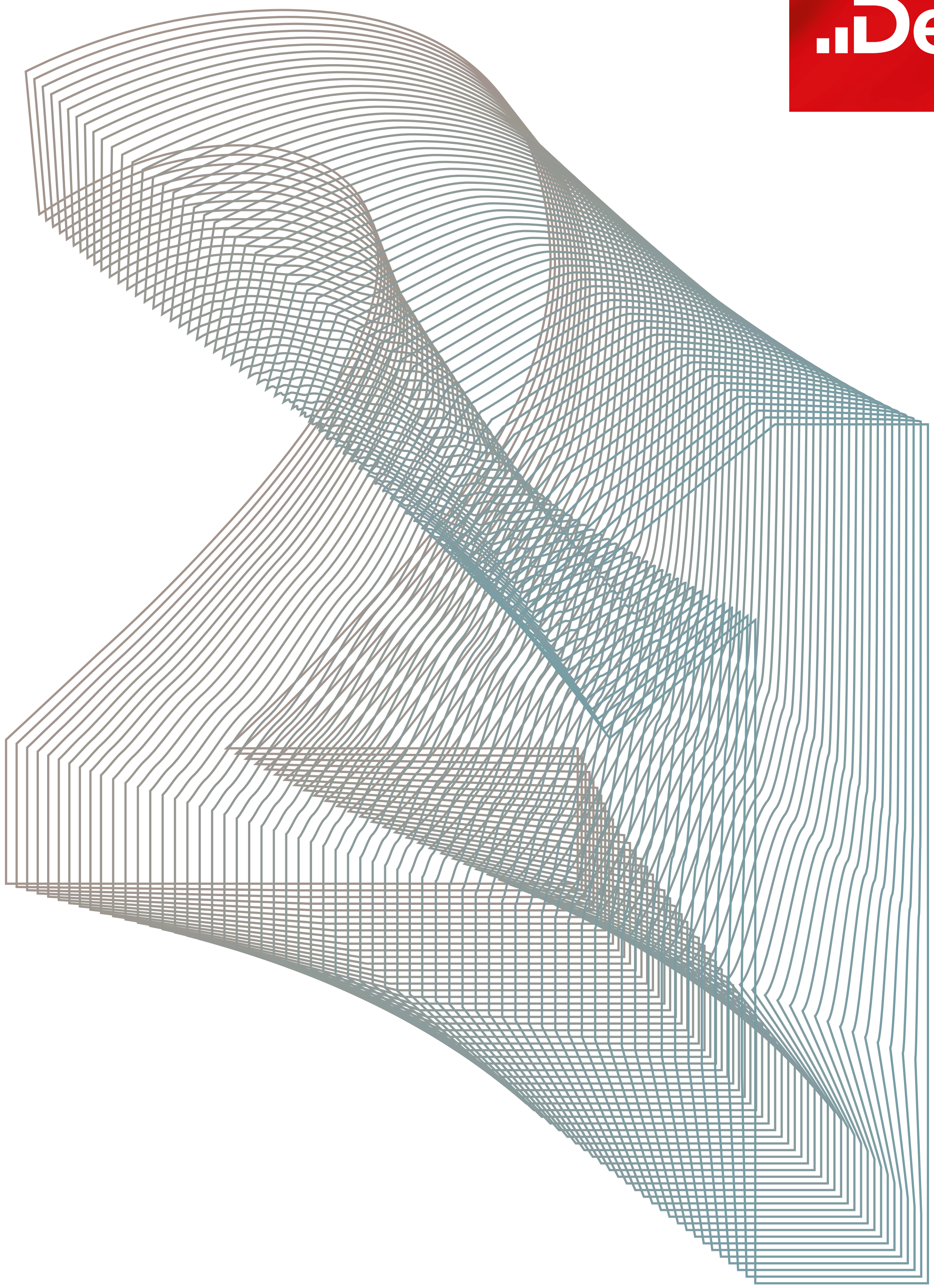
Deka Group
Interim Report 2021



Deka

Finanzgruppe

Deka Group at a glance

BUSINESS DEVELOPMENT INDICATORS		30 Jun 2021	31 Dec 2020	Change (%)
Total assets	€m	94,310	85,509	10.3
Total customer assets	€m	368,318	339,160	8.6
thereof retail customers	€m	181,110	167,159	8.3
thereof institutional customers	€m	187,208	172,001	8.8
Number of securities accounts	thousand	5,083	4,973	2.2
		1st half 2021	1st half 2020	
Net sales	€m	13,553	14,470	–6.3
thereof retail customers	€m	11,050	6,923	59.6
thereof institutional customers	€m	2,503	7,547	–66.8
PERFORMANCE INDICATORS				
Total income	€m	928.3	757.9	22.5
Total expenses	€m	585.4	595.5	–1.7
Economic result	€m	342.9	162.5	111.1
Total of profit or loss before tax	€m	333.9	244.0	36.8
Balance sheet based return on equity (before tax)	%	13.5	6.6	6.9 %-Points
Cost/income ratio	%	64.6	69.4	– 4.8 %-Points
RISK INDICATORS – NORMATIVE PERSPECTIVE		30 Jun 2021	31 Dec 2020	
Own funds (fully loaded)	€m	5,981	5,753	4.0
Risk-weighted assets	€m	30,716	31,307	–1.9
Total capital ratio (fully loaded)	%	19.5	18.4	1.1 %-Points
Common Equity Tier 1 capital ratio (fully loaded)	%	15.3	14.2	1.1 %-Points
Leverage Ratio (fully loaded)	%	5.7	5.6	0.2 %-Points
MREL Ratio (risk-weighted assets based)	%	61.6	N/A	N/A
MREL Ratio (leverage ratio exposure based)	%	21.0	N/A	N/A
Subordinated MREL requirements (risk-weighted assets based)	%	44.8	N/A	N/A
Subordinated MREL requirements (leverage ratio exposure based)	%	15.3	N/A	N/A
Net Stable Funding Ratio (NSFR)	%	118.5	N/A	N/A
Liquidity Coverage Ratio (LCR)	%	149.7	185.6	–35.9 %-Points
RISK INDICATORS – ECONOMIC PERSPECTIVE				
Risk appetite	€m	4,000	4,000	0.0
Total risk	€m	2,045	2,821	–27.5
Utilisation of risk appetite	%	51.1	70.5	–19.4 %-Points
RATING LONG-TERM (SHORT-TERM)				
Moody's		Aa2 (P-1)	Aa2 (P-1)	
Standard & Poor's		A (A-1)	A+ (A-1)	
SUSTAINABILITY RATING				
MSCI		AA	AA	
ISS-ESG		C+ (Prime)	C+ (Prime)	
Sustainalytics		17.4 Low Risk	17.8 Low Risk	
KEY EMPLOYEE FIGURES				
Number of employees		4,823	4,711	2.4
Number of active employees		4,199	4,131	1.6

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

Contents

Dear Shareholders and Investors,

Demand for the Deka Group's products and solutions remained strong in the first half of 2021. This yet again confirmed that securities are the right approach in an era of zero and negative interest rates.

We achieved encouraging growth on the retail side in particular, with net sales up by €4.1bn to €11.0bn. €7.7bn of this total was attributable to fund sales, which increased by €3.1bn in a year-on-year comparison. This positive trend is an important contribution to a growing culture of securities investment in Germany. Demand remains strong in our institutional business, too. We not only offset the expected one-off effect from the loss of an individual institutional mandate, which ran into the high single-digit billions, but also achieved significant inflows with net sales of €2.5bn (H1 2020: €7.5bn).

The Deka Group's total customer assets grew to €368.3bn (year-end 2020: €339.2bn). An increase in net commission income to €738.3m in the first half of the year (H1 2020: €576.7m) was a key driver of our economic result, which more than doubled to €342.9m (€162.5m). Another particularly positive aspect was the continued steady increase in the number of investment savings plans, which rose by around 591,000 (H1 2020: 356,000) in the first six months to approximately 6.4 million plans at the reporting date.

The COVID-19 pandemic continues to heavily influence our day-to-day business, with a large part of our workforce working from home until further notice. Our employees' great dedication has ensured the continued smooth running of our business, as the figures impressively demonstrate. The establishment of a company vaccination centre allowed 1,500 employees and their relatives to be vaccinated at Deka in the second quarter. This contribution to combating the pandemic, along with the generally high vaccination rate and the reduced infection numbers in Germany, means that we can now begin the important task of planning for the return of a gradually increasing number of staff to our offices.

Despite these challenging conditions, the solid foundation we have built for ourselves gives us the strength to focus our full attention on the further development of the business and the topics of the future, especially digitalisation and sustainability. After all, it is precisely these two key disciplines that will bring substantial changes to our economy and society at large in this decade and beyond. Our aim is to provide our customers with a broad-based and comprehensive product range spanning all asset classes and product categories and, as the *Wertpapierhaus* for the savings banks, to be an innovative presence in the digital arena, too.

For our company, sustainability not only has an environmental component but also an economic and social one. Deka is convinced that the necessary ecological transformation can only be achieved by working with people and not against them. Climate neutrality and prosperity should not be mutually exclusive. This is why Deka is helping the *Sparkassen-Finanzgruppe* to get ready for the future, particularly by further expanding the range of sustainable capital market- and real estate-based investment products and sustainable financing solutions. We also calculate and offset unavoidable greenhouse gas emissions from our own business operations and will offer this as a service for the savings banks in future.

Our efforts in this area are reflected not least in the portfolio of sustainable mutual funds, which is worth €22.1bn (as at 30 June 2021). Together with €12.6bn in sustainable special fund mandates and €0.8bn in proprietary sustainable investments, this now takes the volume of sustainable investment products across all asset classes in the Deka Group to more than €35.5bn (year-end 2020: €22.1bn).

As an integral part of the *Sparkassen-Finanzgruppe*, we aim to drive innovation in digitalisation and sustainability. This ambition rests on three success factors: our stable and crisis-proof business model, the huge potential offered by the securities business, and our 4,823 highly qualified and motivated employees.

Sincerely,

Georg Stocker

Dr. Georg Stocker
CEO

Interim management report

Interim management report 2021

At a glance

As a securities service provider (*Wertpapierhaus*), DekaBank sees itself as a force driving innovation within the *Sparkassen-Finanzgruppe* (Savings Banks Association), of which it is a key part. The COVID-19 crisis has significantly accelerated trends that were already emerging before the pandemic: in the course of this decade, digitalisation and sustainability will result in radical and fundamental changes to the economy. It goes without saying that this also applies to DekaBank, which is why both these topics are cornerstones of our strategy.

The Deka Group achieved net sales of €13.6bn (H1 2020: €14.5bn) in the first half of 2021. The Group increased net sales in the retail customer segment by €4.1bn year-on-year to €11.0bn. Fund sales rose from €4.6bn to €7.7bn, with equity funds (€3.6bn), bond funds (€1.2bn) and real estate funds (€1.5bn) accounting for a particularly significant share of this figure in the reporting period. Sales of certificates to retail customers totalled €3.4bn (H1 2020: €2.3bn). Net sales to institutional customers came to €2.5bn as against €7.5bn in the first six months of 2020. The lower figure was due to a major master funds client changing investment management company. As a result, the institutional investment fund business accounted for net sales of €1.4bn (H1 2020: €6.1bn). Certificate sales to institutional customers in the reporting period came to €1.1bn (H1 2020: €1.4bn).

Net sales, coupled with positive performance and the integration of the total customer assets of IQAM Invest GmbH at the beginning of 2021, fuelled an increase in total customer assets to €368.3bn (year-end 2020 €339.2bn).

The COVID-19 pandemic affected global economic development in the first half of 2021. Nevertheless, the process of economic recovery that had already emerged after the recession induced by the pandemic last spring has generally continued in 2021. So far, the economy, business cycle and capital markets have not been hit as hard as originally expected.

Given the overall conditions, business development and profit performance can be considered very satisfactory. The economic result increased significantly compared to the same period of the previous year (€162.5m), rising by €180.5m to €342.9m.

Income increased to €928.3m in the first half of 2021 (H1 2020: €757.9m), driven to a significant degree by strong net commission income, much less of a need for risk provisions and high actuarial gains on pension provisions due to the prevailing market conditions. Net commission income remains the main component of income, accounting for 80%.

At €585.4m, expenses were 1.7% lower than in the first half of 2020 (€595.5m) despite the marked increase in the bank levy.

The cost/income ratio was 64.6% (H1 2020: 69.4%). Balance sheet-based return on equity (before tax) stood at 13.5% (H1 2020: 6.6%).

The Deka Group's financial position remains sound. DekaBank also has one of the best credit ratings among its peer group of German commercial banks.

At the mid-point of the year, the Common Equity Tier 1 capital ratio stood at 15.3% (year-end 2020: 14.2%). The risk-bearing capacity analysis showed an utilisation of risk appetite of 51.1% (year-end 2020: 70.5%).

Information about the Deka Group

Deka Group profile and strategy

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

Organisational structure

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

Management

DekaBank is managed collectively by the Board of Management. The Board of Management takes a holistic approach, always considering the entirety of the Deka Group and the strategic direction and risks.

The Board is divided into divisions, each under the responsibility of a designated member. This ensures a clear distribution of roles and core competencies in the Board of Management.

Torsten Knapmeyer started in his role as Chief Sales Officer on 1 April 2021. The Board of Management now consists of six members. The responsibilities are as follows:

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

Sustainable corporate governance

The more and more massive impact of climate change highlights the need for swift and decisive action to limit the negative implications of global warming for society at large, the environment and the economy. With its "Target vision 2025 – Guidelines on sustainability in savings banks" (*Zielbild 2025 – Leitfaden zur Nachhaltigkeit in Sparkassen*) produced in 2020, the German Savings Banks Association (DSGV) has laid the foundations that will allow the *Sparkassen-Finanzgruppe* to further systematically integrate the challenges associated with climate change and sustainable development into all areas of business activity. The particular significance of climate change is underlined by the "Commitment by German savings banks to climate-friendly and sustainable business practices" (*Selbstverpflichtung deutscher Sparkassen für klimafreundliches und nachhaltiges Wirtschaften*), which DekaBank was the first member of the *Sparkassen-Finanzgruppe* to sign at the end of 2020.

The regulatory environment of the EU Action Plan on Financing Sustainable Growth defines cornerstones for the design of sustainable investment products in the form of a taxonomy and expands transparency obligations, both for providers of sustainable investments and for the investment products themselves. The investor's preferences regarding the consideration of sustainability criteria have also been made a compulsory part of any consultation.

The Deka Group's positioning in terms of sustainability, which Deka has been building on continuously since 2009, is still rated very highly by sustainability rating agencies.

- MSCI ESG (2021): AA
- ISS ESG (2020): C+ Prime "Industry Leader"
- Sustainalytics (2021): 17.4 "Low risk"

In addition, DekaBank was awarded a rating of 55% in the second-highest "robust" category by the rating agency V.E (formerly Vigeo-Eiris) in 2021, ranking it 13th out of 97 in its peer group.

See also: 2020 Sustainability Report

In accordance with the statutory disclosure deadlines under the CSR Directive Implementation Act, the 2020 Sustainability Report, including the non-financial report, which does not form part of the Group management report, was published on the website by the relevant deadline in March 2021.

Positioning and role within the *Sparkassen-Finanzgruppe*

As the *Wertpapierhaus* of the savings banks, DekaBank sees itself as a force driving innovation within the *Sparkassen-Finanzgruppe*, of which it is a key part. The further development of the strategy is presented in detail in the Annual Report 2020.

The COVID-19 crisis has significantly accelerated trends that were already emerging before the pandemic: in the course of this decade, digitalisation and sustainability will result in radical and fundamental changes to the economy. It goes without saying that this also applies to the Deka Group, which is why both these topics are cornerstones of our strategy.

Digitalisation

Deka is aiming to be the *Wertpapierhaus* for the savings banks in the digital arena as well. This quest involves enabling savings banks to offer their customers competitive, digital customer journeys in the securities business, to implement innovative products and services and to use digital technologies to improve process quality and efficiency. One example at the customer interface is the S-Invest app, which has now been downloaded almost 750,000 times.

Policymakers have recognised the importance of digitalisation in the financial services sector and have established a framework for digital assets with the Electronic Securities Act (eWpG). By using these developments early on to expand the investment options available to customers and significantly streamline settlement processes, Deka has already set standards in the market.

Together with other market participants, Deka has created finledger, Germany's first blockchain-based platform for the processing of issued promissory note loans. finledger has already been successfully used to process several issues.

In addition, the Digital Collateral Protocol (DCP), a blockchain-based settlement system for securities, has been implemented with the potential to more than halve the external costs for international securities transactions. The DCP presents an opportunity to standardise and fundamentally change national and, most importantly, international transactions involving conventional securities. The DCP has already been in use for legally effective lending transactions since the end of last year.

Deka is making use of all key technologies in its efforts to digitalise its business processes: physical documents are being digitalised using optical character recognition (OCR), workflows are being automated using workflow/low code and robotics, and artificial intelligence is being used to process unstructured information. One example is Deka's move to digitalise real estate-related information and its further processing.

Sustainability
For the Deka Group, sustainability not only has an environmental component but an economic and social one, too. The Group is convinced that the necessary ecological transformation can only be achieved by working with people and not against them.

DekaBank is helping the *Sparkassen-Finanzgruppe* to get ready for the future, particularly by further expanding its range of sustainable capital market- and real estate-based investment products and sustainable financing solutions. It also provides an option for calculating and offsetting unavoidable greenhouse gas emissions from own business operations. With Deka Easy Access, for example, Deka offers a multi-level support service for savings banks and institutional customers. The treasury platform also allows customers to calculate their own carbon footprint and, in a second step, highlights options for reducing carbon emissions. A third step offers opportunities to offset the remaining emissions using climate protection certificates.

See also: 2020 Sustainability Repot

We are using our corporate governance activities at annual general meetings, where sustainability plays a central role, to support this process of transformation. For many of our customers, this commitment is also a key source of motivation to invest their assets with Deka.

Market position and awards

With fund assets (according to the BVI, the German Investment Funds Association, as at 31 May 2021) of €144.1bn and a market share of 12.0%, Deka is the fourth-largest provider of mutual securities funds in Germany. It is Germany's second-placed provider of mutual property funds with fund assets (according to the BVI, as at 31 May 2021) of €37.3bn and a market share of 30.8%. With an increase in the market volume for certificates in the first three months of 2021, the Deka Group confirmed its position as market leader in the overall market for derivative securities in Germany, where it has a market share of 24.0% (end of March 2021).

Since the beginning of the year Deka won numerous awards. At the €uro FundAwards 2021 once again Deka was successful across all asset classes. This year Deka received 39 awards for 21 funds and two ETFs. At the Capital-Fonds-Kompass 2021 awards ceremony, Deka's consistently good performance was confirmed yet again. The online awards ceremony organised by the business magazine I saw Deka build on its good ratings from the previous year and improve its overall ranking by two positions to fifth place out of 100 companies. Among those providers with at least 31 funds distributed in Germany (universalists), Deka made it into the top three. The German Institute for Service Quality (DISQ) crowned the Deka-Nachhaltigkeit Impact fund "Financial Product of the Year" and awarded it a "very good/good" rating. In the 2021 Scope rating, the excellent "AA" and "AMR" rating awarded to Deka's real estate funds in the pre-COVID years was confirmed. Deka-Immobilien Global and WestInvest InterSelect received particularly good ratings.

Economic report

Economic environment

Macroeconomic conditions

The COVID-19 pandemic continued to impact economic development across the globe in the reporting period. In general, there was a continuation of the economic recovery process following the pandemic-induced recession in the spring of 2020. This was largely due to government support measures in the form of aid and economic stimulus programmes, as well as to the central banks with their zero interest rate policy and asset purchase programmes. This expansionary impetus was, however, noticeably reduced at various points in the first half of 2021 by regional lockdown measures of varying severity in response to another wave of the pandemic. In the eurozone, gross domestic product actually declined in the first quarter of the year before the lockdown measures were lifted at the beginning of the summer, prompting a return to macroeconomic expansion, especially in the service sectors. The progress made in vaccinating the population against the coronavirus has contributed to the brighter economic outlook.

After the economic implications of the COVID-19 pandemic had put a noticeable damper on inflation in 2020, there was an unexpectedly strong surge in prices in the first few months of this year. The reasons for this trend were manifold and partly predictable, for example the end of the temporary VAT reduction in Germany. Moreover, in the eurozone, an unusually large adjustment was made to the basket of goods used to measure consumer price indices to bring it in line with household spending behaviour, which has been altered by the lockdown measures. This purely statistical effect contributed to higher inflation rates, especially at the beginning of the year, but does not reflect a change in the overall inflation trend. Oil prices have also staged a very rapid recovery since the end of last year, which, combined with base effects, fuelled a strong increase in the price of energy goods. Other reasons for the increase in prices are related to the special circumstances of an expanding economy in the context of the pandemic. As inventories of raw materials and intermediate products were reduced significantly during the lockdown periods, the subsequent, unexpectedly strong recovery in global industry came hand in hand with supply bottlenecks. These have had a very significant impact on raw material, producer and import prices. So far, however, these cost increases have only been passed on to consumers to a limited extent.

The world’s major central banks have in recent months stressed their conviction that the current acceleration in inflation can be traced back mainly to temporary causes. They expect inflation to ease again in the medium term and are therefore prepared to accept higher inflation rates for the time being. Their communications continue to emphasise their intention to support the post-pandemic economic recovery. To ensure sufficiently favourable financing conditions for the real economy, the ECB stepped up the pace of its asset purchases under the Pandemic Emergency Purchase Programme (PEPP) in March, confirming this decision again in June. Initially, it was primarily concerned with protecting the eurozone against rising yields on US government bonds. Later, its main aim was to counteract the risk that a rapid correction of market expectations regarding economic growth, inflation and future monetary policy would lead to an abrupt tightening of financial conditions.

The US central bank, the Fed, also continued apace with its asset purchases in the first half of the year, as it considered particularly the recovery on the labour market to be insufficient. Nonetheless, both central banks are likely to reduce their monetary stimulus in the medium term. At the ECB, debate intensified towards the middle of the year on the conditions for scaling back PEPP asset purchases. At the Fed's June meeting, the majority of central bankers indicated that they expected to see initial rate hikes in 2023.

Economic environment for asset management

The surprisingly marked increase in inflation and the accompanying uncertainty regarding a possible imminent change in monetary policy lifted yields on long-dated government bonds significantly at times. Ultimately, however, central banks succeeded in limiting this rise in yields by announcing an extremely moderate response to increasing inflationary pressures. At the same time, financial market players revised their growth expectations significantly upwards in view of rapidly advancing vaccination campaigns and the prospect of monetary and fiscal stimulus policies remaining in place for some time to come. This scenario led to a very favourable environment for high-risk securities. Expectations of rising corporate profits, with interest rates remaining fundamentally low, provided a boost to the stock markets in particular. Stock indices across the globe soared to levels well in excess of those seen prior to the outbreak of the COVID-19 pandemic, often touching new historic highs in the process.

Corporate bonds remained in high demand despite a return to somewhat higher yields on government bonds. As concerns about a rising number of insolvencies increasingly receded, corporate bond spreads narrowed further. Nevertheless, lower-risk securities often suffered slight price losses due to higher swap rates, while high-yield securities fared better with the rise in longer-term interest rates. Higher-risk government bonds also showed stable to slightly declining spreads. With interest rates remaining low, investors have so far shown little concern about the increase in government debt as a result of the pandemic. Fiscal risks are also being increasingly shared among the EU member states, with many market participants predicting that this practice will not be abandoned completely even when the consequences of the COVID-19 pandemic have been overcome.

Real estate funds continued to offer an attractive risk/reward ratio in the low interest rate environment. Given high real estate prices and limited availability of suitable properties, however, the investment opportunities open to real estate funds remained limited. This restricted their ability to attract new investor funds, particularly given that it was not possible to generate positive margins from liquidity investments. The effects of the COVID-19 pandemic continued to put pressure on the real estate markets in the first half of 2021. While low vacancy rates enabled markets for office space to weather the crisis relatively well, with only isolated rent reductions, retail and hotels took a greater hit from the impacts of the pandemic, such as temporary shop closures, the cancellation of large events and travel restrictions. The logistics market, by contrast, continued to benefit from the growing trend towards online shopping and increased demand for space, which was needed to safeguard supply chains. On the investment market, turnover in the first half of 2021 was up on the first half of 2020 due to a strong second quarter The global transaction volume in the period from January to June 2021 was significantly above the prior-year figure.

During the first three months of 2021, the financial assets of private households in Germany rose by €192bn to €7,143bn, mainly due to valuation gains on shares and units in investment funds. Compared to 31 December 2020, the share of these investments in the total financial assets of private households increased slightly to 22%. As in the previous year, higher liquid investments such as cash and demand deposits contributed to the increase in financial assets.

The market performance seen in 2021 was also reflected in the investment statistics of the German Investment Funds Association BVI. Net assets in open-ended mutual funds amounted to €1,320.8bn as at 31 May 2021 (year-end 2020: €1,179.9bn), while the net assets of open-ended special funds stood at €2,056.6bn (year-end 2020: €1,998.0bn). At €46.4bn, net inflows into open-ended mutual funds significantly exceeded the previous year's figure (€–2.3bn). Equity funds, mixed funds and real estate funds made a particular contribution to this increase. At €51.9bn, the sales figure for open-ended special funds for institutional investors was significantly up on the comparative figure for the previous year (€29.1bn).

Economic environment for the banking business

Due to the ECB's extensive asset purchases and the heavy use made of its long-term tenders, excess liquidity in the banking system increased further in the reporting period. The resulting downward pressure on short-term interest rates also continued to grow as a result. Nevertheless, longer-term money market rates in particular moved slightly upwards. This was largely because, at the start of the year, many market participants were still convinced that a further cut in the ECB's deposit rate was on the cards. At the mid-year point, by contrast, they expected key interest rates to remain unchanged for the foreseeable future.

In the credit markets, rising government bond yields had only a minor impact in the first few months of 2021. Financial institutions reaped very considerable benefits from the generous support provided by the ECB, which had a significant impact on new covered bond issues in particular. As was already the case last year, only a very small number of covered bonds were placed on the freely tradable market, noticeably reducing risk premiums on outstanding covered bonds. This has also, however, resulted in a further fall in the liquidity of covered bonds on the market. Companies, on the other hand, took advantage of the favourable financing conditions and, as in the previous year, often borrowed what were, in some cases, very substantial amounts on the market. They met with huge demand from international investors. As the ECB also continued with its asset purchases at an undiminished pace, risk premiums for corporate bonds fell continuously, with only minor fluctuations. The high demand among investors in the market for government-related securities also came to the fore. Similarly to the EU's new issues as part of the SURE programme (Support to Mitigate Unemployment Risks in an Emergency), the first few significantly larger bonds for the recovery fund were also heavily subscribed and were placed on the market easily with very low risk premiums.

The pandemic response also triggered extensive new issues by corporates, as well as by national and municipal governments, in the first half of 2021. The repo/lending business remained influenced by excess liquidity in the banking system in the first half of 2021. The volume in the Commission Business unit fell year-on-year and the margins that could be achieved in the market remained under pressure. Sales of structured issues and the third-party issues business rose significantly in the first six months of the year.

The COVID-19 crisis continued to dominate market activity in the financing business in the first half of 2021. Due to the market environment in the context of the pandemic, real estate financing remained characterised by subdued investment volumes and a relatively small number of completed purchases and sales. The first few signs that the situation might be easing started to appear in the hotel and retail portfolio segments, which have been hit particularly hard by the pandemic. The impact of the COVID-19 crisis was also felt in transport financing. In addition to significantly lower new business compared with the same period of the previous year, the volume of existing business was among others reduced by asset disposals., where the volume of both existing and new business declined. Compared to the previous year, terms and conditions remained stable or improved in some regions due to a lack of liquidity.

Regulatory environment

The regulatory environment changed only slightly compared with the situation presented in the 2020 Group management report. Changes to regulations, both those already initiated and those in the pipeline, influenced the business model and profitability of the Deka Group during the first half of the 2021 financial year. Higher capital requirements for banks could emerge from supervisory interpretations of existing legal standards and from the results of the annual Supervisory Review and Evaluation Process (SREP), for example in the context of the supervisory review of the internal models under Pillar 1 of the Basel capital framework.

The implementation of the issues presented is associated with considerable costs and resource commitments. These are the key regulatory issues for the Deka Group.

Regulatory topics

Supervisory authorities and regulators enacted numerous, in some cases temporary, relief measures in light of the coronavirus crisis. Some of the relief measures presented in the 2020 Group management report and applied by DekaBank have now expired. The following relief measures, which were already in force in 2020, remained in use in 2021:

- The Federal Financial Supervisory Authority (BaFin) reduced the countercyclical capital buffer to 0% back in 2020. The increase to 0.25% that had been planned for July 2020 therefore did not apply.
- In the course of 2020, the ECB brought forward a change originally planned for the end of the year to allow capital other than Common Equity Tier 1 (CET 1) capital to contribute to meeting P2R (the Pillar 2 Requirement). Banks can make long-term use of this change provided they have sufficient Additional Tier 1 (AT1) capital and Tier 2 (T2) capital.

DekaBank did not apply the following relief measures:

- In 2020, the ECB permitted the institutions under its supervision to temporarily operate below the capital level defined by the capital conservation buffer, the P2G (Pillar 2 Guidance) and the Liquidity Coverage Ratio (LCR). DekaBank has not adjusted its relevant internal thresholds for capital and liquidity management.
- The Capital Requirements Regulation (CRR) has been amended in European law (CRR quick fix). This allows banks to temporarily adjust their regulatory capital for the effects of increased risk provisioning. Other relief measures relate to the measurement of unrealised losses on banks' holdings of public debt and to the capital deduction for capitalised software. The measures in the CRR quick fix still do not offer significant relief for DekaBank.
- The ECB announced in June 2021 that central bank deposits could be excluded from the leverage ratio exposure. The relief applies for a limited period until 31 March 2022.

In the EU, the reform of Capital Requirements Regulation II (CRR II) and Capital Requirements Directive V (CRD V) was published in June 2019. The reform of the CRR primarily implemented the proposals put forward by the Basel Committee on Banking Supervision (BCBS) on the leverage ratio (LR), the net stable funding ratio (NSFR), the standardised approach for counterparty credit risk exposure (SA-CCR), the revised requirements that apply to large exposures, the trading book and the treatment of credit risks resulting from guarantee funds and Riester products. The above regulations have been applied by DekaBank since 28 June 2021.

In October 2020, the European Banking Authority (EBA) issued an opinion on the treatment of capital instruments that are no longer eligible as own funds from 2022 onwards ("legacy instruments"). The opinion holds that legacy instruments have the potential to infect other (non-legacy) capital instruments to the extent of disqualifying them. This may be the case if the legacy instruments have certain detrimental features (e.g. equal ranking with the non-legacy capital instrument). At DekaBank, this could apply to atypical silent capital contributions, which might infect the subscribed capital (as a CET1 instrument) including the capital reserve. DekaBank has taken measures to allow it to avoid infection at the beginning of 2022.

The Fundamental Review of the Trading Book (FRTB) contains amended provisions on the calculation of market risk. The European Commission adopted the final Delegated Regulation in mid-December 2019 and thereby partially integrated the changes under the 2019 Basel standard into CRR II. Further implementation details will be published via EBA regulatory technical standards and guidelines. The reporting obligation for the FRTB standardised approach begins at EU level as of 30 September 2021. The new regulations on the definition of the trading book, as well as the start of capital requirements at EU level, are expected with CRR III.

The tightening of the large exposure regime enacted with the revision of the European capital and liquidity rules has been applied from 28 June 2021. The large exposure limit is no longer set according to the level of total own funds but instead according to the level of Tier 1 capital. The calculation of the exposure values and the provisions governing the application of credit risk mitigation techniques have also been revised. In applying credit risk mitigation techniques, the collateral provider or issuer of the financial collateral is required to take the collateralised exposure into account in their large exposure limit when collateral is accepted (collateral substitution). The scope of application of collateral substitution is to be set out in greater detail in an interpretation decision of the European Commission. Depending on the decision made, this could have an impact on repo lending business activities.

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

The entry into force of the Single Resolution Mechanism Regulation (SRMR II) in December 2020 changed the minimum requirements on holding own funds and eligible liabilities for the purposes of loss absorption and recapitalisation in the event the Bank is wound up (Minimum Requirement for Eligible Liabilities – MREL). The balance sheet-based approach previously used switched to an RWA- and leverage exposure-based calculation method in the middle of 2021. The resolution authority has notified the Deka Group of the requirements that will apply as of 1 January 2022 based on the new calculation method.

The European Banking Authority (EBA) has conducted a stress test in 2021. This covered all risk types, as it did last time in 2018. The results were published on 30 July 2021. DekaBank was not among the banks taking part in the EBA stress test.

As a bank subject to ECB supervision, however, it has been subjected to a stress test by the ECB in 2021, which was carried out in accordance with EBA methodology. The results of the ECB stress test feed into the calculation of the Supervisory Review and Evaluation Process (SREP) ratios. DekaBank passed the stress test with a satisfactory result; in the adverse stress scenario, DekaBank remains well above the SREP minimum requirements for the Common Equity Tier 1 capital ratio.

In the addendum to the ECB guidance to banks on non-performing loans published in March 2018, the ECB details the calculation of the prudential provisioning for loans classified as non-performing exposures (NPEs) after 1 April 2018. As part of the annual supervisory dialogue, the ECB examines any divergences between supervisory expectations and the risk provisions actually recognised by the Bank. In the event of a shortfall in cover, the banks are required either to make a deduction from their Common Equity Tier 1 capital on their own initiative or to provide the supervisory authorities with adequate justification of their divergence from the prudential provisioning expectations. If the ECB does not accept the justification, this could result in higher capital requirements. The amendment to the CRR dated 25 April 2019 concerning the minimum loss coverage for non-performing exposures provides for a mandatory deduction from Common Equity Tier 1 capital if a bank’s actual provisioning falls short of the minimum supervisory requirement. In August 2019, the ECB then revised the Addendum to the ECB Guidance to banks on non-performing loans in respect of the minimum coverage ratios and timescales for achieving these minimum coverage ratios. It also limited the scope to NPEs not regulated by the CRR. With the amendments to the CRR (CRR quick fix) that entered into force on 27 June 2020 to mitigate the impact of the COVID-19 pandemic on banks, preferential treatment for publicly guaranteed NPEs is permitted in terms of the minimum loss coverage, which does not need to be reached until the eighth year after classification as an NPE.

The 2018 EU Action Plan on Financing Sustainable Growth aims to reorient all investments in the EU towards six areas for action based on the taxonomy developed from the Action Plan: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy, waste prevention and recycling; pollution prevention and control; the protection and restoration of biodiversity and ecosystems. As part of the operationalisation of the Action Plan, the financial industry has been placed at the centre of the formal framework in an initial implementation step. These expectations have been addressed in various legal standards, with which the Deka Group engaged intensively during the reporting period.

Reorienting capital of private and institutional investors towards sustainable investment, as the goal of the EU Action Plan on Financing Sustainable Growth, can only be achieved if these investors are offered attractive investment products that meet high sustainability standards. This is particularly the case where private investors are concerned. In future, banks will be required, during the consultation, to actively ask these investors about their preferences in relation to sustainable investment. With this in mind, the Deka Group once again significantly expanded its range of sustainable investment opportunities in the reporting year, making a major contribution to the large selection of funds, ETFs and other investments that advisers in the savings banks offer their customers. Since 2020, companies with a substantial involvement in coal extraction and coal-based electricity generation have been excluded not only from the sustainability funds but from all actively managed mutual funds and proprietary investment activities.

See also: Disclosures according to SFDR / Disclosure Regulation

The Level 1 regulatory requirements set out in the Sustainable Finance Disclosure Regulation (SFDR), which is particularly relevant from an investor perspective, were implemented successfully and by the applicable deadline in the first quarter of 2021. A statement about how the adverse impacts of investment decisions on sustainability factors ("principal adverse impacts") are taken into consideration was issued for all companies and published in German on the website, as well as in other places. The regulation makes a distinction between legal entity-related and product-related disclosure obligations. Further requirements of the legal standard based on Level 2 are to be implemented by mid-2022.

From a sustainability perspective, the following regulatory reporting initiatives were relevant for DekaBank in the first half of 2021: the future requirement to disclose the taxonomy alignment of new and existing business (according to EBA-proposal to EU Taxonomy Article 8), the associated phased publication of ESG risks, including the disclosure of the Green Asset Ratio (based on EBA's technical implementation status of Article 449a CRR II regarding the inclusion of sustainability aspects in Pillar 3 disclosures), and the fundamental revision of sustainability reporting (Corporate Sustainability Reporting Directive, CSRD).

With regard to the extended disclosure requirements (pursuant to Article 8 of the EU Taxonomy, the EBA standard in accordance with Article 449a CRR II and the CSRD), the regulator must implement changes in both non-financial and financial reporting for the years from 2021 to 2023. As a result, the regulator expects to see closer links between financial and non-financial content in the management report. Individual aspects of the implementation of Article 8 of the EU Taxonomy are already to be taken into account for the purposes of the 2021 Sustainability Report. Provisions also have to be made to comply with the requirements of the EBA standard pursuant to Article 449a CRR II for the 2022 reporting year and those of the CSRD for the 2023 reporting year.

In addition, the Bank is preparing for the ECB climate stress test that has been announced for 2022. This is planned for the first half of 2022 and aims to examine the extent to which SSM (Single Supervisory Mechanism) banks are affected by climate risks. The results of the stress test are to be taken into account in bank SREP processes.

Product- and service-related regulatory proposals

The EU Directive on deposit guarantee schemes (Deposit Guarantee Scheme Directive) was adopted at the end of 2018 as a component of the European Banking Union. It is planned to establish a common European Deposit Insurance Scheme (EDIS), harmonising the requirements concerning national deposit guarantee schemes at European level. The European institutions are working and coordinating with each other on the exact shape of this and the future timetable.

Business development and profit performance in the Deka Group

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

The COVID-19 pandemic affected global economic development in the first half of 2021. Nevertheless, the process of economic recovery that had already emerged after the recession induced by the pandemic last spring has generally continued in 2021. So far, the economy, business cycle and capital markets have not been hit as hard as originally expected.

Given the overall conditions, business development and profit performance can be considered very satisfactory. The economic result increased significantly compared to the same period of the previous year (€162.5m), rising by €180.5m to €342.9m.

Income increased to €928.3m in the first half of 2021 (H1 2020: €757.9m), driven to a significant degree by strong net commission income, much less of a need for risk provisions and high actuarial gains on pension provisions due to the prevailing market conditions. Net commission income remains the main component of income, accounting for 80%.

At €585.4m, expenses were 1.7% lower than in the first half of 2020 (€595.5m) despite the marked increase in the bank levy.

In the first half of 2021, the Deka Group achieved net sales of €13.6bn (H1 2020: €14.5bn). The Group increased net sales in the retail customer segment by €4.1bn year-on-year to €11.0bn. Fund sales rose from €4.6bn to €7.7bn, with equity funds (€3.6bn), bond funds (€1.2bn) and real estate funds (€1.5bn) accounting for a particularly significant share of this figure in the reporting period. Sales of certificates to retail customers totalled €3.4bn (H1 2020: €2.3bn). Net sales to institutional customers came to €2.5bn as against €7.5bn in the first six months of 2020. The lower figure was due to a major master funds client changing investment management company. As a result, the institutional investment fund business accounted for net sales of €1.4bn (H1 2020: €6.1bn). Certificate sales to institutional customers in the reporting period came to €1.1bn (H1 2020: €1.4bn).

In net terms, investors signed up to around 591 thousand new Deka investment savings plans in the first half of 2021 (H1 2020: approximately 356 thousand), meaning that Deka now manages a total of almost 6.4 million contracts.

The significantly increased appeal of securities is also reflected in the number of DekaBank securities accounts, which rose by 110 thousand to 5.1 million. This development was even more pronounced with regard to the number of transactions, which increased by around 6% to 50.1 million as against the first half of 2020.

Deka Group net sales *in €m (Fig. 1)*

	1st half 2021	1st half 2020
Net sales	**13,553**	**14,470**
by customer segment		
Retail customers	11,050	6,923
Institutional customers	2,503	7,547
by product category		
Mutual funds and fund-based asset management	7,769	4,558
Special funds and mandates	872	5,645
Certificates	4,498	3,711
ETFs	414	556

Net sales, coupled with positive performance and the integration of the total customer assets of IQAM Invest GmbH at the beginning of 2021 (around €7bn), fuelled an increase in total customer assets to €368.3bn (year-end 2020 €339.2bn).

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

	30 Jun 2021	31 Dec 2020	Change	
Total customer assets	**368,318**	**339,160**	29,158	8.6%
by customer segment				
Retail customers	181,110	167,159	13,951	8.3%
Institutional customers	187,208	172,001	15,207	8.8%
by product category				
Mutual funds and fund-based asset management	179,850	161,226	18,624	11.6%
Special funds and mandates	153,178	144,695	8,483	5.9%
Certificates	24,073	23,712	361	1.5%
ETFs	11,217	9,527	1,691	17.7%

See also: Capital adequacy in the first half of 2021: page 36 ff.

The Common Equity Tier 1 capital ratio amounted to 15.3% as at 30 June 2021. Owing to higher Common Equity Tier 1 capital and lower risk-weighted assets (RWA), it has increased by 1.1 percentage points compared to the end of the previous year.

Common Equity Tier 1 capital amounted to €4,694m (year-end 2020: €4,437m). The increase was due primarily to the inclusion of year-end effects from 2020 (profit retention and inclusion of the risk provisions set up in 2020 in the comparison of provisions).

RWA fell by 1.9% from the year-end 2020 figure of €31,307m to €30,716m. As expected, credit risk increased by €2,412m as against the end of the year to €20,017m, primarily due to the first-time application of CRR II. This results in higher RWA for guarantee products due to the application of the CCF (credit conversion factor) approach and higher RWA due to the application of the SA-CCR approach when determining the counterparty risk associated with derivatives. The increased credit risk was offset by a drop in market risk of €2,900m to €6,678m. This was mainly attributable to a drop in general market risk as a result of lower spread volatilities and to a drop in specific market risk resulting from the adjustment to reflect the new interpretation of the use of offsetting options in specific interest rate risk. Operational risk increased slightly by €20m to €3,505m. CVA risk came to €516m (year-end 2020: €638m).

The leverage ratio (fully loaded) rose from 5.6% at the end of 2020 to 5.7% at 30 June 2021. This was substantially above the minimum leverage ratio of 3.0% to be adhered to from June 2021 onwards.

The MREL requirements were changed to an RWA- and LRE-based calculation method in the middle of 2021. The total of own funds and MREL-eligible liabilities is expressed in relation to RWA and LRE. As at the reporting date, the MREL ratio in line with the RWA-based approach amounted to 61.6%, while the figure according to the LRE-based approach came to 21.0%. Both ratios were well above the minimum ratios that will apply as of 1 January 2022.

The subordinated MREL requirements were also calculated using the RWA- and LRE-based method. The total of own funds and all subordinated liabilities eligible based on statutory requirements is expressed in relation to RWA and LRE. As at the reporting date, the subordinated MREL requirements under the RWA-based approach were 44.8%, while the figure under the LRE-based approach came to 15.3%. Both ratios were well above the minimum ratios that will apply as of 1 January 2022.

See also: Liquidity adequacy in the first half of 2021: page 40 ff.

The Deka Group had ample liquidity, measured using the liquidity balances and liquidity coverage ratio (LCR) throughout the first half of 2021. The LCR at the mid-year point was 149.7% (year-end 2020: 185.6%), putting it above the minimum requirement of 100%.

The net stable funding ratio (NSFR) came to 118.5%, meaning that, at the end of June, it was substantially above the minimum limit of 100% applicable as of June 2021. The ratio expresses available stable funding in relation to required stable funding. The NFSR is thus designed to ensure stable long-term funding for assets in relation to their degree of liquidity. A period of one year forms the basis for the assessment.

Economic risk-bearing capacity was at a non-critical level overall at the end of June 2021. The utilisation of risk appetite (51.1%) was down significantly on the end of the previous year (70.5%) due to lower total risk. This was mainly due to a significant drop in counterparty, market price and business risk. At 36.8%, utilisation of risk capacity was also significantly below the figure for year-end 2020 (53.9%).

Profit performance of the Deka Group

The economic result as at the end of the first six months of 2021 stood at €342.9m. This was noticeable higher than the result for the first half of 2020 (€162.5m), mainly due to much higher net commission income as well as to positive net risk provisions and actuarial gains on pension provisions. Income rose by 22.5% to €928.3m (H1 2020: €757.9m). At €585.4m, expenses were 1.7% lower than in the first half of 2020 (€595.5m) despite the increase in the bank levy.

Net interest income of €74.9m was incurred in the reporting period (H1 2020: €96.6m). The main component came from the earnings contribution made by real estate financing and specialised financing, and was above the level seen in the prior-year period overall. Meanwhile, there was a reduced earnings contribution from strategic investments, mainly due to lower volumes. Measures to optimise portfolios while achieving an appropriate risk/reward ratio were implemented here in the previous year as part of active risk management.

Net risk provisions in the lending and securities business came to €18.4m in the first half of 2021 (H1 2020: €–68.9m). No new specific provisions were set up in the six months under review. In addition to this, rating improvements and transfers to other stages led to reversals of provisions. Risk provisions of €–0.1m were attributable to the lending business (H1 2020: €–67.3m). The Specialised Financing subdivision accounted for a net reversal in the amount of €15.6m in the reporting period, while the Real Estate Financing subdivision accounted for a net allocation of €16.5m. For the securities business, the reversal of provisions that were no longer required resulted in positive net risk provisions of €18.5m (H1 2020: €–1.6m).

Net commission income rose to €738.3m (H1 2020: €576.7m), meaning that it accounted for 80% of income. Commission from the investment fund business increased, in particular due to higher portfolio-related commission as a result of higher average total customer assets. Higher purchasing and construction fees were also collected. Commission from banking business was down year-on-year. Higher income from securities management was not sufficient to compensate for the lower income from commission business. Commission from the custody account business was in the reporting period slightly below the comparative figure for the previous year overall.

Net financial income was €25.0m, substantially below the figure for the first half of 2020 (€178.0m). This figure includes all income and expense items from the trading book as well as the valuation and sale results from the banking book portfolios.

At €134.2m, net financial income from the trading book was lower than the prior-year value (€152.2m). A key component was income from the Trading & Structuring unit, although this saw a slight drop year-on-year. The earnings contribution from the Collateral Trading & Currency unit was also down on the comparative figure for the previous year.

Net financial income from the banking book was €–109.3m (H1 2020: €25.8m). In the wake of spread movements, there was a lower valuation result from own issues compared with the previous year. An amount of €105.0m was also added to the general provision for potential risks (H1 2020: €50.0m). Additions to or releases from the general provision are reflected in the economic result, but do not form part of the IFRS profit or loss and are not allocated to specific business divisions.

Other operating profit was €71.8m (H1 2020: €–24.4m). Actuarial gains of €104.7m on provisions for pensions had a positive effect. These resulted both from the increase in the actuarial interest rate to 1.05% (year-end 2020 0.70%) as well as from the increase in plan assets. In the previous year, actuarial losses of €–19.2m were recognised on provisions for pensions. Actuarial effects are not included in the IFRS profit or loss as they are posted directly to equity (revaluation reserve). However, they are reported in the economic result as part of the profit or loss for the period.

Personnel expenses rose slightly in line with expectations to €285.1m (H1 2020: €276.5m), mainly due to the larger workforce following the acquisition of IQAM Invest GmbH and to collectively agreed wage and salary increases. Other administrative expenses including depreciation and amortisation remained almost constant at €223.2m (H1 2020: €224.8m).

The annual contribution to the deposit deposit guarantee scheme of the *Landesbanken* and *Girozentralen* amounted to €18.5m (H1 2020: €20.4m). At €61.0m, the bank levy was €8.7m higher than in the comparative period (€52.4m).

Within restructuring expenses, there was a net reversal of restructuring provisions in the amount of €2.4m in the first half of 2021. The prior-year value was characterised by additions in connection with HR measures and resulted primarily from the strategic cost initiative, which is focusing on a lasting reduction in personnel and operating expenses.

The cost/income ratio, i.e. the ratio of total expenses (excluding restructuring expense) to total income (before risk provisions in the lending and securities business), was 64.6% (H1 2020: 69.4%).

Balance sheet-based return on equity (before tax) stood at 13.5% (H1 2020: 6.6%).

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

	1st half 2021	1st half 2020	Change	
Net interest income	74.9	96.6	–21.8	–22.5%
Risk provisions in the lending and securities business	18.4	–68.9	87.3	126.7%
Net commission income	738.3	576.7	161.6	28.0%
Net financial income	25.0	178.0	–153.0	–86.0%
Other operating profit	71.8	–24.4	96.3	(> 300%)
Total income	**928.3**	**757.9**	170.4	22.5%
Administrative expenses (including depreciation and amortisation)	587.8	574.0	13.8	2.4%
Restructuring expense	–2.4	21.5	–23.9	–111.3%
Total expenses	**585.4**	**595.5**	–10.1	–1.7%
Economic result	**342.9**	**162.5**	180.5	111.1%

Business development and profit performance by business division

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

The Asset Management Securities business division posted an economic result of €263.1m in the first half of 2021 (H1 2020: €121.4m). At €7.2bn, net sales in the first half of 2021 lagged behind the previous year's figure of €8.9bn. For retail customers, the figure increased considerably compared to the previous year, while a one-off effect led to a significant decline in net sales to institutional customers. Total customer assets rose to €296.3bn as at 30 June 2021 (year-end 2020: €269.7bn).

Net sales and total customer assets

Net sales in the Asset Management Securities business division totalled €7.2bn in the first six months of the year (H1 2020: €8.9bn). Business with retail customers improved significantly compared to the previous year. Net sales of mutual securities funds (including fund-based asset management) were €6.2bn (H1 2020: €2.8bn). The sales situation improved in all major segments compared to the first half of 2020. With net sales totalling €0.4bn, ETFs were unable to match the previous year's figure of €0.6bn. Inflows relating to ETF equity funds were offset by outflows from ETF bond funds.

Net sales of special funds and mandates (including master funds) came to €0.5bn (H1 2020: €5.5bn). The change reflected the one-off effect constituted by the departure of a major master funds customer. By contrast, advisory/management mandates and securities special funds in particular showed positive development and more than compensated for the outflows from master funds.

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

	1st half 2021	1st half 2020
Net sales	**7,153**	**8,882**
by customer segment		
Retail customers	6,192	3,011
Institutional customers	961	5,871
by product category		
Mutual funds and fund-based asset management	6,205	2,824
ETFs	414	556
Special funds and mandates	535	5,503

At the end of the first half of 2021, total customer assets in this business division amounted to €296.3bn, €26.6bn higher than the year-end value for 2020 thanks to positive sales, equally positive investment performance and the inclusion of the portfolio of IQAM Invest GmbH (around €7bn).

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

	30 Jun 2021	31 Dec 2020	Change	
Total customer assets	**296,312**	**269,716**	26,596	9.9%
by customer segment				
Retail customers	130,401	118,436	11,965	10.1%
Institutional customers	165,911	151,280	14,631	9.7%
by product category				
Mutual funds and fund-based asset management	141,827	124,721	17,107	13.7%
thereof: equity funds	51,537	42,257	9,280	22.0%
thereof: bond funds	28,216	27,312	903	3.3%
thereof: mixed funds	22,224	18,726	3,498	18.7%
ETFs	11,217	9,527	1,691	17.7%
Special funds and mandates	143,268	135,469	7,799	5.8%

Profit performance in the Asset Management Securities business division

At €263.1m, the division's economic result was up significantly compared to the same period of the previous year (€121.4m). This was largely due to the strong increase in net commission income, especially as a result of higher portfolio-related commission. In addition, market conditions meant that the necessary allocations to provisions for guarantee products were lower than in the previous year. At €176.5m, expenses were roughly on a par with the previous year's figure of €174.0m.

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

	1st half 2021	1st half 2020	Change	
Net commission income	450.7	314.4	136.2	43.3%
Other income	–8.5	–3.6	–4.9	–133.9%
Total income	**442.1**	**310.8**	**131.3**	**42.3%**
Administrative expenses (including depreciation and amortisation)	175.7	173.7	2.0	1.1%
Restructuring expense	0.8	0.3	0.5	214.4%
Total expenses	**176.5**	**174.0**	2.5	1.4%
Economic result before income distribution of Treasury-function	**265.7**	**136.8**	128.8	94.2%
Income distribution of Treasury function	–2.5	–15.4	12.9	83.6%
Economic result	**263.1**	**121.4**	141.8	116.8%

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

At €81.7m, the economic result in the Asset Management Real Estate business division exceeded the figure for the first half of 2020 (€52.8m). Net sales remained stable year-on-year at €1.9bn. With continued sound investment performance, total customer assets stood at €47.9bn.

Net sales and total customer assets

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

Mutual funds accounted for 82% of the division's net sales. WestInvest InterSelect, which focuses on Europe, continued to register particularly high demand. There was also keen demand for Deka-ImmobilienMetropolen, which invests globally, in its second sales year. Since April 2021, the fund has been classified as sustainable in accordance with Article 8 of the Disclosure Regulation, together with Deka-ImmobilienGlobal.

The net inflow into special funds, individual property funds, credit funds and mandates was €0.3bn, which was higher than the comparative figure for the previous year.

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

	1st half 2021	1st half 2020
Net sales	**1,902**	**1,876**
by customer segment		
Retail customers	1,460	1,609
Institutional customers	442	267
by product category		
Mutual property funds	1,565	1,734
Special funds, individual property funds and mandates	337	142

Despite distributions of around €0.5bn, total customer assets in the Asset Management Real Estate business division rose by 4.8% to €47.9bn (year-end 2020: €45.7bn), of which €34.7bn related to products for retail customers. A yield-focused cash management policy and the launch of a new special fund focused on German logistics real estate also contributed to the increase in total customer assets. Euro-denominated mutual property funds achieved an average volume-weighted return of 2.1% (year-end 2020: 2.3%).

The ongoing effects of the COVID-19 crisis and sustained high prices on the real estate markets prevented an increase in the volume of real estate purchase and sale transactions, which came to around €1.5bn (H1 2020: €2.0bn). Around 88% of the overall transaction volume concerned a total of 16 contractually secured property purchases. There were 5 disposals, representing around 12% of the transaction volume. Business activities continue to centre on properties in the office, retail, logistics and hotel asset classes.

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

	30 Jun 2021	31 Dec 2020	Change	
Total customer assets	**47,933**	**45,732**	2,201	4.8%
by customer segment				
Retail customers	34,705	33,397	1,307	3.9%
Institutional customers	13,228	12,335	894	7.2%
by product category				
Mutual property funds	38,023	36,505	1,517	4.2%
Special funds, individual property funds and mandates	9,910	9,227	684	7.4%

Profit performance in the Asset Management Real Estate business division

The economic result of the Asset Management Real Estate business division stood at €81.7m in the first half of 2021 compared with €52.8m in the prior-year period. The year-on-year increase was due primarily to higher net commission income. This was attributable in particular to a year-on-year increase in portfolio-related commission and purchasing and construction fees. Expenses for the first six months of the year showed a stable trend.

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

	1st half 2021	**1st half 2020**	Change	
Net interest income	0.3	0.3	0.0	14.2%
Net commission income	150.4	125.1	25.3	20.2%
Net financial income	0.7	–1.5	2.2	148.7%
Other operating profit	2.4	1.1	1.3	116.9%
Total income	**153.9**	**125.0**	28.9	23.1%
Administrative expenses (including depreciation and amortisation)	71.9	71.6	0.3	0.5%
Total expenses	**71.9**	**71.6**	0.3	0.5%
Economic result before income distribution of Treasury-function	**82.0**	**53.4**	28.6	53.5%
Income distribution of Treasury function	–0.2	–0.6	0.4	61.5%
Economic result	**81.7**	**52.8**	28.9	54.8%

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

The economic result as of the end of June 2021 was €2.7m (H1 2020: €17.8m). The number of securities accounts and assets under custody (assets held by the Deka Group in its capacity as custodian bank) in Digital Multichannel Management increased again year-on-year. Assets under custody in the Depositary subdivision also showed positive development, rising by around 8% to €248.8bn compared to the end of 2020.

Business development in the Asset Management Services business division

Due to market developments in the first half of 2021, assets under custody in the Digital Multichannel Management subdivision rose to €159.4bn (year-end 2020: €144.8bn). The number of securities transactions also increased year-on-year to 50.1 million (H1 2020: 47.2 million). This was due to the continued high sales figures for savings agreements as well as a noticeable rise in the number of transactions via S Broker, the Deka Group's online broker. By mid-2021, the robo-advisory service bevestor had been integrated into the sales of 325 savings banks (year-end 2020: 314) as part of a cooperation model. bevestor has currently arranged an investment volume of around €120m and manages just under 20,000 customer custody accounts.

Assets under custody increased to €248.8bn in line with the development in asset management and due to the growth resulting from the acquisition of new customers (year-end 2020: €230.8bn). The number of custody accounts for which the division is the legal provider rose by 110thousand to 5.1 million in the first half of 2021. Regular savings products were a key driver.

Profit performance in the Asset Management Services business division

The economic result for the Asset Management Services business division was €2.7m in the first half of 2021 (H1 2020: €17.8m). The largest income component was net commission income amounting to €103.2m (H1 2020: €99.6m). The increase was due in particular to a strong increase in transaction volume at S Broker, as well as increased commission from the banking business due to the positive market development. Other operating profit was hit by a provision recognised due to a ruling by the German Federal Court of Justice (BGH) on the mechanism for amending general terms and conditions of business. Expenses came to €94.0m, up on the first half of 2020 (€85.8m) due to higher postage costs, as well as higher settlement costs due to increased volumes and sales.

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

	1st half 2021	1st half 2020	Change	
Net interest income	1.8	0.8	1.0	120.7%
Risk provisions in the lending and securities business	1.1	–0.1	1.2	(> 300%)
Net commission income	103.2	99.6	3.7	3.7%
Net financial income	0.8	0.8	0.1	8.0%
Other operating profit	–9.9	3.0	–12.9	(< -300%)
Total income	**97.0**	**104.0**	–7.0	–6.7%
Administrative expenses (including depreciation and amortisation)	94.0	85.8	8.2	9.5%
Total expenses	**94.0**	**85.8**	8.2	9.5%
Economic result before income distribution of Treasury-function	**3.0**	**18.2**	–15.2	–83.4%
Income distribution of Treasury function	–0.3	–0.4	0.1	27.8%
Economic result	**2.7**	**17.8**	–15.1	–84.8%

Business development and profit performance in the Capital Markets business division

At €75.0m, the economic result reported by the Capital Markets business division was down on the previous year's figure of €89.5m. The business division continued to fulfil its important role as the Deka Group's provider of products, solutions and infrastructure.

Business development in the Capital Markets business division

The Collateral Trading & Currency subdivision remains well positioned in the repo/lending business, among other areas. Due to the persistent low interest rate environment and ongoing high level of market liquidity, however, it lagged behind the comparable figure for the previous year. The commission business was also unable to match the previous year's figure, which was characterised by high market volatility and turnover during the first lockdown in 2020. In the Trading & Structuring subdivision, too, the ongoing effects of the coronavirus crisis kept performance slightly below the previous year's figure. Net sales of certificates amounted to €4.5bn (H1 2020: €3.7bn). At €3.4bn, retail customers accounted for the lion's share of demand (H1 2020: €2.3bn). Certificate sales to institutional customers came to €1.1bn (H1 2020: €1.4bn).

Profit performance in the Capital Markets business division

At €75.0m, the division's economic result in the reporting period was down on the comparative figure for the previous year (€89.5m). This was mainly due to lower volumes in the Commission Business unit and in the repo/lending business. At €88.3m, expenses were slightly higher than the equivalent figure for the previous year.

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

	1st half 2021	1st half 2020[1]	Change	
Net interest income	2.2	2.9	−0.6	−22.5%
Risk provisions in the lending and securities business	0.0	–	0.0	o.A.
Net commission income	28.9	34.2	−5.3	−15.4%
Net financial income	134.6	152.7	−18.1	−11.8%
Other operating profit	1.1	1.0	0.1	6.9%
Total income	**166.8**	**190.7**	**−23.9**	**−12.5%**
Administrative expenses (including depreciation and amortisation)	88.3	85.8	2.5	2.9%
Total expenses	**88.3**	**85.8**	**2.5**	**2.9%**
Economic result before income distribution of Treasury-function	**78.5**	**104.9**	**−26.4**	**−25.1%**
Income distribution of Treasury function	−3.5	−15.4	11.9	77.3%
Economic result	**75.0**	**89.5**	**−14.5**	**−16.2%**

[1] Since the start of 2021, own investments in securities in the banking book (strategic investments) have been managed in the Treasury corporate centre; until 2020, they were the responsibility of the Capital Markets segment. Together with the securities in the liquidity buffer, both holdings form the Deka Group's liquidity management portfolio. The values for 2021 reflect the new structure. The previous year's figures in the Capital Markets segment and in the Treasury corporate centre have been adjusted accordingly to improve comparability with regard to income and key risk figures. In view of the principle of materiality, the retrospective allocation of expenses and the adjustment of the distribution of income for the Treasury function were waived.

Business development and profit performance in the Financing business division

The Financing business division reported an economic result of €50.3m for the first six months of 2021 (H1 2020: €–31.5m). The development in risk provisions had a positive effect because no new specific provisions were set up in 2021. Gross loan volume in the division fell slightly by around 1.4% to €24.5bn at mid-year.

Business development in the Financing business division

Gross loan volume in the Specialised Financing subdivision fell to €14.0bn (year-end 2020: €14.6bn). Infrastructure financing accounted for €3.8bn (year-end 2020: €3.7bn), export financing for €1.4bn (year-end 2020: €1.4bn) and public sector financing for €3.2bn (year-end 2020: €2.9bn). Transport financing has been hit particularly hard by the COVID-19 crisis. Of the total amount of €3.4bn (year-end 2020: €3.9bn), aircraft financing accounted for €2.6bn (year-end 2020: €2.9bn) and ship financing for €0.9bn (year-end 2020: €1.0bn). The volume of aircraft financing is currently on the decline due to the decision not to engage in new business, as well as due to disposals. Gross loan volume for savings bank financing fell from the year-end figure of €2.6bn to €2.0bn.

The legacy portfolio, which primarily contains ship financing loans that were made before the lending risk strategy was changed in 2010, had been reduced to virtually zero by the middle of 2021 (€0.05bn). At the end of 2020, the portfolio had a volume of €0.06bn.

Gross loan volume in the Real Estate Financing subdivision increased moderately during the first half of 2021 to €10.5bn (year-end 2020: €10.3bn). The volume of commercial property loans rose to €8.0bn (year-end 2020: €7.8bn). In relation to the gross loan volume in the Real Estate Financing subdivision, around 7% was attributable to the retail use type, compared with 8% at the end of 2020, and an unchanged figure of around 4% to the hotel use type. Financing volume in open-ended real estate funds fell slightly to €2.4bn (year-end 2020: €2.5bn).

Compared to year-end 2020, the average rating for the loan portfolio as a whole according to the DSGV master scale deteriorated by one notch to 7, mainly due to the effects of the coronavirus pandemic. This corresponds to a rating of "BB" on S&P's external rating scale. The average rating for Specialised Financing slipped from 6 at the year-end 2020 to 7 (S&P: "BB+" to "BB"). The rating for Real Estate Financing also changed by one notch from 5 to 6 (S&P: from "BBB–" to "BB+"). Taking account of collateralised assets, the average rating for Real Estate Financing deteriorated from "AA–" (S&P: "A+") to 2 (S&P: "BBB+") on the DSGV master scale.

The new business volume in the Financing business division was up in a year-on-year comparison at the end of the first half of 2021 and amounted to €2.1bn (H1 2020: €1.9bn). New business in Specialised Financing, at €0.9bn, exceeded the figure for the first half of 2020 by around 4% (H1 2020: €0.9bn). New real estate financing business also increased year-on-year to €1.1bn (H1 2020: €1.0bn).

The total volume of placements fell compared to the value at the end of the first half of 2020 (€0.3bn) and came to around €0.2bn. The lion's share of this amount was once again placed directly with the *Sparkassen-Finanzgruppe*.

Profit performance in the Financing business division

The Financing business division ended the first six months of 2021 with an economic result of €50.3m (H1 2020: €–31.5m). A positive risk provisioning result of €2.7m at the end of the first half of the year (H1 2020: €–66.6m) was a key factor in this profit performance. Net interest income from operating activities was down on the previous year's level, primarily due to the pandemic, but outstripped the comparative figure overall thanks to the collection of premium advantages resulting from the achievement of corresponding targets for eligible new lending business in the context of the targeted longer-term refinancing operations (TLTRO III) with the central bank. Net commission income, which is driven by new business, remained at a low level comparable to that seen in the first half of 2020 due to the impact of the ongoing COVID-19 crisis on the segments responsible for generating commission income. Net financial income was positive at €1.2m (H1 2020: €–13.0bn). The increase was due to positive effects from loans measured at full fair value. Expenses showed a moderate year-on-year increase to €33.6m.

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

	1st half 2021	**1st half 2020**	Change	
Net interest income	74.4	69.6	4.8	6.9%
Risk provisions in the lending and securities business	2.7	–66.6	69.3	104.0%
Net commission income	6.7	5.8	0.9	14.8%
Net financial income	1.2	–13.0	14.2	109.6%
Other operating profit	0.3	–0.1	0.4	(> 300%)
Total income	**85.3**	**–4.3**	89.5	(> 300%)
Administrative expenses (including depreciation and amortisation)	33.6	32.4	1.2	3.7%
Total expenses	**33.6**	**32.4**	1.2	3.7%
Economic result before income distribution of Treasury-function	**51.6**	**–36.7**	88.3	240.7%
Income distribution of Treasury function	–1.4	5.2	–6.6	–126.6%
Economic result	**50.3**	**–31.5**	81.8	259.5%

Financial position of the Deka Group

Changes in the Deka Group balance sheet

As was expected, the Deka Group's total assets increased by 10.3% as against the end of 2020 to €94.3bn (year-end 2020: €85.5bn). This was mainly due to the increase in excess short-term liquidity from repo transactions and current account deposits on the liabilities side, which was also a result of the low interest rate environment. These transactions on the liabilities side were also reflected in increased cash reserves on the assets side.

The amount due from banks and customers rose during the reporting period by a total of €3.8bn to €44.8bn and equated to around half of total assets (48%). The change resulted mainly from new reverse repo transactions. Financial assets reported at fair value declined by €3.6bn to €19.4bn, due in particular to the reduction in bonds in synthetic lending transactions as a result of lower volumes. Financial investments fell slightly compared to the end of the previous year to €9.8bn.

Amounts due to banks and customers rose by €5.9bn in total to €44.7bn, and thus accounted for around 47% of total assets. This change was mainly due to an increase in economically advantageous repo transactions with banks, as well as to higher current account deposits. Securitised liabilities also rose significantly in the reporting period, increasing by €3.5bn to €11.1bn. The increase was caused by the issue of commercial papers. Financial liabilities at fair value dropped moderately to €29.6bn (year-end 2020: €30.5bn).

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

	30 Jun 2021	31 Dec 2020	Change	
Total assets	**94,310**	**85,509**	8,801	10.3%
Selected asset items				
Due from banks and customers	44,811	40,967	3,845	9.4%
Financial assets at fair value	19,394	22,982	−3,588	−15.6%
Financial investments	9,840	10,567	−727	−6.9%
Selected liability items				
Due to banks and customers	44,725	38,801	5,924	15.3%
Securitised liabilities	11,142	7,656	3,486	45.5%
Financial liabilities at fair value	29,630	30,550	−920	−3.0%

Capital and liquidity adequacy

See also:
Risk report:
page 35 ff.

Full details of capital and liquidity adequacy in the first half of 2021 are provided in the risk report section of the Interim management report.

Ratings

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

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

On 24 June 2021, S&P subjected DekaBank and several other institutions to a rating action due to a change in the market assessment for the banking sector. In response to a more critical assessment of the economic environment for banks, S&P had downgraded the ratings for the German banking sector. This also affected the rating of the *Sparkassen-Finanzgruppe*, which had an indirect impact on DekaBank's ratings. As a central (core) member of the *Sparkassen-Finanzgruppe*, DekaBank's ratings are limited by the Group rating of the *Sparkassen-Finanzgruppe*. The downgrading of the savings banks also resulted in the support notching being lowered by one notch, and DekaBank's ratings fell accordingly.

Ratings overview *(Fig. 14)*

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

Human resources report

The Deka Group employed a total of 4,823 people as of 30 June 2021 (year-end 2020: 4,711). The number of employees is determined by counting the number of employment contracts (temporary and permanent) in existence at the reporting date, including inactive employees, trainees and interns. The number of earnings-relevant full-time equivalents rose slightly from 4,131 at the end of 2020 to 4,199. This was mainly due to the IQAM Invest GmbH employees being taken on. The number includes part-time employees actively involved in work processes in the Deka Group, who are counted *pro rata* on the basis of their working hours.

Forecast report

Forward-looking statements

The Deka Group's planning is based on the assumptions about future economic development that appear the most probable from a current standpoint. However, plans and statements about expected developments and the course of business during the second half of 2021 are subject to uncertainty.

Actual trends in the international money, capital and property markets and in the Deka Group may diverge significantly from our assumptions, which are partly based on expert estimates.

The Deka Group's risk position is explained in full 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 2021 financial year. Conversely, opportunities may result in expectations being exceeded. The Deka Group's opportunities are presented in the opportunities report in the Annual Report 2020; there have been no significant changes as of mid-year 2021.

The global impacts of the coronavirus pandemic on the economy still cannot be reliably predicted at the halfway point of 2021. There thus remains a level of uncertainty regarding future market developments. At least in the short term, there also remains a possibility of further setbacks in tackling the pandemic, even after the developments witnessed in the first half of 2021. These may be caused by delays in vaccinating the population or by the spread of mutated variants. It therefore cannot be ruled out that the earnings, risk and capital situation, along with the corresponding performance indicators, may turn out to be less favourable than presented in the forecast report.

Expected macroeconomic trends

In 2021, DekaBank expects the economic recovery to continue after the recession triggered by the COVID-19 pandemic in the spring of 2020. A noticeable upswing is emerging, helped along by the diminishing impact of the coronavirus this year. With the success of the vaccination campaign strengthening the economic outlook, DekaBank expects global gross domestic product to increase by 6.0% for 2021 as a whole. This rapid pace of expansion is due to the monetary and fiscal stimuli that are accelerating the economic catch-up process now that COVID restrictions are being eased. Looking ahead to the coming autumn and winter, however, we can expect renewed restrictions on public life in industrialised nations in the northern hemisphere, although these are likely to involve greater regional differences and be less severe than they were last winter. Based on this outlook, central banks are likely to remain generally supportive with favourable financing conditions. As far as fiscal policy is concerned, it is becoming apparent that, following the direct economic stimulus measures, the focus going forward will be on medium-term investments in the accelerated structural transformation towards greater digitalisation and sustainability.

Not least with the support of the new US administration under President Joe Biden, the world's major economies have renewed their focus on multilateral talks and agreements. We can expect to see more constructive interaction in the political arena. This does not diminish the prospect of intense competition between the three major economic blocs: America, Asia and Europe.

Marked increases in the price of oil and other commodities, supply bottlenecks for key intermediate goods and catch-up effects in private consumption are likely to continue to give consumer prices a major boost in the coming months. In Germany in particular, this situation is compounded by base effects in connection with the temporary reduction in VAT in the second half of 2020. These factors are likely to result in the inflation rate in Germany rising to well over 3% later in the year. Nevertheless, permanently higher levels of inflation are unlikely to be on the cards, as this would also require a stronger growth trend in wages. Although the economic recovery is coming hand-in-hand with falling unemployment rates, it will probably be some time before labour market conditions are as favourable as they were before the outbreak of the pandemic. In this respect, a major prerequisite for a broad-based increase in wages and prices is unlikely to be met in the foreseeable future.

In the months ahead, central banks in the world's major industrialised nations are likely to remain convinced that the current increase in inflation is of a temporary nature, meaning that there is no need to steer monetary policy in a different direction. At the same time, however, they are likely to start scaling back the special measures they took in response to the COVID-19 outbreak. This will involve a certain balancing act in central bank communications. On the one hand, the US Federal Reserve is likely to prepare the financial markets for the phasing-out of its asset purchases in the medium term, while on the other, it is unlikely to add any additional fuel to the speculation regarding key interest rate hikes at any point in the near future. It is a similar story for the ECB, which is likely to start gradually reducing its asset purchases under the Pandemic Emergency Purchase Programme (PEPP) later on in the year. In July 2021, it already announced changes to its monetary policy strategy, underscoring its intention to keep key interest rates low for some time to come. This is likely to help prevent the expiry of the PEPP from overly influencing market expectations regarding the general monetary policy stance.

Expected environment for asset management

The situation on the international capital markets is likely to be characterised by a significant economic recovery in the coming months, accompanied by only a slow normalisation of monetary policy. Concerns regarding excessive inflation are only expected to increase volatility for a short time, with long-term inflation expectations likely to remain generally entrenched. Against this backdrop, moderately steeper yield curves can be expected for low-risk government bonds, such as Bunds and US Treasuries. Given the positive economic outlook and continuing intense investment pressure, corporate bond spreads should chart a sideways trajectory in principle. The fundamentals continue to point to the relative appeal of shares, although the strong upward momentum in corporate profits is likely to taper off somewhat. As the prospect of less expansionary monetary policy draws closer, the second half of the year is likely to see a minor provisional correction in the upward stock market trend, which will otherwise remain intact with solid fundamental support.

Real estate asset management remains an appealing asset class. However, investment opportunities for real estate funds remain limited, meaning that restraint is still called for when attracting new inflows. Rising vacancy rates will continue to characterise the office property markets in the second half of the year, whereas top rents in prime locations are likely for the most part to make it through the crisis without major corrections. In terms of prices, Deka expects shopping centres and hotels to stabilise, office property prices to move sideways and prices for logistics real estate and neighbourhood retail centres to continue rising. In the ongoing low interest rate environment, yields will nevertheless remain at low levels for the foreseeable future, presenting fund management with particular challenges.

Expected environment for the banking business

The ECB will continue to buy securities on a large scale in the second half of the year, even if it is likely to gradually reduce the monthly volumes of its Pandemic Emergency Purchase Programme (PEPP). We also expect to see high demand for the two outstanding longer-term refinancing transactions in the TLTRO III series. Overall, this means that excess liquidity in the banking system should continue to rise. At the same time, and precisely because of the very attractive TLTRO III conditions, we do not expect the ECB, at least in the short term, to exempt a larger portion of excess reserves from negative interest rates in the context of the tiered deposit rate regime. As a result, money market rates are likely to move sideways at a low level, and the high levels of excess liquidity should support sustained strong demand, especially for short-term securities.

European companies have taken full advantage of the favourable financing conditions to increase their liquidity in recent quarters. With the expected strong economic recovery in the second half of the year, cash flows from operating activities should make more of a contribution to liquidity resources, meaning that issuing activity is likely to decline. If the ECB starts to scale down its asset purchases under the PEPP in the autumn, this will have only a minor impact on risk premiums for corporate bonds and covered bonds, as these have only played a minor role in this programme. Consequently, the continued high investment demand among international investors, as well as the continued ECB purchases as part of the Asset Purchase Programme (APP), should keep spreads at very low levels for some time to come.

The capital markets business will continue to be influenced by high market liquidity and low interest rates throughout the remainder of the year. Government and corporate debt levels are also high. In this market environment, the Deka Group expects only moderate changes for the Capital Markets business division. In the financing business, higher market liquidity, along with investment pressure among institutional investors, will translate into mounting competition, which may be reflected in the terms and conditions offered. The further development of the Financing business division will depend substantially on the duration of the COVID-19 pandemic.

Expected business development and profit performance

The Deka Group aims to further enhance its position as a customer-focused, innovative and sustainable *Wertpapierhaus* for the savings banks. The COVID-19 crisis has significantly accelerated trends that were already emerging before the pandemic: in the course of this decade, digitalisation and sustainability will result in radical and fundamental changes to the economy. It goes without saying that this also applies to DekaBank, which is why both these topics are cornerstones of our strategy.

In the forecast report that forms part of the Group management report for 2020, the economic result for 2021 as a whole was forecast at the level of the average for the last five years, namely around €400m, after the result for 2020 took a hit due to the COVID-19 crisis. The updated forecast for the interim report takes the adjusted estimates into account. Based on current market and business developments, the Deka Group expects to see an economic result at the end of 2021 that could be around 20% to 40% higher than the previous forecast.

Sales activities will continue to focus on investment fund business that maintains lasting value. In particular, this also includes regular securities saving. Total net sales are expected to continue to fall well short of the previous year’s high level. However, net sales to retail customers are once again expected to be higher than in 2020. In institutional customer business, we expect net sales to be below the previous year’s high figure. Total customer assets are still forecast to show moderate growth compared to year-end 2020.

The Asset Management Securities business division will once again focus on continuing to develop its range of high-quality products and services in the second half of 2021 in close coordination with the sales departments. It will concentrate particularly on the global impacts of the coronavirus pandemic and on expanding the range of products and services for sustainable investments in line with regulatory requirements and the Deka Group's strategy. An increase in net sales is still expected in the retail business. The focus will be on an investment fund business that maintains lasting value, products for regular saving and sustainability investments. The product mix will remain unchanged. In the institutional customer business, sales of special funds and, in particular, positive developments in institutional mutual funds and ETFs will boost sales performance and keep it at a high level.

Risks may arise from the further course of the coronavirus pandemic and its economic impact on the investment fund business. Once the pandemic has been overcome, political risks will become more significant again in the medium term. These developments could put pressure on the stock markets and dampen investors' risk appetite, which could trigger fund outflows and an absence of new investment. In addition, a pronounced stock market correction could negatively affect total customer assets.

The Asset Management Real Estate business division continues to pursue its aim of being the first-choice partner for savings banks and their customers when investing in commercial property. In open-ended real estate funds for retail customers, the aim is to build further on what is already an excellent market position without compromising on quality or stability. Using a combination of both existing and new products, the division aims to improve its market position in institutional business. Consistently taking sustainability criteria into account in property purchases and portfolio management will ensure that Deka remains attractive to sustainability-oriented investors, too. As the leading asset manager in the savings banks association, the Asset Management Real Estate business division is steadily expanding its existing product range in the area of sustainability. The business division still aims to increase both its net sales among retail and institutional customers and total customer assets. In order to achieve this objective, infrastructure funds of funds will be developed for the first time, to be offered initially in the institutional business.

There are risks to the performance of the Asset Management Real Estate business division from fierce competition in the transaction markets, which have been additionally impacted by the coronavirus pandemic. This makes transaction planning difficult. The measures that remain in place to tackle the pandemic are also creating more volatile business conditions in various parts of the economy and affecting tenants' income. The business division still aims to take a constructive approach to each individual solution and find viable long-term solutions that enable the funds to maintain profitable rental relationships. There are also risks from continued strong regulatory pressure and the further consideration of sustainability criteria, though the impacts cannot be fully predicted here.

For the second half of 2021, the Asset Management Services business division again aims to increase assets under custody in line with the targeted asset management growth. The Digital Multichannel Management subdivision will continue with its strategic direction, pushing ahead with the expansion and integration of the sales processes of physical branches and other channels for the securities products offered by the savings banks.

The Depositary subdivision will strive to further expand its depositary function through growth in the Deka Group investment companies' mutual funds and by obtaining third-party mandates, with a firm focus on developing a comprehensive asset servicing solution.

There are risks to Digital Multichannel Management from stagnating sales and from product development in the custody account business or delays in the enhancement of the multichannel sales offering. Rising expenses, for instance due to changes in the regulatory environment, could exacerbate these risks. Risks to future performance in the Depositary subdivision include rising pressure on margins for depositaries as well as market-induced outflows of funds, particularly due to the effects of the COVID-19 pandemic. In addition, a pronounced stock market correction could negatively affect assets under custody and thus income from the depositary business.

The Capital Markets business division will continue its existing strategic direction as a customer-centric product and solution provider focused on DekaBank's structured products and the derivatives, issuance and trading business in the second half of 2021. This is the business division's way of responding to both regulatory requirements and current market developments and offering product solutions and services to help savings banks meet their regulatory requirements. It will also be important to maintain the Deka Group's position as an infrastructure provider with international capital market access. In the certificates business, retail products will remain the focus.

Risks to the development of the Capital Markets business division arise particularly from negative capital market developments and recessionary fears due to exogenous shocks such as the COVID-19 pandemic or trade disputes, followed by low customer activity levels. Additional risks arise from regulatory intervention in the design of products and definition of terms and conditions and further increased market pressure on fees. Regulatory or adverse monetary policy escalations leading to additional capital backing or reporting obligations may also affect business performance.

For its business activities in the second half of 2021, the Financing business division will continue to concentrate on its defined and well-established core segments: specialised financing and real estate financing in liquid markets. The business division is pushing ahead with its stability-focused and risk-conscious strategy in a market environment that continues to be shaped by the COVID-19 crisis.

Risks to the Financing business division arise especially from the potential further repercussions of the COVID-19 crisis on the quality of loan exposures, especially in the particularly affected sectors of transport and real estate financing. DekaBank took extensive precautions against these risks in the reporting year by focusing on specialised and real estate financing and promptly reviewing the impact on credit quality at the level of individual exposures. At least in the short term, however, there remains a possibility of further setbacks caused by delays in overcoming the COVID-19 crisis. Further risks may arise from political crises, which could adversely affect the economic outlook for lending segments in which we operate. This could also lead to a need for higher loan loss provisions, or to increased capital adequacy requirements as a result of a downgrading of our credit ratings. The long acquisition periods and intense competitive pressure for credit assets may also mean that the intended new business volume and expected returns cannot be achieved. Business performance may also be negatively affected by increasing competitive pressure for project and infrastructure financing due to institutional investors acting as direct lenders.

Expected financial and risk position

For the remaining months of the year, the Deka Group is anticipating a continued sound financial position. Balance sheet management is geared towards ensuring compliance with an appropriate leverage ratio well above the minimum ratio of 3%, as well as compliance with the requirements for RWA- and LRE-based MREL and with the subordinated MREL requirements.

The Deka Group expects to maintain an adequate capital and liquidity base in both the normative and economic perspective. It continues to aim for a Common Equity Tier 1 capital ratio above the strategic target of 13%.

In terms of risk-bearing capacity analysis, the expectation is that the utilisation of the risk appetite will remain at a non-critical level. With regard to risk development, however, increased uncertainty with regard to the further development of the market environment cannot be ruled out.

The Group's liquidity position is forecast to remain at a comfortable level. Likewise, all relevant ratios such as LCR and NSFR are expected to be comfortably adhered to.

Risk report

Risk policy and strategy

The basic principles underlying the Deka Group's risk policy and strategy remain largely unchanged from those described in the Group management report for 2020. In order to achieve its commercial objectives, the Deka Group accepts certain risks in line with strategic requirements. These risks are limited by a comprehensive risk management system that covers all types of risk and all business divisions, sales and corporate centres in order to ensure the success of the Deka Group as a business. The framework for business and risk management is provided by the general concept of risk appetite (Risk Appetite Framework – RAF), which forms the main basis for assessing the adequacy of internal capital and liquidity (Internal Capital Adequacy Assessment Process (ICAAP)/Internal Liquidity Adequacy Assessment Process (ILAAP)) and is an integral part of the Deka Group's strategy system. A strong risk culture for the Deka Group is also key to the lasting achievement of the business policy objectives set out in the business strategy.

Whereas the first quarter of 2021 was still dominated by the COVID-19 pandemic and its impact on both the real economy and the financial markets, a clear economic recovery emerged in the second quarter. Various changes were made in 2020 to ensure that the models used by the Deka Group for economic risk management purposes continue to reflect the corporate and market situation in an appropriate and timely manner despite this changed environment. In particular, the risk-bearing capacity calculation in the stress phase involves the additional inclusion of AT1 capital in internal capital. As the market situation continues to ease, the risk-bearing capacity calculation is expected to move to the normal phase, meaning that the inclusion of AT1 capital is likely to be dropped in the course of the year. In order to avoid the impact of excessive market reactions in connection with the COVID-19 crisis and thus excessive procyclical effects in risk management, the observation period for determining historical volatilities in the calculation of economic market price risk was also extended from one to three years. Furthermore, the averaging period for calculating the bond segment curves in order to determine the economic counterparty risk was permanently increased from 20 days to 60 days, as this approach reduces fluctuations resulting from short-term changes in the curves so that they do not overshadow the view of actual portfolio developments.

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

The Deka Group continued to press ahead with the project initiated in the previous year to implement the vision adopted by the Board of Management for the establishment of an integrated management system for non-financial risks (NFR). Implementing a uniform valuation methodology and consolidated NFR reporting, for example, is ultimately to lead to more efficient and effective processes for identifying, measuring and managing NFR. To increase the granularity of the risk appetite statement, an additional operational limit was introduced at the level of the operational risk sub-types at the end of June. A corresponding methodology was rolled out for redistributing the risk contribution for operational risks to these sub-risk types, as was a process for setting and monitoring the operational limits with the involvement of the individuals responsible for the sub-risk types in the second line of defence. At the same time, further steps were also taken towards developing a holistic reputational risk management system by incorporating relevant business processes into a uniform system for risk assessment and decision-making.

Given how important sustainability risks are from a macroeconomic perspective and in light of the corresponding marked increase in regulatory expectations, the Deka Group has recently significantly stepped up its activities in this area. Sustainability risks are not seen as a type of risk in their own right, but rather as a driver of existing types of risk. A comprehensive analysis of the handling of climate and environmental risks was already performed last year. Taking regulatory expectations into account, a comprehensive action plan for business strategy, governance, risk management and disclosure was drawn up based on an analysis of the status quo. Measures already taken in 2021 are initially intended to boost transparency through a Group-wide analysis of the impact of climate and environmental risks and to refine the strategic and organisational basis for dealing with sustainability risks. With regard to the inclusion of sustainability aspects in DekaBank's lending processes, extensive measures were taken in line with regulatory requirements (primarily the EBA Guidelines on loan origination and monitoring) in order to adapt rules and procedures appropriately in the areas of governance, loan origination, pricing, collateral and monitoring. The development of segment-specific ESG scorecards, which have been in use for new business and renewals since 1 July 2021, are worthy of particular mention in this regard.

The ECB has also announced a climate stress test for the first half of 2022. In various modules, institutions will be asked to answer questions on the climate stress testing framework, to collect key figures on portfolios relevant to climate risk and to conduct a bottom-up stress test including a total of nine stress scenarios with different time horizons. The Deka Group is analysing the draft requirements communicated by the ECB to date and taking preparatory measures.

In the wake of the ECB guide to internal models published back in November 2018, more supervisory reviews of internal models under Pillar I of the Basel Accord (Targeted Review of Internal Models, TRIM) were conducted. The reviews aimed to reduce the variability of model results and thereby increase confidence in internal models. They affected the internal rating models for credit risk (IRBA), internal market risk models (IMA) and internal models for estimating exposure to counterparty risk (IMM). With regard to the IRB approach, suitable measures to fulfil the requirements were initiated based on the findings of the 2019 on-site audit in the fund rating module as part of the TRIM and are currently being worked through. TRIM audits concerning counterparty risk did not affect DekaBank.

In addition, as part of the implementation of the EBA Guidelines on PD estimation, LGD estimation and treatment of defaulted assets, further IRB reviews are currently being carried out for four modules in connection with the corresponding model change notifications. In the coming year, more of these reviews will be conducted until all IRB rating modules have been reviewed by the supervisory authority.

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

Capital adequacy in the first half of 2021

The risk position presented in the risk report relates to the Deka Group's risk position overall, and therefore corresponds to the definition used as the basis for presentation of the Deka Group's business development and profit performance in the economic report.

See also: Economic report: page 11 ff.

While in the first quarter of the year, the negative effects associated with ongoing lockdowns to contain the COVID-19 pandemic were still keeping the handbrake on the economy, a clear economic recovery emerged at the beginning of the second quarter. The positive economic environment overall, with expectations of rising corporate profits, continues to be reflected in a generally positive situation on the financial markets. In addition to price gains on the stock markets, this is reflected in particular in low risk premiums on the credit and bond markets.

The reforms to interest rate benchmarks (reference rates) initiated by the Financial Stability Board resulted in further noticeable changes on the market in the first half of 2021. After the focus in 2020 was on establishing the new reference rates, such as the Euro Short-Term Rate (€STR), Secured Overnight Financing Rate (SOFR) and Sterling Overnight Index Average (SONIA) in the market, the emphasis in 2021 is on switching existing transactions over to the new rates. The discontinuation of LIBOR rates at the end of 2021, especially for three currencies, the British pound sterling (GBP), the Japanese yen (JPY) and the Swiss franc (CHF), means that the transition is mandatory for the affected transactions. Pressure in this regard, particularly from the UK banking regulator, has led to an early shift away from GBP LIBOR and towards GBP SONIA in the market.

The retirement of key LIBOR rates means that DekaBank will have to make significant adjustments to its systems, models and data repositories in the course of the year, in addition to contractual adjustments. Some of these have already been implemented successfully or are in the process of being implemented on schedule. Another aspect will involve the definitive switch of corresponding LIBOR-based derivative contracts with central counterparties in the second half of 2021. By contrast, the development of option markets for the new reference rates is still in its infancy. Moves by the supervisory authorities to push market development should, however, provide significant impetus in this area, too, in the coming months.

Looking at the Deka Group, market development in the first half of 2021 was characterised by very strong performance on the stock markets and declining volatility. This has contributed to very positive issuing business, especially for share certificates. Due to the neutral risk position, developments on the stock markets and rising swap interest rates, especially at the long end, had only a minor impact on the risk situation. The sideways trend in credit spreads also contributed to the low impact. By contrast, market developments have resulted in a significant drop in risks from Riester products and pension obligations.

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

Economic perspective (current situation)
During the reporting period, the models employed by the Deka Group for economic risk management continued to reflect the corporate and market situation in an appropriate and timely manner. The Deka Group's total risk (value-at-risk – VaR; confidence level 99.9%; holding period one year) stood at €2,045m at the end of the first half of the year. As such, it showed a significant drop relative to the position at the end of 2020 (€2,821m), mainly due to the dwindling effects of the coronavirus crisis. This was based on significantly lower counterparty, market price and business risk, while operational risk and investment risk increased slightly.

Over the same period, risk capacity rose to €5,560m (year-end 2020: €5,236m). This increase was driven primarily by the increase in retained earnings in connection with the retention of parts of the annual profit, a higher revaluation reserve, lower deduction items for deferred tax assets and for risks from pension obligations, as well as higher year-to-date IFRS profit after tax and pro rata distribution. There was an opposite effect particularly from the drop in net unrealised gains and losses on securities in the investment portfolio. The utilisation of risk capacity was down significantly as against the end of 2020 (53.9%) to 36.8%, meaning that it remains at a non-critical level. If the stress phase were to end during the year and AT1 capital were therefore no longer included in internal capital, risk capacity would be reduced and the utilisation ratio would increase, although it would remain at a non-critical level. There would be no need to adjust the risk appetite.

Utilisation of allocated risk capital was non-critical both at Deka Group level and in all business divisions. The risk appetite of €4,000m (unchanged since the end of 2020) was 51.1% utilised as at 30 June 2021 (year-end 2020: 70.5%).

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

	30 Jun 2021	31 Dec 2020	Change	
Counterparty risk	867	1,157	–290	–25.1%
Investment risk	23	20	2	10.6%
Market price risk	479	825	–346	–41.9%
Operational risk	280	279	2	0.6%
Business risk	396	541	–145	–26.8%
Total risk	**2,045**	**2,821**	–777	–27.5%

Normative perspective (current situation)

Capital adequacy is determined in accordance with the CRR. Alongside counterparty risk, market risk and operational risk, the credit valuation adjustment (CVA) risk is also taken into account.

The Deka Group's regulatory own funds as of 30 June 2021 stood at €5,981m (31 December 2020: €5,753m).

The increase in Common Equity Tier 1 capital by 5.8% to €4,694m was due primarily to the inclusion of year-end effects from 2020 (profit retention and inclusion of the risk provisions set up in 2020 in the comparison of provisions).

Tier 2 capital amounted to €813m (year-end 2020: €842m). This change was due to the reduced eligibility of Tier 2 capital instruments under the CRR in the last five years before maturity.

Risk-weighted assets fell by €591 m from the year-end 2020 figure of €31,307m to €30,716m as of 30 June 2021. As expected, credit risk increased by €2,412m as against the end of the year to €20,017m, mainly due to the first-time application of CRR II. This results in higher RWA for guarantee products due to the application of the CCF approach, as well as higher RWA due to the application of the SA CCR approach when determining the counterparty risk for derivatives. The increased credit risk was offset by a drop in market risk of €2,900m to €6,678m. This was mainly attributable to a drop in general market risk as a result of lower spread volatilities and to a drop in specific market risk resulting from the adjustment to reflect the new interpretation of the use of offsetting options in specific interest rate risk. Operational risk increased slightly by €20m to €3,505m. CVA risk came to €516m (year-end 2020: €638m).

As of 30 June 2021, the Common Equity Tier 1 capital ratio stood at 15.3% (year-end 2020: 14.2%). The Tier 1 capital ratio as of the reporting date was 16.8% (year-end 2020: 15.7%). The total capital ratio rose from 18.4% as of 31 December 2020 to 19.5% at the reporting date.

Taking account of the requirements of the SREP (Supervisory Review and Evaluation Process), DekaBank had to comply at Group level with a phase-in Common Equity Tier 1 capital ratio of at least 8.44% as at 30 June 2021. This capital requirement is comprised of the Pillar 1 minimum requirement (4.50%) plus the Pillar 2 requirement (1.5%, taking into account partial P2R coverage by Tier 2 (T2) capital, reduced to 1.125% for the Tier 1 capital ratio and Common Equity Tier 1 capital ratio), the capital conservation buffer (2.5%), the countercyclical capital buffer (as at the end of June 2021: 0.068%) and the capital buffer for other systemically important banks (0.25%). The capital requirement for the Tier 1 capital ratio (phase-in) was 9.94%. For the total capital ratio (phase-in), it was 12.32%. These requirements were clearly exceeded at all times.

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

	30 Jun 2021		31 Dec 2020	
	CRR II (without transitional provisions)	**CRR II (with transitional provisions)**	**CRR I (without transitional provisions)**	**CRR I (with transitional provisions)**
Common Equity Tier 1 (CET 1) capital	4,694	4,694	4,437	4,437
Additional Tier 1 (AT 1) capital	474	479	474	484
Tier 1 capital	**5,168**	**5,173**	**4,911**	**4,921**
Tier 2 (T2) capital	813	813	842	842
Own funds	**5,981**	**5,986**	**5,753**	**5,763**
Credit risk	20,017	20,017	17,605	17,605
Market risk	6,678	6,678	9,578	9,578
Operational risk	3,505	3,505	3,485	3,485
CVA risk	516	516	638	638
Risk-weighted assets	**30,716**	**30,716**	**31,307**	**31,307**
%				
Common Equity Tier 1 capital ratio	**15.3**	**15.3**	**14.2**	**14.2**
Tier 1 capital ratio	**16.8**	**16.8**	**15.7**	**15.7**
Total capital ratio	**19.5**	**19.5**	**18.4**	**18.4**

The leverage ratio determined in accordance with CRR II, i.e. the ratio of Tier 1 capital to total assets (leverage ratio exposure, LRE), adjusted in line with regulatory requirements, stood at 5.7% as at 30 June 2021 (year-end 2020: 5.6%). Taking account of the phase-in provisions, the leverage ratio for the Deka Group was 5.7% (year-end 2020: 5.6%). The improvement was due to the €257m increase in Tier 1 capital with a simultaneous increase in the leverage ratio exposure by €2,037 m (in line with the increase in total assets, which was offset by effects resulting from the first-time application of CRR II). The leverage ratio was at all times substantially above the minimum of 3.0% to be adhered to from June 2021 onwards.

The MREL requirements were changed to an RWA- and LRE-based calculation method in the middle of 2021. The total of own funds and MREL-eligible liabilities is expressed in relation to RWA and LRE. As at the reporting date, the MREL ratio in line with the RWA-based approach amounted to 61.6%, while the figure according to the LRE-based approach came to 21.0%. Both ratios were well above the minimum ratios that will apply as of 1 January 2022. Compared against 31 December 2020 (€19.2bn), there was a slight reduction in own funds and MREL-eligible liabilities to €18.9bn. As of the reporting date, this figure was composed of own funds of €6.0bn, senior non-preferred issues of €8.5bn, senior preferred issues of €4.3bn and unsecured subordinated liabilities of €0.2bn.

The subordinated MREL requirements were also calculated using the RWA- and LRE-based method. The total of own funds and all subordinated liabilities eligible based on statutory requirements is expressed in relation to RWA and LRE. As at the reporting date, the subordinated MREL requirements under the RWA-based approach were 44.8%, while the figure under the LRE-based approach came to 15.3%. Both ratios were well above the minimum ratios that will apply as of 1 January 2022.

Macroeconomic stress tests

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

Liquidity adequacy in the first half of 2021

The Deka Group continued to have ample liquidity, measured using the liquidity balances and LCR, throughout the first half of 2021. There were no breaches of the internal limits and emergency triggers or the external minimum LCR and NSFR at any time.

The pandemic is now having no material impact on the liquidity side. The share of refinancing via commercial papers remained low compared to the overall refinancing profile. The volume of evergreen financing was at a low level to improve the ability to manage the liquidity risk position.

Economic perspective

There were clear positive liquidity balances in all relevant maturity bands of the "combined stress scenario" funding matrix for periods of up to 20 years. This was also the case for the alternative stress scenarios. Limits and emergency triggers were complied with throughout the reporting period.

As at 30 June 2021, 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 €3.6bn (year-end 2020: €5.2bn). In the maturity band of up to one month, the liquidity surplus totalled €7.6bn (year-end 2020: €8.2bn), and in the medium range (three months) it was €10.8bn (year-end 2020: €12.0bn).

In relation to the net cash flows of approximately €0.3bn on day 1, the Deka Group has a high liquidity potential (around €3.2bn) that is readily convertible at short notice. The Group has access to a large portfolio of liquid securities which are eligible as collateral for central bank borrowings, as well as to available surplus cover in the cover pool and corresponding repo transactions. The strict requirements concerning the liquidity potential ensure that the securities used for this purpose can generate liquidity even in a stressed market environment.

"Combined stress scenario" funding matrix of Deka Group as at 30 June 2021 *in €m (Fig. 17)*

	D1	>D1 to D5	>D5 to 1M	>1M to 3M	>3M to 12M	>12M to 5Y	>5Y to 20Y	>20Y
Liquidity potential (accumulated)	3,229	3,125	5,188	6,029	–1,221	–356	–75	–5
Net cash flows from derivatives (accumulated)[1]	–230	24	1,647	3,069	3,827	2,638	2,127	2,115
Net cash flows from other products (accumulated)	518	416	775	1,701	10,986	9,577	980	–2,812
Liquidity balance (accumulated)	**3,516**	**3,564**	**7,609**	**10,799**	**13,593**	**11,859**	**3,033**	**–701**
For information purposes:								
Net cash flows from derivatives by legal maturity (accumulated)[1]	–230	–233	–250	–192	–272	–486	–851	–1,245
Net cash flows from other products by legal maturity (accumulated)	–3,145	–3,631	–9,663	–13,359	–11,388	–4,580	–4,949	–639
Net cash flows by legal maturity (accumulated)	**–3,375**	**–3,864**	**–9,914**	**–13,551**	**–11,659**	**–5,066**	**–5,800**	**–1,885**

[1] Including lending substitute transactions and issued CLNs

As at 30 June 2021, repo transactions, overnight and time deposits and other money market products accounted for 57.3% of total refinancing (year-end 2020: 52.2%). The remainder of the refinancing concerned capital market products, primarily with longer maturity profiles. The refinancing profile for lending business was well balanced, given the maturity structure.

The coronavirus crisis has resulted in a change in the refinancing profile. The proportion of refinancing from other banks has declined, while refinancing via funds has increased. The volume of money market refinancing via commercial papers increased, but is still at a very low level.

Normative perspective

The regulatory LCR requirements were met throughout the period under review. In percentage terms, the increase in net cash outflows was greater than that in holdings of high-quality, liquid assets. This resulted in a reduction in the liquidity coverage ratio at Deka Group level compared to 31 December 2020. The LCR as at 30 June 2021 stood at 149.7% (year-end 2020: 185.6%). The average during the first half of 2021 was 166.1% (average for H1 2020: 164.8%). The LCR fluctuated within a range from 149.1% to 198.8%. It was thus always substantially above the minimum limit of 100.0% applicable in 2021.

The net stable funding ratio (NSFR) came to 118.5%, meaning that, at the end of June, it was substantially above the minimum limit of 100% applicable as of June 2021. The ratio expresses available stable funding in relation to required stable funding. The NFSR is thus designed to ensure stable long-term funding for assets in relation to their degree of liquidity. A period of one year forms the basis for the assessment.

Both perspectives (macroeconomic stress tests)

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

Individual risk types

Counterparty risk

Current risk situation

Counterparty risk, as determined on the basis of the credit value at risk (CVaR) with a confidence level of 99.9% and a holding period of one year, fell significantly in the first half of 2021 to €867m (year-end 2020: €1,157m). Risk capital allocated to counterparty risk stood at €1,595m (year-end 2020: €1,630m) and was 54.4% utilised (year-end 2020: 71.0%). The level of risk capacity utilisation therefore remained non-critical.

The risk development was due primarily to portfolio optimisation measures in the Capital Markets business division and in the Treasury corporate centre. In addition, the positive market development that had already started to emerge at the end of 2020, despite the ongoing COVID-19 crisis, continued in the first half of the year and led to a stabilisation in risk premiums, prompting a further reduction in risk.

The risk position of the cluster portfolio was assessed using an expected shortfall redistribution. The result was a significant decrease in absolute terms compared with the end of 2020. The relative share of the cluster portfolio in the overall portfolio also decreased slightly. Risk concentration remained in line with the Deka Group’s credit risk strategy.

Gross loan volume increased moderately by 6.8% as against the end of 2020 (€120.2bn) to reach €128.3bn. A significant portion of the increase related to the financial institutions risk segment, which was affected in particular by the increased deposits with the Bundesbank and increased repo lending volumes. In the funds risk segment, the gross loan volume increased due to more securities issued as collateral as part of borrowing transactions and also due to increased fund units. The reduction in gross loan volume also came partly from market fluctuations from interest rate derivatives and fewer promissory note loans in the savings banks risk segment. A lower risk from bond volumes in the Public sector International and Public sector Germany risk segments also had the effect of reducing the gross loan volume. The lending business volume comprising various, predominantly collateralised infrastructure, transport, export and real estate financing was down on the level seen at the end of 2020. The ship portfolio’s share of gross loan volume fell slightly to 0.7% (year-end 2020: 0.8%). The aircraft portfolio had a share of 2.0% (year-end 2020: 2.4%). In connection with the COVID-19 crisis, the transport loan portfolio in particular is being closely followed and monitored on an ongoing basis.

Gross loan volume *in €m (Fig. 18)*

	30 Jun 2021	31 Dec 2020
Financial institutions	68,480	56,700
Savings banks	6,523	7,434
Corporates	9,075	9,010
Public sector International	3,393	4,948
Public sector Germany	9,970	11,690
Transport and export finance	4,791	5,272
Property risks	10,606	10,417
Funds (transactions and units)	11,456	10,721
Other	4,003	3,962
Total	**128,296**	**120,155**

Net loan volume increased by 10.8% as against the end of 2020 (€61.0bn) to reach €67.6bn. This was because the increase in business volume resulted in higher deductions for secured lending when converting from gross to net loan volume. This mainly reflected the offsetting of reverse repo transactions, especially as a result of the increased volume of reverse repos in the financial institutions risk segment, the netting of lending transactions (due to their increased volume in the funds risk segment) and the offsetting of credit derivatives (due to their decreased volume in the Public sector International and Public sector Germany risk segments). Increased deposits with Deutsche Bundesbank in the financial institutions risk segment had the effect of increasing the net loan volume. There was also a decline in volume in the savings bank financing segment, which was also visible after netting.

Net loan volume *in €m (Fig. 19)*

	30 Jun 2021	31 Dec 2020
Financial institutions	31,618	23,245
Savings banks	6,336	7,232
Corporates	3,580	3,927
Public sector International	1,176	1,294
Public sector Germany	9,519	10,360
Transport and export finance	605	682
Property risks	2,611	2,644
Funds (transactions and units)	8,134	7,660
Other	4,003	3,962
Total	**67,583**	**61,005**

The gross loan volume in the eurozone rose by a total of €12.8bn. This was due to increased deposits with Deutsche Bundesbank, an increase in repo transactions with counterparties in Germany and France and an increased lending volume in Germany and Luxembourg. As a result, the percentage of gross loan volume increased from 72.5% at the end of 2020 to 77.9%.

The volume movements in the EU countries outside the eurozone, as well as in the OECD excluding the EU, resulted primarily from the UK’s exit from the EU, as well as reduced reverse repo transactions with capital market counterparties that shifted their business from the UK to Germany. In addition, the increase in the OECD countries was also due to greater exposure to securities lending with Swiss counterparties.

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

	30 Jun 2021	31 Dec 2020
Eurozone	99,967	87,165
EU excluding eurozone	987	16,848
OECD excluding EU	24,307	13,096
International organisations	161	24
Other countries	2,875	3,023
Total	**128,296**	**120,155**

The gross loan volume attributable to Germany increased by €12.1bn to €64.4bn and equated to a proportion of 50.2% at the mid-year point. In the eurozone, €14.1bn or 11.0% of the gross loan volume was attributable to counterparties in Luxembourg. Counterparties in France accounted for 7.0% of the gross loan volume, and counterparties in Belgium accounted for 5.1%.

The gross loan volume relating to borrowers in Spain and Italy fell to €2.6bn, from €3.3bn at the end of 2020. The collateralising effect of repo transactions meant that the net loan volume attributable to borrowers in Italy was lower than the gross loan volume. As a result of both the collateralising effect of repo transactions and the derivative collateralisation of the bond portfolio, the net loan volume attributable to borrowers in Spain was less than the gross loan volume.

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

	30 Jun 2021	Percentage of Gross loan volume
Germany	64,448	50.2%
Luxembourg	14,110	11.0%
United Kingdom	10,931	8.5%
France	9,036	7.0%
Belgium	6,512	5.1%
Spain	1,939	1.5%
Netherlands	1,255	1.0%
Italy	709	0.6%
Other	19,357	15.1%
Total	**128,296**	**100.0%**

The gross loan volume remained focused primarily on the short-term segment. The proportion of transactions with a time to maturity of less than one year was 40.2% at the end of the first half of 2021 (year-end 2020: 41.2%). The proportion of maturities longer than ten years was 6.6%, compared with 8.9% at 31 December 2020. The average legal residual term of gross lending was down to 3.3 years (year-end 2020: 3.9 years) mainly due to the increased deposits with Deutsche Bundesbank.

The level of risk concentration in the loan portfolio fell slightly during the first half of 2021. As at 30 June, 16.3% (year-end 2020: 19.9%) of total gross loan volume was attributable to borrower units with a gross limit of at least €2.5bn or an overall net limit of at least €1.0bn (counterparty clusters). The number of counterparty clusters was down as against the end of 2020 from two to 26. As part of the adjustment to the credit risk strategy for 2021, the allocation of counterparty clusters to new risk segments and their limit guidelines were adjusted. Of the gross loan volume attributable to the cluster portfolio, 34.3% related to public sector counterparties, savings banks, and government-related and supranational institutions. A total of 15.3% of net loan volume related to counterparty clusters (year-end 2020: 20.4%).

As was already the case at the end of 2020, shadow banking entities under the principal approach (limit utilisation of total net risk position: 35%) accounted for less than 1% of the net loan volume as at the 30 June 2021 reporting date. For shadow banking entities under the fallback approach, this share was virtually 0%. The utilisation figures are considered acceptable, especially given that the shadow banking entities have an average rating of "A–" on the DSGV master scale.

Over the reporting period, the average rating for the gross loan volume deteriorated by one notch to a rating of 4 on the DSGV master scale. The average probability of default rose to 26 bps (year-end 2020: 20 bps), which was due to deteriorating credit ratings for a central counterparty and for high-volume counterparties in the financial institutions risk segment as well as for various aircraft, ship, real estate and aviation companies, partly as a result of the COVID-19 pandemic. The average rating for the net loan volume remained stable at "A–" with a virtually unchanged average probability of default of 9 bps (year-end 2020: 10 bps).

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

	Average PD in bps	Ø-Rating 30 Jun 2021	30 Jun 2021	Average PD in bps	Ø-Rating 31 Dec 2020	31 Dec 2020
Financial institutions	4	AA–	31,618	6	A	23,245
Savings banks	1	AAA	6,336	1	AAA	7,232
Corporates	16	3	3,580	17	3	3,927
Public sector International	3	AA	1,176	3	AA	1,294
Public sector Germany	1	AAA	9,519	1	AAA	10,360
Public infrastructure	18	3	860	14	2	936
Transport and export finance	231	9	605	159	8	682
Energy and utility infrastructure	41	5	2,983	46	5	2,822
Property risks	22	4	2,611	11	2	2,644
Retail portfolio	0	0	161	0	0	204
Funds (transactions and units)	12	2	8,134	11	2	7,660
Total	**9**	**A–**	**67,583**	**10**	**A–**	**61,005**

The Bank continues to achieve its target rating of investment grade (5 or better) for the portfolio as a whole without difficulty, with regard to both its gross and net loan volume. 92.6% of net loan volume remained in the same grouping (determined by rating class) as at the end of 2020.

Market price risk

Current risk situation

Market price risk at Deka Group level (measured using VaR with a confidence level of 99.9% and a holding period of one year) fell significantly compared with the position as at the end of 2020 (€825m) to €479m. The strong decrease was primarily attributable to a lower risk from guarantee products. This was due to a significant increase in interest rates in the first quarter and a positive trend on the stock markets.

Utilisation of the allocated risk capital for market price risk stood at €1,300m (year-end 2020: €1,255m). This represents a non-critical utilisation level of 36.8%.

Market price risk for the Deka Group (excluding guarantees) as at 30 June 2021 was €48.3m (year-end 2020: €51.9m), measured as the VaR with a confidence level of 99.0% and a holding period of ten days. The portfolio optimisation measures taken in response to developments in connection with the coronavirus crisis achieved the intended effect. As the situation on the financial markets has calmed down, the COVID-19 crisis is no longer having any direct impact on market price risk. Should another wave of the pandemic emerge, triggering renewed fluctuation on the financial markets, then market price risk would also be expected to increase again. At the same time, the portfolio optimisation measures mean that the risk position is less susceptible to market crises.

Utilisation of the operational management limit at Deka Group level (excluding guarantees) stood at €88.0m as of the reporting date. This represented an utilisation level of 55% and was therefore non-critical.

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

	30 Jun 2021						
Category	**Asset Management Securities business division**	**Asset Management Real Estate business division**	**Asset Management Services business division**	**Capital Markets business division**	**Treasury**	**Deka Group excluding guarantees**	Change in risk vs 31 Dec 2020
Interest rate risk	4.2	0.0	4.6	11.1	36.6	48.5	−7.7%
Interest rate (general)	0.7	0.0	4.2	5.1	6.1	8.2	−28.1%
Credit spread risk	4.0	0.0	2.4	10.6	38.4	49.5	−8.0%
Share price risk	0.6	0.2	0.4	7.0	2.4	6.4	0.0%
Currency risk	0.2	0.0	0.0	0.6	9.5	10.0	89.7%
Total risk	**4.1**	**0.2**	**4.6**	**13.6**	**38.0**	**48.3**	−6.9%

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

The VaR for general interest rate risk (excluding risks on guarantee products) decreased from €11.4m at year-end 2020 to €8.2m. The reduction began in the first quarter with a tighter management of risk (adjustments to hedges).

The VaR for credit spread risk fell to €49.5m on the reporting date (year-end 2020: €53.8m). The slight drop was due to a reduction in bond positions. In line with the business model, risk concentration in terms of credit spread risk was mainly attributable to German and US bonds issued by the public sector, financial institutions and corporates.

At €6.4m, share price risk was unchanged as against the 2020 year-end level and thus remained less significant.

Currency risk rose from €5.3m at the end of 2020 to €10.0m in the reporting period. The increase resulted from the adjustments in connection with the LIBOR changeover. At the reporting date, the currency risk was attributable primarily to positions in US dollars and pound sterling and, like the share price risk, was of minor significance.

Operational risk

Current risk situation

The VaR for operational risk (confidence level of 99.9%, holding period of one year) increased only marginally from €279m at year-end 2020 to €280m. The slight increase in risk resulting from the reassessment of various loss scenarios was almost completely offset by a relatively small number of newly or retrospectively recorded loss events. In the context of the COVID-19 pandemic, updated costs for additional protective and disinfection measures, as well as for the provision of face masks and self-testing kits to employees, are particularly worthy of note. In addition, effects that had previously been taken into account, with the effect of reducing losses, were no longer included in the quantification in line with the requirements on the treatment of the various cost components set out by the EBA at the end of the previous year. Risk capital allocated to operational risk stood at €350m (year-end 2020: €335m). Utilisation of this amount was 80.1%. Utilisation thus remains at a non-critical level.

The OR loss potential calculated as part of the Group-wide risk survey increased to €72m (year-end 2020: €66m) due to newly included loss scenarios, for example in connection with the first-time inclusion of the subsidiary IQAM Invest GmbH, and also due to updates to various existing risk assessments. There was no need for any additional adjustments in connection with the COVID-19 pandemic, as related aspects were given extensive consideration in the previous year. As things currently stand, there is no reason to expect any increased risk profile in this context in the future either, as the Deka Group has adapted to the new working situation through various measures and the projections already reflect the changes in the cost structure.

On 15 July 2021, a revised Federal Ministry of Finance (BMF) circular dated 9 July 2021 was published on the tax treatment of share trades transacted around the dividend record date. Compared to the original BMF circular dated 17 July 2017, this BMF circular sets out more specific details regarding the requirements for relief from capital yields tax (*Kapitalertragsteuer*), as well as with regard to the legal consequences in the event of a refusal by tax authorities to allow relief for share trades transacted around the dividend record date. Based on the revised BMF circular of 9 July 2021 on the tax treatment of cum/cum transactions, tax risks exist in connection with relief from capital yields tax on share transactions made around the dividend record date in the years 2013 to 2015. All matters are reported in the interim report as at 30 June 2021 in accordance with DekaBank's interpretation of the relevant tax regulations and accounting standards.

In addition, DekaBank has begun voluntary investigations to ascertain whether its involvement enabled third parties to conduct share trades around the dividend record date and make use of abusive tax structures or whether it was otherwise involved in such structures. Based on the findings available to it, DekaBank considers it unlikely that the tax authority will be able to make a claim in relation to these matters beyond what has been recognised in the financial statements as at 30 June 2021.

Business risk

The VaR of business risk was €396m as at 30 June 2020, significantly lower than the level of €541m at the end of the previous year. The reduction in risk was due predominantly to lower volatilities against the backdrop of the market recovery following the coronavirus crisis, with effects in the Asset Management Securities, Asset Management Services and Capital Markets business divisions. This meant that the allocated risk capital, which was reduced to €725m (year-end 2020: €750m), was 54.6% utilised. Should the COVID-19 pandemic flare up again and trigger increased market volatility, it would be impossible to rule out a renewed increase in business risk. A comprehensive revamp of the model for quantifying business risk is currently under way, with the revised model expected to go live for the Asset Management Securities business division at the end of August 2021. The revised model has a refined and, as a result, more accurate modelling system at its core, making it possible to replace some of the conservative assumptions that are implemented at present. As a result, we currently expect to see a reduction in risk.

Further risks

Investment risk

The VaR of investment risk was €23m at 30 June 2021 and was therefore up slightly on the level of €20m at the previous year-end. The reason for the slight increase in risk was the increase in the IFRS carrying value of an equity investment as a result of the current fair value measurement in accordance with IFRS 9 as part of the regular remeasurement of equity investments at mid-year. The risk capital allocated to investment risks remained unchanged at €30m, with utilisation of 75.1%. The COVID-19 pandemic did not have any major impact on investment risk, and no such impact is expected based on the information available at present.

Interim financial statements

Interim financial statements

Statement of profit or loss and other comprehensive income
for the period from 1 January to 30 June 2021

€m	Notes	1st half 2021	1st half 2020	Change
Interest income		401.0	506.1	–20.8%
(thereof calculated using the effective interest method)		(176.2)	(262.5)	–32.9%
Interest expenses		321.3	417.2	–23.0%
Net interest income	[6]	**79.7**	**88.9**	–10.3%
Risk provisions in the lending and securities business	[7], [21]	**18.4**	**–68.9**	126.7%
Net interest income after provisions		**98.1**	**20.0**	(> 300%)
Commission income		1,578.6	1,329.0	18.8%
Commission expenses		839.9	752.3	11.6%
Net commission income	[8]	**738.7**	**576.7**	28.1%
Net income from the derecognition of financial assets measured at amortised cost	[9]	**12.9**	**4.8**	168.8%
Trading profit or loss	[10]	**73.8**	**279.3**	–73.6%
Profit or loss on financial assets mandatorily measured at fair value	[11]	**10.1**	**–29.1**	134.7%
Profit or loss on financial instruments designated at fair value	[12]	**13.6**	**11.3**	20.4%
Profit or loss from fair value hedges	[13]	**10.4**	**–17.9**	158.1%
Profit or loss on financial investments	[14]	**–0.0**	**–0.0**	0.0%
Administrative expenses	[15]	**587.8**	**574.0**	2.4%
(thereof expenses for the bank levy and deposit guarantee scheme)		(79.5)	(72.8)	9.2%
Other operating profit	[16]	**–35.9**	**–27.1**	–32.5%
Total of profit or loss before tax		**333.9**	**244.0**	36.8%
Income taxes	[17]	**106.4**	**101.7**	4.6%
Interest expenses for atypical silent capital contributions		**25.0**	**23.5**	6.4%
Total of profit or loss		**202.5**	**118.8**	70.5%
Thereof:				
Attributable to non-controlling interests		–	–	o.A.
Attributable to the shareholders of DekaBank		202.5	118.8	70.5%
Changes not recognised in profit or loss	[31]			
Items reclassified to profit or loss				
Change in reserve for financial assets measured at fair value through other comprehensive income		–4.6	–10.9	57.8%
Change of the foreign currency basis spread of hedging derivatives		–9.7	16.7	–158.1%
Change in currency translation reserve		0.1	–0.1	200.0%
Deferred taxes on items reclassified to profit or loss		4.5	–1.9	(> 300%)
Items not reclassified to profit or loss				
Revaluation gains/losses on defined benefit pension obligations		104.7	–19.2	(> 300%)
Change in valuation reserve for own credit risk of financial liabilities designated at fair value		0.2	4.6	–95.7%
Deferred taxes on items not reclassified to profit or loss		–13.4	–9.4	–42.6%
Other comprehensive income		**81.8**	**–20.2**	(> 300%)
Comprehensive income for the period under IFRS		**284.3**	**98.6**	188.3%
Thereof:				
Attributable to non-controlling interests		–	–	o.A.
Attributable to the shareholders of DekaBank		284.3	98.6	188.3%

Statement of financial position as at 30 June 2021

€m	Notes	30 Jun 2021	31 Dec 2020	Change
Assets				
Cash reserves	[18]	**18,735.4**	**9,206.7**	103.5%
Due from banks	[19]	**14,921.3**	**16,350.2**	–8.7%
Due from customers	[20]	**29,890.0**	**24,616.4**	21.4%
Financial assets at fair value	[22]	**19,393.7**	**22,981.9**	–15.6%
a) Trading portfolio		18,144.6	21,388.7	–15.2%
b) Financial assets mandatorily measured at fair value		1,249.1	1,593.2	–21.6%
c) Financial assets designated at fair value		–	–	o.A.
(of which deposited as collateral)		(3,962.1)	(5,172.4)	–23.4%
Positive market values of derivative hedging instruments		**309.3**	**638.7**	–51.6%
Financial investments	[23]	**9,840.3**	**10,567.2**	–6.9%
a) Financial assets measured at amortised cost		5,328.7	5,162.1	3.2%
b) Financial assets measured at fair value through other comprehensive income		4,495.2	5,388.7	–16.6%
c) Shares in at-equity accounted companies		16.4	16.4	0.0%
(of which deposited as collateral)		(1,468.7)	(875.9)	67.7%
Intangible assets	[24]	**205.1**	**182.0**	12.7%
Property, plant and equipment	[25]	**125.7**	**141.9**	–11.4%
Current income tax assets		**197.9**	**195.1**	1.4%
Deferred income tax assets		**269.7**	**289.2**	–6.7%
Other assets		**421.3**	**339.8**	24.0%
Total assets		**94,309.7**	**85,509.1**	10.3%
Liabilities				
Due to banks	[26]	**21,629.6**	**17,140.6**	26.2%
Due to customers	[27]	**23,095.5**	**21,660.2**	6.6%
Securitised liabilities	[28]	**11,142.1**	**7,656.2**	45.5%
Financial liabilities at fair value	[29]	**29,629.9**	**30,549.6**	–3.0%
a) Trading portfolio		29,113.3	29,884.4	–2.6%
b) Financial liabilities designated at fair value		516.6	665.2	–22.3%
Negative market values of derivative hedging instruments		**192.2**	**107.1**	79.5%
Provisions	[30]	**528.8**	**620.3**	–14.8%
Current income tax liabilities		**92.5**	**67.3**	37.4%
Deferred income tax liabilities		**12.6**	**9.1**	38.5%
Other liabilities		**1,123.6**	**1,042.1**	7.8%
Subordinated capital		**969.1**	**959.4**	1.0%
Atypical silent capital contributions		**52.4**	**52.4**	0.0%
Equity	[31]	**5,841.4**	**5,644.8**	3.5%
a) Subscribed capital		191.7	191.7	0.0%
b) Additional capital components		473.6	473.6	0.0%
c) Capital reserve		190.3	190.3	0.0%
d) Retained earnings		4,848.7	4,877.1	–0.6%
e) Revaluation reserve		–101.4	–183.2	44.7%
f) Accumulated profit/loss (consolidated profit)		238.5	95.3	150.3%
g) Minority interest		–	–	o.A.
Total liabilities		**94,309.7**	**85,509.1**	10.3%

Condensed statement of changes in equity for the period from 1 January to 30 June 2021

€m	Subscribed capital	Additional capital components	Capital reserve	Retained earnings	Consolidated profit/loss	Provisions for pensions[1]	Change of the foreign currency basis spread of hedging derivatives
Equity as at 1 January 2020	**191.7**	**473.6**	**190.3**	**4,733.3**	**55.1**	**– 223.4**	**2.5**
Total of profit or loss	–	–	–	–	118.8	–	–
Other comprehensive income	–	–	–	–	–	– 19.2	16.7
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**118.8**	**– 19.2**	**16.7**
Changes in the scope of consolidation[2]	–	–	–	– 28.4	0.1	–	–
Other changes[2)3)]	–	–	–	–	–	–	–
Allocation to reserves from retained earnings	–	–	–	–	–	–	–
Distribution	–	–	–	–	–	–	–
Equity as at 30 June 2020	**191.7**	**473.6**	**190.3**	**4,704.9**	**174.0**	**– 242.6**	**19.2**
Total of profit or loss	–	–	–	–	93.5	–	–
Other comprehensive income	–	–	–	–	–	– 31.2	– 32.8
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**93.5**	**– 31.2**	**– 32.8**
Changes in the scope of consolidation[2]	–	–	–	–	–	–	–
Other changes[2)3)]	–	–	–	0.1	– 0.1	–	–
Allocation to reserves from retained earnings	–	–	–	172.1	– 172.1	–	–
Distribution	–	–	–	–	–	–	–
Equity as at 31 December 2020	**191.7**	**473.6**	**190.3**	**4,877.1**	**95.3**	**– 273.8**	**– 13.6**
Total of profit or loss	–	–	–	–	202.5	–	–
Other comprehensive income	–	–	–	–	–	104.7	– 9.7
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**202.5**	**104.7**	**– 9.7**
Changes in the scope of consolidation[2]	–	–	–	– 28.4		–	–
Other changes[2)3)]	–	–	–	–	– 0.1	–	–
Allocation to reserves from retained earnings	–	–	–	–	–	–	–
Distribution	–	–	–	–	– 59.2	–	–
Equity as at 30 June 2021	**191.7**	**473.6**	**190.3**	**4,848.7**	**238.5**	**– 169.1**	**– 23.3**

[1] Revaluation gains/losses on defined benefit obligations
[2] With the implementation of the new ESEF requirements as of 31 December 2020, changes in the scope of consolidation and other changes are shown as two separate lines. The previous year's figures were adjusted accordingly.
[3] Comprises the payment of interest of the Additional Tier 1 bond, which is classified as equity capital under IFRS.
[4] With the implementation of the new ESEF requirements as of 31 December, the currency translation reserve is reported within the revaluation reserve.

Revaluation reserve					Total before minority interest	Minority interest	Equity
Equity-accounted companies	Financial assets measured at fair value through other comprehensive income	Own credit risk of financial liabilities designated at fair value	Currency translation reserve[4]	Deferred taxes			
–	**12.5**	**–3.6**	**0.1**	**79.4**	**5,511.5**	**–**	**5,511.5**
–	–	–	–	–	118.8	–	118.8
–	–10.9	4.6	–0.1	–11.3	–20.2	–	–20.2
–	**–10.9**	**4.6**	**–0.1**	**–11.3**	**98.6**	**–**	**98.6**
–	–	–	–	–	–28.3	–	–28.3
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	**1.6**	**1.0**	**0.0**	**68.1**	**5,581.8**	**–**	**5,581.8**
					93.5		93.5
–	7.3	–3.1	–0.3	29.6	–30.5	–	–30.5
–	**7.3**	**–3.1**	**–0.3**	**29.6**	**63.0**	**–**	**63.0**
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	**8.9**	**–2.1**	**–0.3**	**97.7**	**5,644.8**	**–**	**5,644.8**
–	–	–	–	–	202.5	–	202.5
–	–4.6	0.2	0.1	–8.9	81.8	–	81.8
–	**–4.6**	**0.2**	**0.1**	**–8.9**	**284.3**	**–**	**284.3**
–	–	–	–	–	–28.4	–	–28.4
–	–	–	–	–	–0.1	–	–0.1
–	–	–	–	–	–	–	–
–	–	–	–	–	–59.2	–	–59.2
–	**4.3**	**–1.9**	**–0.2**	**88.8**	**5,841.4**	**–**	**5,841.4**

Condensed statement of cash flows for the period from 1 January to 30 June 2021

€m	1st half 2021	1st half 2020
Cash and cash equivalents at the start of the period	9,206.7	3,826.9
Cash flow from operating activities	9,704.6	8,867.7
Cash flow from investing activities	–33.4	–4.3
Cash flow from financing activities	–142.5	–63.8
Cash and cash equivalents at the end of the period	**18,735.4**	**12,626.5**

The definitions of the individual cash flow components are the same as those in the 2020 consolidated financial statements. The statement of cash flows is of minor importance for banks as it does not provide any information about the actual liquidity position. For details of Deka Group's liquidity risk management, please see the risk report (Annual Report 2020).

Notes

Segment reporting

1 Segmentation by operating business divisions

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

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

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

Another key indicator for the operating segments, in addition to the economic result, is total customer assets. Total customer assets primarily comprise the income-relevant assets of the mutual and special funds under management (including ETFs) in the Asset Management Securities and Asset Management Real Estate business divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner, third-party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and master funds. Total customer assets also include DekaBank's own portfolios of €0.7bn (31 December 2020: €0.9bn). These mainly relate to start-up financing for newly launched investment funds.

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

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

Asset Management Securities

The Asset Management Securities reporting segment focuses on the active fundamental and quantitative management of mutual securities funds and special funds, advisory mandates and asset management concepts, passive exchange-traded funds and combinations of these forms of investment. This offering is rounded off by services covering all aspects of the fund value chain. These include, in particular, asset servicing, which is used by institutional investors to pool their investments in master funds. In addition to investment funds and asset management concepts, the product range also includes products from selected international cooperation partners. The Deka Group's investment funds cover all major asset classes: equity, bond, money market and mixed funds, capital protected funds and combinations of these funds. One particular focal point is the gradual expansion of the existing range of sustainability products and services, as well as even greater emphasis on sustainability aspects in the fund and investment processes.

Asset Management Real Estate

The Asset Management Real Estate reporting segment provides fund products relating to real estate or real estate financing for the savings banks' and other institutional investors' customer and proprietary business. The product range includes open-ended mutual property funds, special property funds with either an open-ended or closed-ended structure, real estate funds of funds, credit funds that invest in real estate, infrastructure or transport financing, and residential property funds offered together with external partners that are experienced in this segment. In order to meet environmental and social criteria and to respond to investor requirements, sustainability aspects are taken into account in the fund and investment processes. In addition to fund portfolio management, fund risk management and development of property-related products, the segment also covers the purchase and sale of real estate and the management of such assets, including all other property- and fund-related services (property and fund management).

Asset Management Services

The Asset Management Services reporting segment provides banking and other services that complement the offerings of the asset management divisions. These range from supporting the sales departments with multichannel solutions to managing custody accounts for customers and providing custodial services for investment funds.

Capital Markets

The Capital Markets reporting segment is the central product, solution and infrastructure provider and service provider in the Deka Group's customer-focused capital markets business. It offers investment solutions to both retail and institutional customers and helps them to put their asset and risk management decisions into practice. With its range of services relating to securities repurchase transactions, securities lending and foreign exchange trading, the segment also acts as the central securities and collateral platform for the Savings Banks Association. In addition to its function as a commission agent for all relevant asset classes, it serves as a centre of competence for trading and structuring capital market products as well as for DekaBank's certificate issuance business. Institutional customers are provided with clearing services and support with the efficient fulfilment of regulatory requirements.

Financing

The Financing reporting segment is made up of real estate financing and specialised financing, including financing of the savings banks. Lending is taken onto our own statement of financial position via the banking book, as well as being packaged as an investment product for other banks and savings banks or other institutional investors via club deals or syndications. Priority is given to placements within the *Sparkassen-Finanzgruppe*. The specialised financing business concentrates on selected core segments, such as infrastructure financing, transport financing, financing covered by ECAs, public sector financing and savings bank financing. Specialised financing loans that were made before the credit risk strategy was revised in 2010 and do not conform to the current strategy are combined in a separate legacy portfolio. This has been wound down almost entirely while safeguarding assets. Real estate financing relates mainly to commercial real estate and is focused on marketable properties in the office, logistics, retail and hotel segments in liquid markets in Europe and North America.

Other

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

	Asset Management Securities		Asset Management Real Estate		Asset Management Services		Capital Markets[7]	
	Economic result							
€m	1st half 2021	1st half 2020	1st half 2021	1st half 2020	1st half 2021	1st half 2020	1st half 2021	1st half 2020
Net interest income	0.2	–0.3	0.3	0.3	1.8	0.8	2.2	2.9
Risk provisions	–	–	–	–	1.1	–0.1	0.0	–
Net commission income	450.7	314.4	150.4	125.1	103.2	99.6	28.9	34.2
Net financial income[1]	1.4	–0.6	0.7	–1.5	0.8	0.8	134.6	152.7
Other operating profit[2]	–10.2	–2.7	2.4	1.1	–9.9	3.0	1.1	1.0
Total income without income distribution from Treasury function	**442.1**	**310.8**	**153.9**	**125.0**	**97.0**	**104.0**	**166.8**	**190.7**
Administrative expenses (including depreciation and amortisation)	175.7	173.7	71.9	71.6	94.0	85.8	88.3	85.8
Restructuring expense[2]	0.8	0.3	0.0	–	–	–	–	–
Total expenses	**176.5**	**174.0**	**71.9**	**71.6**	**94.0**	**85.8**	**88.3**	**85.8**
(Economic) result before tax excluding income distribution Treasury function	**265.7**	**136.8**	**82.0**	**53.4**	**3.0**	**18.2**	**78.5**	**104.9**
Income distribution of Treasury function	–2.5	–15.4	–0.2	–0.6	–0.3	–0.4	–3.5	–15.4
(Economic) result before tax	**263.1**	**121.4**	**81.7**	**52.8**	**2.7**	**17.8**	**75.0**	**89.5**
Cost/income ratio[3]	0.40	0.56	0.47	0.57	0.98	0.82	0.53	0.45
	30 Jun 2021	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**
Total risk (value-at-risk)[4]	746	1,216	86	89	163	185	298	406
Total customer assets	296,312	269,716	47,933	45,732	–	–	24,073	23,712
Gross loan volume	7,299	6,912	30	84	830	765	60,333	60,978

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

[2] Restructuring expense are disclosed in the Group financial statements under Other operating profit.

[3] Calculation of the cost/income ratio does not take into account the restructuring expense or risk provisions.

[4] Value-at-risk for risk capacity with confidence level of 99.9% and holding period of one year. Due to the diversification within market price risk the risk for the Deka Group are not cumulative.

[5] No cost/income ratio is presented for the segment Other because as this is deemed of limited economic informative value.

[6] This includes effects relevant for management purposes of €105.0m (first half 2020: €–50.0m) related to a provision for potential losses. This is additional information provided on a voluntary basis and does not form part of the IFRS notes.

[7] Since the start of 2021, own investments in securities in the banking book (strategic investments) have been managed in the Treasury corporate centre; until 2020, they were the responsibility of the Capital Markets segment. Together with the securities in the liquidity buffer, both holdings form the Deka Group's liquidity management portfolio. The values for 2021 reflect the new structure. The previous year's figures in the Capital Markets segment and in the Treasury corporate centre have been adjusted accordingly to improve comparability with regard to income and key risk figures. In view of the principle of materiality, the retrospective allocation of expenses and the adjustment of the distribution of income for the Treasury function were waived.

Financing		Other[7]		Deka Group		Reconciliation		Deka Group	
Economic result								Total profit or loss before tax (IFRS)	
1st half 2021	**1st half 2020**	**1st half 2021**	**1st half 2020**	**1st half 2021**	**1st half 2020**	**1st half 2021**	**1st half 2020**	**1st half 2021**	**1st half 2020**
74.4	69.6	−4.0	23.4	74.9	96.6	4.8	−7.7	79.7	88.9
2.7	−66.6	14.6	−2.2	18.4	−68.9	–	–	18.4	−68.9
6.7	5.8	−1.6	−2.4	738.3	576.7	0.4	–	738.7	576.7
1.2	−13.0	−113.9[6]	39.7[6]	25.0	178.0	95.8	70.4	120.8	248.4
0.3	−0.1	88.0	−26.8	71.8	−24.4	−110.1	18.8	−38.3	−5.6
85.3	**−4.3**	**−16.8**	**31.7**	**928.3**	**757.9**	**−9.0**	**81.5**	**919.3**	**839.5**
33.6	32.4	124.3	124.6	587.8	574.0	–	–	587.8	574.0
–	–	−3.2	21.2	−2.4	21.5	–	–	−2.4	21.5
33.6	**32.4**	**121.0**	**145.8**	**585.4**	**595.5**	**–**	**–**	**585.4**	**595.5**
51.6	**−36.7**	**−137.9**	**−114.1**	**342.9**	**162.5**	**−9.0**	**81.5**	**333.9**	**244.0**
−1.4	5.2	7.9	26.6	–	–	–	–	–	–
50.3	**−31.5**	**−129.9**	**−87.5**	**342.9**	**162.5**	**−9.0**	**81.5**	**333.9**	**244.0**
0.41	0.52	–[5]	–[5]	0.65	0.69				
30 Jun 2021	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**				
388	480	445	545	2,045	2,821				
–	–	–	–	368,318	339,160				
24,464	24,824	35,340	26,591	128,296	120,154				

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

During the reporting period, the reporting and measurement differences between internal reporting and the total profit or loss before tax under IFRS amounted to €9.0m (H1 2020: €–81.5m) and result mainly from the result not recognised in profit or loss and the change in the valuation reserve before tax.

The result not recognised in profit or loss was €–85.4m during the reporting period (H1 2020: €–68.3m). Of this total, €33.8m (H1 2020: €–4.2m) was attributable primarily to interest- and currency-related valuation results in respect of financial instruments recognised at amortised cost. The result not recognised in profit or loss also includes the total interest expense (including accrued interest) of €–14.2m on the AT1 bonds (H1 2020: €–14.1m). Distributions made were recorded directly in equity, in accordance with IAS 32. In addition, a general provision to cover potential risks that could materialise in the coming months was recognised for the first time in the 2012 financial year. At the end of the first half of 2020, the provision for these effects in the management accounts was €–235.0m (H1 2020: €–220.0m). The effect on the economic result, reported in net financial income in the Other segment, in the first half of 2021 was €–105.0m (H1 2020: €–50.0m).

The change of €90.6m in the revaluation reserve before tax (H1 2020: €–8.7m) was also included in the economic result. Of this, €104.7m (H1 2020: €–19.2m) was attributable to the change in the revaluation reserve for provisions for pensions.

The other amounts shown in the reconciliation column concern differences in presentation between management reporting and the consolidated financial statements. Of these, €8.4m (H1 2020: €21.5m) relates to internal transactions that are reported in the economic result. The majority of these are included within net interest income, while the corresponding offsetting income effects are reported under net financial income. There are also reporting differences in net financial income and other operating profit from the different allocation of income effects from the repurchases of own issues.

General information

2 Accounting principles

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

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

The present consolidated interim report has been reviewed by our year-end auditor and should be read in conjunction with our audited 2020 consolidated financial statements. The majority of disclosures on risks relating to financial instruments are presented in the risk report section of the interim management report.

3 Accounting policies

The interim consolidated financial statements are based on the same accounting policies as those in the consolidated financial statements for 2020, with the exception of accounting standards applied for the first time as set out in note [4], "Accounting standards applied for the first time and to be applied in future". In accordance with IAS 34, the accounting recognition of a transaction is based on an independent evaluation as at the current reporting date and not in anticipation of the consolidated financial statements.

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

Both discretionary decisions and estimates are necessary as part of IFRS accounting. These are made in accordance with the relevant standards and reviewed on an ongoing basis. They are based on experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances. The first half of 2021 remained characterised by an uncertain global economic environment caused by the COVID-19 crisis. Where discretionary management decisions or estimates have a material impact on items or scenarios, these are explained in detail either in the section on accounting policies or in the notes to the relevant items.

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

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR Reform – Phase 2)

The European Commission adopted the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 published by the IASB on 27 August 2020 regarding phase 2 of the IBOR project for implementation in European law on 13 January 2021. The amendments relate to accounting for certain modifications to contractual cash flows that are required as a direct result of the IBOR reform. The amendments also provide for a series of exemptions that allow hedge accounting to continue subject to certain conditions. The changes are mandatory for reporting periods beginning on or after 1 January 2021.

DekaBank has opted for a project-based approach to implementing the IBOR reform, involving all affected areas at every step of the process chain, from front office units to the corporate centres. The necessary adjustments to internal systems, processes and methods are being managed through the new product process. Management is regularly updated on the progress of these activities through the established committees.

The adjustments made to date at DekaBank have proceeded according to plan. While the focus in 2020 was on the migration from EONIA to €STR, the emphasis in 2021 is on the switch away from the LIBOR rates that will be retired at the end of 2021, primarily GBP, JPY and CHF. The UK regulator in particular accelerated the migration to GBP SONIA in the first half of 2021. The necessary adjustments to the infrastructure, models and data repositories have already been implemented successfully, or are being implemented at DekaBank according to plan. At the same time, loan agreements and bilateral OTC derivative contracts are being adjusted. Another milestone in the implementation process will be the final migration of the corresponding LIBOR-based CCP derivative contracts in the second half of 2021. The options markets for the new reference rates, on the other hand, are still in their infancy. Further progress is expected in this area, too, in the coming months.

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

Standards and interpretations not yet adopted into European law

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements". The amendments are designed to help improve the disclosures regarding accounting policies, the aim being to reduce generic disclosures and replace them with company-specific disclosures. Application of the new rules is mandatory for financial years beginning on or after 1 January 2023. Voluntary early application is possible subject to an endorsement of the amendments, which is still outstanding. Implementation of the amendments will have no material effect on the consolidated financial statements.

Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The clarifying amendments are intended to help users of financial statements distinguish between changes in accounting policies and accounting estimates. This distinction is important, as it is relevant to how the effects of such changes are to be presented. Changes in accounting estimates are to be applied prospectively to future transactions and events, while changes in accounting policies are to be applied retrospectively to past transactions and events and the current period. Application of the new rules is mandatory for financial years beginning on or after 1 January 2023. Voluntary early application is possible subject to an endorsement of the amendments, which is still outstanding. Implementation of the amendments will have no material effect on the consolidated financial statements.

Amendments to IAS 12

In May 2021, the IASB published amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction". Among other things, the amendment is intended to eliminate existing uncertainty regarding how companies account for deferred tax in connection with leases. The initial recognition exemption provided in IAS 12.15, which previously applied subject to certain conditions, now no longer applies to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, even if the other previously applicable conditions are fulfilled. This therefore constitutes an exception to the initial recognition exemption in narrowly defined cases. The amendment results in the recognition of deferred tax on leases accounted for at the level of the lessee. The changes are mandatory for reporting periods beginning on or after 1 January 2023. Early application of the amendments is possible subject to their endorsement, which is still outstanding. The amendment is not expected to have any material effects on the consolidated financial statements.

5 Scope of consolidation

In addition to DekaBank as the parent company, the consolidated interim financial statements include a total of 11 (31 December 2020: 11) domestic companies and 7 (31 December 2020: 5) foreign companies in which DekaBank directly or indirectly holds the majority of the voting rights. The scope of consolidation also includes 3 structured entities (31 December 2020: 3). The change in the scope of consolidation is due to the acquisition of the shares in IQAM Invest GmbH and IQAM Partner GmbH.

A total of 10 (31 December 2020: 10) affiliated companies controlled by the Deka Group were not consolidated because they are of minor significance for the presentation of the Group’s financial position and financial performance. The interests held in these subsidiaries are reported under financial assets at fair value. Likewise, structured entities are not consolidated if they are of minor significance to the consolidated interim financial statements. Units in unconsolidated investment funds are measured at fair value through profit or loss. These are shown in the statement of financial position under financial assets at fair value.

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

Company acquisitions
With effect from 1 January 2021, DekaBank acquired 100% of the shares in IQAM Invest GmbH (formerly Spängler IQAM Invest GmbH), Vienna, and IQAM Partner GmbH (formerly Spängler IQAM Partner GmbH), Salzburg. DekaBank holds a direct stake of 74.5% in IQAM Invest GmbH and holds 25.5% indirectly via its interest in IQAM Partner GmbH.

In Europe, the fund boutique plays an important role in quantitative fund management by developing its own models. With the purchase, Deka is building on its position as a leading provider of quantitative product solutions and enhancing its outstanding academic expertise in the German-speaking countries.

The total purchase price amounts to €27.9m for 100% of the shares in IQAM Invest GmbH and 100% of the shares in IQAM Partner GmbH. An advance payment of €23.1m was made at the date of acquisition. A contingent purchase price payment was also agreed in the purchase agreement based on the average assets under management (AuM) in 2020. As a result, a payment of €1.9m was made in February 2021. A fee of €1.1m was also paid for the surplus capital available as at 31 December 2020. In addition, a compensation payment of €1.8m was made for the 2020 annual result. The contingent purchase price payments have been made in full.

The fair value of the total consideration transferred/the amounts recognised for the identifiable assets acquired and liabilities assumed are shown in the table below:

€m	
Total purchase price	**27.9**
Identifiable assets acquired and liabilities assumed	
Due from banks	4.5
Shares and other non fixed-interest securities	1.4
Intangible assets	19.7
Property, plant and equipment	0.2
Income tax assets	0.6
Other assets	3.4
Provisions	1.2
Income tax liabilities	4.9
Other liabilities	3.6
Total identifiable net assets	**20.1**
Purchased goodwill	**7.8**

The gross carrying amount due from banks comes to €4.5m. No contingent liabilities were acquired.

The positive goodwill of €7.8m can be traced back to IQAM Invest GmbH's strong market position in the area of quantitative asset management and quantitative research, as well as the synergies that the company acquisition is expected to bring in respect of our own Asset Management Securities business division. IQAM Invest GmbH's customers, both retail and institutional, are offered individual investment solutions. There is no portion of the goodwill recognised that is expected to be tax-deductible.

The customer relationships acquired as a result of the purchase of the company were valued at €14.7m as part of the purchase price allocation. Software developed in-house worth €3.7m was also identified. The "IQAM" brand was measured at €1.1m. Deferred tax liabilities of €4.9m were also calculated within this context. The purchase price allocation and, as a result, the final measurement of the assets is not yet complete.

Since 1 January 2021, IQAM Invest GmbH has generated income of €14.5m and net income after tax of €0.2m, which was taken into account accordingly in the statement of profit or loss and other comprehensive income for the first half of 2021.

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

6 Net interest income

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

€m	1st half 2021	1st half 2020	Change
Interest income from			
Financial assets measured at amortised cost	**231.7**	**312.3**	–80.6
thereof: lending and money market transactions	189.2	264.5	–75.3
thereof: fixed-interest securities	42.5	47.8	–5.3
Financial assets measured at fair value through other comprehensive income	**2.7**	**6.5**	–3.8
thereof: fixed-interest securities	2.7	6.5	–3.8
Financial assets measured at fair value through profit or loss	**72.8**	**103.3**	–30.5
Trading portfolio			
thereof: lending and money market transactions	1.5	18.4	–16.9
thereof: interest rate derivatives (economic hedges)	65.4	62.8	2.6
Financial assets mandatorily measured at fair value through profit or loss			
thereof: lending and money market transactions	3.6	6.4	–2.8
thereof: fixed-interest securities	0.7	13.3	–12.6
thereof: current income from shares and other non-fixed-interest securities	0.7	1.5	–0.8
thereof: current income from equity investments	1.0	0.9	0.1
Hedge derivatives (hedge accounting)	**20.8**	**10.6**	10.1
Negative interest from liabilities	**73.0**	**73.4**	–0.4
Total interest income	**401.0**	**506.1**	–105.1
Interest expenses for			
Financial liabilities measured at amortised cost	**73.3**	**131.5**	–58.2
thereof: lending and money market transactions	40.6	61.0	–20.4
thereof: securitised liabilities	16.2	54.9	–38.7
thereof: subordinated liabilities	16.5	15.6	0.9
Financial liabilities measured at fair value through profit or loss	**109.9**	**170.9**	–61.0
Trading portfolio			
thereof: lending and money market transactions	10.5	1.5	9.0
thereof: interest rate derivatives (economic hedges)	87.3	152.9	–65.6
Financial liabilities designated at fair value			
thereof: lending and money market transactions	12.1	16.5	–4.4
thereof: securitised liabilities	–	–	–
Hedge derivatives (hedge accounting)	**78.6**	**56.2**	22.5
Negative interest on money-market transactions and fixed-interest securities	**59.5**	**58.6**	0.9
Total interest expenses	**321.3**	**417.2**	–95.8
Net interest income	**79.7**	**88.9**	–9.2

7 Risk provisions in the lending and securities business

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

€m	1st half 2021	1st half 2020	Change
Allocation to risk provisions/provisions for credit risks	–47.9	–73.9	26.0
Reversal of risk provisions/provisions for credit risks	47.8	6.4	41.4
Direct write-downs on receivables	–0.4	–0.2	–0.2
Income on written-down receivables	0.4	0.4	–0.0
Net income from modifications in the lending business (stage 3 or POCI)	–	–	–
Risk provisions in the lending business	**–0.1**	**–67.3**	67.2
Allocation to risk provisions	–0.1	–2.5	2.4
Reversal of risk provisions	18.6	0.9	17.7
Direct write-downs on securities	–	–	–
Net income from modifications in the securities business (stage 3 or POCI)	–	–	–
Risk provisions in the securities business	**18.5**	**–1.6**	20.1
Risk provisions in the lending and securities business	**18.4**	**–68.9**	87.3

In the lending and securities business, there was a net reversal of risk provisions in the amount of €18.4m in the first half of 2021 (H1 2020: net addition of €–68.9m). The first half of the previous year had been characterised primarily by allocations to risk provisions for financial instruments in the transport sector, which has been hit particularly hard by the COVID-19 crisis. In the first half of 2021, rating improvements and transfers to other stages led to reversals of provisions. In the lending business, net risk provisions of €–0.1m (H1 2020: €–67.3m) were recognised. For the securities business, the reversal of provisions that were no longer required resulted in a positive risk provisioning result of €18.5m (H1 2020: €–1.6m).

8 Net commission income

Net commission income by type of service is as follows:

€m	1st half 2021	1st half 2020	Change
Commission income from			
Investment fund business	1,447.2	1,212.9	234.3
Securities business	113.9	94.4	19.5
Lending business	8.3	8.4	–0.1
Other	9.3	13.3	–4.0
Total commission income	**1,578.6**	**1,329.0**	249.6
Commission expenses for			
Investment fund business	779.6	707.8	71.9
Securities business	56.3	38.9	17.4
Lending business	1.6	2.6	–1.0
Other	2.4	3.0	–0.6
Total commission expenses	**839.9**	**752.3**	87.7
Net commission income	**738.7**	**576.7**	162.0

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

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

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

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

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

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

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

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

Of the net commission income in the amount of €738.7m (H1 2020: €576.7m), €450.7m (H1 2020: €314.4m) is attributable to the Asset Management Securities business division, €150.4m (H1 2020: €125.1m) to the Asset Management Real Estate business division, €103.2m (H1 2020: €99.6m) to the Asset Management Services business division, €28.9m (H1 2020: €34.2m) to the Capital Markets business division and €6.7m (H1 2020: €5.8m) to the Financing business division.

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

This item comprises the net income from the early disposal of financial assets measured at amortised cost. In the first half of 2021, receivables and loans have been derecognised due to early repayments made by debtors.

€m	1st half 2021	1st half 2020	Change
Gains arising from the derecognition of financial assets measured at amortised costs	13.1	4.8	8.3
Losses arising from the derecognition of financial assets measured at amortised costs	0.2	0.0	0.2
Profit or loss arising from the derecognition of financial assets measured at amortised costs	**12.9**	**4.8**	8.1

10 Trading profit or loss

This item comprises sale and valuation results, dividends as well as commission from financial instruments in the trading portfolio sub-category. It also includes all results from the currency translation of financial assets and liabilities, regardless of their measurement category. In general, the net interest income from derivative and non-derivative financial instruments in this sub-category, together with any related refinancing expenses, is also reported under this item. However, net interest income from economic hedging derivatives (banking book portfolios) is reported under net interest income.

€m	1st half 2021	1st half 2020	Change
Sale and valuation results	253.7	397.1	– 143.4
Net interest income and current income from trading transactions	– 166.3	– 105.9	– 60.4
Foreign exchange profit or loss	– 5.0	– 2.7	– 2.3
Commission	– 8.6	– 9.2	0.6
Trading profit or loss	**73.8**	**279.3**	– 205.5

The decline in trading profit or loss compared to the same period of the previous year is due primarily to higher positive valuation results in the previous year in the wake of spread movements.

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

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

€m	1st half 2021	1st half 2020	Change
Sale and valuation results	10.1	–29.6	39.7
Commission	–	0.5	–0.5
Profit or loss on financial assets mandatorily measured at fair value	**10.1**	**–29.1**	39.2

The positive change compared to the previous year is due to the negative valuation results of securities portfolios in the previous year in the wake of spread movements.

12 Profit or loss on financial instruments designated at fair value

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

€m	1st half 2021	1st half 2020	Change
Sale and valuation results	13.6	11.3	2.3
Commission	–	–	–
Profit or loss on financial instruments designated at fair value	**13.6**	**11.3**	2.3

13 Profit or loss from fair value hedges

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

€m	1st half 2021	1st half 2020	Change
Interest rate fair value hedges			
Net valuation result from hedging financial assets	6.4	–2.4	8.8
Net valuation result from hedging financial liabilities	–3.7	–6.6	2.9
Currency fair value hedges			
Net valuation result from hedging financial assets	7.7	–8.9	16.6
Profit or loss from fair value hedges	**10.4**	**–17.9**	28.3

14 Profit or loss on financial investments

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

€m	1st half 2021	1st half 2020	Change
Sale results	–	–0.0	0.0
Commission	–	–	–
Net income from equity-accounted companies	–0.0	–0.0	0.0
Profit or loss on financial investments	**–0.0**	**–0.0**	0.0

15 Administrative expenses

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

€m	1st half 2021	1st half 2020	Change
Personnel expenses	285.1	276.5	8.6
Other administrative expenses	274.0	269.5	4.5
Depreciation and amortisation of	28.7	28.0	0.7
Property, plant and equipment	1.7	1.9	–0.2
Intangible assets	7.9	6.4	1.5
Right-of-use assets for leases	19.1	19.7	–0.6
Administrative expenses	**587.8**	**574.0**	13.8

Other administrative expenses include the full-year contribution to the European Union’s Single Resolution Fund of €61.0m (H1 2020: €52.4m), as well as the annual contribution to the deposit protection reserve of the *Landesbanken* and *Girozentralen* amounting to €18.5m (H1 2020: €20.4m).

16 Other operating profit

The breakdown of other operating profit is as follows:

€m	1st half 2021	1st half 2020	Change
Income from repurchased debt instruments	**–5.9**	**–0.8**	–5.1
Other operating income	12.4	8.6	3.8
Other operating expenses	42.4	34.9	7.5
Other operating profit	**–35.9**	**–27.1**	–8.8

The increase in other operating expenses is due in particular to a provision for legal risks recognised due to a ruling by the German Federal Court of Justice (BGH) on the mechanism for amending general terms and conditions of business (see note 30 “Provisions”).

17 Income taxes

Based on the corporation tax and trade tax rates applicable for 2021, the combined tax rate for the companies in the DekaBank fiscal group is unchanged compared with the previous year at 31.9%. DekaBank is treated for tax purposes as an atypical silent partnership, as a result of which part of its corporation tax liability is directly borne by its shareholders. In accordance with its articles of incorporation, DekaBank is obliged to reimburse shareholders for the portion of corporation tax (45.58% of 15.825% including solidarity surcharge, i.e. a total of 7.21%) that they bear. As in the previous year, this portion is disclosed as an income tax expense.

Notes to the statement of financial position

18 Cash reserves

€m	30 Jun 2021	31 Dec 2020	Change
Cash on hand	3.5	3.5	0.0
Balances with central banks	18,731.9	9,203.2	9,528.7
Total	**18,735.4**	**9,206.7**	9,528.7

19 Due from banks

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

€m	30 Jun 2021	31 Dec 2020	Change
Current accounts	355.8	377.2	–21.4
Daily and time deposits	4,341.0	5,010.1	–669.1
Lending business	1,971.4	2,553.0	–581.6
Genuine repurchase agreements and collateralised securities lending transactions	8,253.2	8,410.2	–157.0
Due from banks before risk provisions	**14,921.4**	**16,350.5**	–1,429.1
Risk provisions in the lending business	–0.1	–0.3	–0.2
Total	**14,921.3**	**16,350.2**	–1,428.9

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

€m	30 Jun 2021	31 Dec 2020	Change
Domestic banks	9,388.1	6,214.4	3,173.7
Foreign banks	5,533.3	10,136.1	–4,602.8
Due from banks before risk provisions	**14,921.4**	**16,350.5**	–1,429.1
Risk provisions in the lending business	–0.1	–0.3	–0.2
Total	**14,921.3**	**16,350.2**	–1,428.9

20 Due from customers

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

€m	30 Jun 2021	31 Dec 2020	Change
Current accounts	486.4	242.8	243.6
Daily and time deposits	1,452.6	1,224.3	228.3
Lending business	21,285.8	21,134.3	151.5
Genuine repurchase agreements and collateralised securities lending transactions	6,816.9	2,200.4	4,616.5
Due from customers before risk provisions	**30,041.7**	**24,801.8**	5,239.9
Risk provisions in the lending business	–151.7	–185.4	–33.7
Total	**29,890.0**	**24,616.4**	5,273.6

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

€m	30 Jun 2021	31 Dec 2020	Change
Domestic borrowers	9,914.7	7,144.9	2,769.8
Foreign borrowers	20,127.0	17,656.9	2,470.1
Due from customers before risk provisions	**30,041.7**	**24,801.8**	5,239.9
Risk provisions in the lending business	–151.7	–185.4	–33.7
Total	**29,890.0**	**24,616.4**	5,273.6

21 Risk provisions in the lending and securities business

Default risks in lending and securities business are recognised through provisions, including provisions for credit risks from off-balance sheet commitments. The accumulated provisions for debt instruments in the AC measurement category are offset against the gross carrying amounts on the asset side. For debt instruments in the FVOCI measurement category, the provisions are reported on the liabilities side in other comprehensive income (OCI). Risk provisions for credit risks from off-balance sheet commitments are reported on the liabilities side under provisions. Risk provisions in the first half of 2021 were as follows:

€m	30 Jun 2021	31 Dec 2020	Change
Risk provisions in the lending business	**156.3**	**191.1**	–34.8
Risk provisions for loan losses – due from banks	0.1	0.3	–0.2
Risk provisions for loan losses – due from customers	151.7	185.4	–33.7
Provisions for credit risks from off-balance sheet commitments	4.5	5.4	–0.9
Risk provisions in the securities business	**6.1**	**24.5**	–18.4
Risk provisions for securities[1)]	6.1	24.5	–18.4
Total	**162.4**	**215.6**	–53.2

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

Compared to 31 December 2020, there has been no change in the methods and processes used to calculate risk provisions. The key assumptions and parameters used in determining risk provisions are reviewed and updated on a regular basis as part of the risk management process.

In the fourth quarter of 2020, the decision was made to apply a post-model adjustment in the aircraft segment, which was hit particularly hard by the COVID-19 crisis. As the overall conditions have stabilised and all significant effects have been taken into account in the current risk provisioning model, there is no longer any need for a post-model adjustment.

The expected credit loss (ECL) is calculated using prospective information, including macroeconomic factors. Macroeconomic forecasts are produced based on the process used by the Macro Research department for the purposes of preparing the official research opinion (baseline scenario) of the Deka Group using a large volume of external information. The statements relate to the analysis and forecasting of fundamental economic data and financial market indicators. They have been adjusted in light of the current circumstances. The baseline scenario represents the most probable event and is supplemented by a positive and a negative scenario to cover a wide range of possible macroeconomic developments. The probability of occurrence in the first half of 2021 was 70.0% for the baseline scenario (31 December 2020: 65.0%), 15.0% (31 December 2020: 20.0%) for the negative scenario and 15.0% (31 December 2020: 15.0%) for the positive scenario. The forecast horizon is three years, and the forecast covers those countries in which the Deka Group is primarily active. Eight predefined macroeconomic factors are taken into account for each country and scenario over the forecast period. The factors for Germany for the forecast period (2021-2023) are shown in the table below:

Inputs	Baseline scenario	Negative scenario	Positive scenario
Unemployment rate (%)	5.4 to 5.8	5.8 to 6.8	4.4 to 5.8
Annual rate of change in GDP (%)	1.7 to 4.5	−1.4 to 3.0	3.0 to 7.1
Annual rate of change Consumer Price Index (%)	1.6 to 2.5	0.6 to 2.5	2.4 to 2.5
Annual rate of change Leading Share Index (%)	4.5 to 22.5	−7.4 to 22.5	10.7 to 22.5
Short-term interest rates (%)	−0.5	−0.6	−0.5 to −0.3
Long-term interest rates (%)	−0.2 to 0.1	−0.4 to −0.3	0.0 to 0.6
Annual rate of change in the exchange rate EUR/USD (%)	−0.8 to 5.1	−11.0 to 5.1	5.1 to 8.5
Brent oil price (USD per barrel)	65.0 to 67.0	65.0 to 113.4	48.7 to 65.0

Movements in risk provisions set up in the first half of 2021 were as follows:

Risk provisions for assets measured at amortised cost

€m	Stage 1	Stage 2	Stage 3	Total
Due from banks				
Position as at 1 January 2021	**0.3**	**0.0**	**–**	**0.3**
Transfer to other stages	–	–0.0	–	–0.0
Transfer from other stages	0.0	–	–	0.0
Change in position including new business	–0.0	–0.0	–	–0.0
Allocation	0.1	0.0	–	0.1
Reversal	–0.3	–0.0	–	–0.3
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.0	0.0	–	0.0
Position as at 30 June 2021	**0.1**	**0.0**	**–**	**0.1**
Due from customers				
Position as at 1 January 2021	**10.5**	**51.9**	**123.0**	**185.4**
Transfer to other stages	–0.8	–1.5	–0.3	–2.6
Transfer from other stages	1.5	1.1	–	2.6
Change in position including new business	2.1	–1.9	–9.8	–9.6
Allocation	1.6	31.9	8.6	42.1
Reversal	–4.7	–19.1	–11.0	–34.8
Utilisation	–	–	–42.6	–42.6
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	0.0	3.4	0.1	3.5
Changes in the scope of consolidation	–	–	–	–
Exchange rate-related and other changes	0.2	1.7	5.8	7.7
Position as at 30 June 2021	**10.4**	**67.5**	**73.8**	**151.7**
Financial investments				
Position as at 1 January 2021	**2.9**	**21.0**	**–**	**23.9**
Transfer to other stages	–	–0.9	–	–0.9
Transfer from other stages	0.9	–	–	0.9
Change in position including new business	0.3	–1.4	–	–1.1
Allocation	0.1	0.0	–	0.1
Reversal	–1.5	–15.6	–	–17.1
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–0.1	0.1	–	0.0
Position as at 30 June 2021	**2.6**	**3.2**	**–**	**5.8**

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

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

€m	Stage 1	Stage 2	Stage 3	Total
Financial investments				
Position as at 1 January 2021	**0.6**	**–**	**–**	**0.6**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	–0.1	–	–	–0.1
Allocation	0.0	–	–	0.0
Reversal	–0.3	–	–	–0.3
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.1	–	–	0.1
Position as at 30 June 2021	**0.3**	**–**	**–**	**0.3**

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

Provisions for credit risks from off-balance sheet commitments

€m	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts				
Position as at 1 January 2021	**0.7**	**4.7**	**0.0**	**5.4**
Transfer to other stages	–0.0	–0.1	–	–0.1
Transfer from other stages	0.1	0.0	–	0.1
Change in position including new business	0.1	–0.2	–0.2	–0.3
Allocation	0.0	2.6	0.2	2.8
Reversal	–0.5	–3.0	–	–3.5
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.0	0.1	–0.0	0.1
Position as at 30 June 2021	**0.4**	**4.1**	**0.0**	**4.5**

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

In order to examine the sensitivity of the ECL model to possible future developments, the Bank performed further calculations related to stages 1 and 2 of the impairment model. An extreme weighting of 100% for each of the scenarios on which the ECL calculation is based (baseline, negative and positive scenario) was applied. In the baseline scenario, risk provisions would be approximately 2% lower, while they would be approximately 1% higher in the negative scenario and around 3% lower in the positive scenario.

Key ratios for provisions for loan losses:

%	2021	2020
Reversal/allocation ratio as at reporting date[1]		
(Ratio of net allocation/-reversal to gross carrying values relevant for risk provisions)	0.05	–0.46
Default rate as at reporting date		
(Ratio of defaults to gross carrying values relevant for risk provisions)	0.11	0.14
Average default rate		
(Ratio of defaults on a 5-year average to gross carrying values relevant for risk provisions)	0.23	0.30
Net provisioning ratio as at reporting date		
(Ratio of risk provisions to gross carrying values relevant for risk provisions)	0.43	0.56

[1] Reversal ratio shown without negative lending sign

The calculations of the figures above are based on a gross carrying amount relevant for risk provisioning purposes of €37.7bn (31 December 2020: €38.8bn).

Risk provisions by risk segment:

€m	Valuation allowances and provisions in the lending and securities business 30 Jun 2021	31 Dec 2020	Defaults[1] 1st half 2021	1st half 2020	Net allocations to[2]/reversals of valuation allowances and provisions for credit risk 1st half 2021	1st half 2020
Customers						
Property risks	80.6	59.9	–	–0.1	–16.8	–19.6
Transport and export finance	72.4	110.8	38.9	11.3	6.4	–48.3
Energy and utility infrastructure	2.1	12.1	4.0	–	9.2	0.5
Financial institutions	0.6	3.0	–	–	0.2	0.0
Public infrastructure	0.3	0.8	–	–	0.6	0.0
Other	0.2	0.9	–	0.1	–0.0	–0.2
Corporates	0.0	3.3	–	–	0.3	–
Total customers	**156.2**	**190.8**	**42.9**	**11.3**	**–0.2**	**–67.6**
Banks						
Financial institutions	0.1	0.2	–	–	0.1	0.1
Other	0.0	0.1	–	–	0.0	0.0
Total banks	**0.1**	**0.3**	**–**	**–**	**0.1**	**0.1**
Securities						
Energy and utility infrastructure	3.2	6.9	–	–	3.6	0.6
Corporates	1.7	6.7	–	–	5.0	–1.7
Financial institutions	1.1	10.8	–	–	9.9	–0.5
Other	0.1	0.1	–	–	0.0	0.0
Total securities	**6.1**	**24.5**	**–**	**–**	**18.5**	**–1.6**
Total	**162.4**	**215.6**	**42.9**	**11.3**	**18.4**	**–69.1**

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

22 Financial assets at fair value

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

€m	30 Jun 2021	31 Dec 2020	Change
Trading portfolio			
Debt securities and other fixed-interest securities	8,119.3	10,808.7	–2,689.4
Bonds and debt securities	8,112.1	10,808.7	–2,696.6
Money market securities	7.2	–	7.2
Shares and other non fixed-interest securities	2,592.7	2,049.6	543.2
Shares	1,603.9	981.2	622.7
Units in investment funds	988.8	1,068.4	–79.5
Positive market values of derivative financial instruments	7,134.5	8,183.9	–1,049.4
Positive market values of derivative financial instruments (trading)	7,095.8	8,091.3	–995.6
Positive market values of derivative financial instruments (economic hedging derivatives)	38.8	92.6	–53.8
Loan receivables	298.0	346.5	–48.4
Total – trading portfolio	**18,144.6**	**21,388.7**	–3,244.1
Financial assets mandatorily measured at fair value through profit or loss			
Debt securities and other fixed-interest securities	520.2	782.2	–262.0
Bonds and debt securities	502.1	764.1	–262.0
Money market securities	18.0	18.1	–0.0
Shares and other non fixed-interest securities	318.5	428.3	–109.8
Shares	4.3	3.8	0.6
Units in investment funds	314.2	424.5	–110.3
Loan receivables	388.5	364.8	23.7
Shareholdings	21.9	17.9	4.0
Equity investments	21.1	15.8	5.3
Shares in affiliated companies	0.6	0.6	–
Holdings in joint ventures	0.0	0.0	–0.0
Shares in associated companies	0.2	1.5	–1.3
Total – financial assets mandatorily measured at fair value through profit or loss	**1,249.1**	**1,593.2**	–344.1
Total	**19,393.7**	**22,981.9**	–3,588.2

23 Financial investments

€m	30 Jun 2021	31 Dec 2020	Change
Financial assets measured at amortised cost			
Debt securities and other fixed-interest securities	5,334.5	5,186.0	148.5
Financial assets measured at fair value through other comprehensive income			
Debt securities and other fixed-interest securities	4,495.2	5,388.7	–893.5
Shareholdings			
Shares in equity-accounted companies	16.4	16.4	–0.0
Financial investments before risk provisions	**9,846.1**	**10,591.1**	–745.0
Risk provisions for securities (AC)	–5.8	–23.9	–18.1
Total	**9,840.3**	**10,567.2**	–726.9

24 Intangible assets

€m	30 Jun 2021	31 Dec 2020	Change
Purchased goodwill	155.8	148.1	7.7
Software	25.9	24.9	1.0
Purchased	17.8	19.4	–1.6
Developed in-house	8.1	5.5	2.6
Other intangible assets	23.4	9.0	14.4
Total	**205.1**	**182.0**	23.1

Purchased goodwill includes €95.0m in goodwill from the acquisition of Deka Vermögensmanagement GmbH and €53.1m in goodwill from the acquisition of WestInvest Gesellschaft für Investmentfonds mbH, as well as €7.8m in goodwill in relation to IQAM Invest GmbH and IQAM Partner GmbH, which were acquired in the first half of 2021. For more detailed information, please see note [5] “Scope of consolidation”.

Due to the continuing uncertainty in the global economic environment as a result of the COVID-19 crisis, goodwill impairment tests were carried out again in the first half of 2021. As the tests confirmed the value of the goodwill, there was no need for any impairments.

25 Property, plant and equipment

€m	30 Jun 2021	31 Dec 2020	Change
Plant and equipment	17.1	16.9	0.2
Technical equipment and machines	3.2	3.0	0.2
Right-of-use assets for leases (leasing assets)	105.4	122.0	–16.6
Total	**125.7**	**141.9**	–16.2

26 Due to banks

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

€m	30 Jun 2021	31 Dec 2020	Change
Overdrafts	361.6	510.7	– 149.1
Daily and time deposits	9,823.0	10,958.2	– 1,135.2
Promissory note loans and registered bonds	2,337.2	2,617.5	– 280.3
Collateralised registered bonds and promissory note loans	140.5	112.8	27.7
Unsecured registered bonds and promissory note loans	2,196.7	2,504.7	– 308.0
Genuine repurchase agreements and collateralised securities lending transactions	8,949.9	2,910.7	6,039.2
Borrowings	157.9	143.5	14.4
Total	**21,629.6**	**17,140.6**	4,489.0

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

€m	30 Jun 2021	31 Dec 2020	Change
Domestic banks	13,052.2	13,154.3	– 102.1
Foreign banks	8,577.4	3,986.3	4,591.1
Total	**21,629.6**	**17,140.6**	4,489.0

27 Due to customers

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

€m	30 Jun 2021	31 Dec 2020	Change
Overdrafts	17,107.8	13,706.9	3,400.9
Daily and time deposits	3,648.1	5,448.1	– 1,800.0
Promissory note loans and registered bonds	1,856.4	2,043.0	– 186.6
Collateralised registered bonds and promissory note loans	556.5	638.0	– 81.5
Unsecured registered bonds and promissory note loans	1,299.9	1,405.0	– 105.1
Genuine repurchase agreements and collateralised securities lending transactions	317.4	299.8	17.6
Borrowings	165.8	162.4	3.4
Total	**23,095.5**	**21,660.2**	1,435.3

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

€m	30 Jun 2021	31 Dec 2020	Change
Domestic customers	17,453.7	17,392.6	61.1
Foreign customers	5,641.8	4,267.6	1,374.2
Total	**23,095.5**	**21,660.2**	1,435.3

28 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Under IFRS 9, own bonds held by the Deka Group with a nominal amount of €202.2m (31 December 2020: €200.1m) were deducted from the issued bonds.

€m	30 Jun 2021	31 Dec 2020	Change
Uncovered debt securities issued	5,121.9	5,728.5	–606.6
Covered debt securities issued	1,883.5	1,652.8	230.7
Money market securities issued	4,136.7	274.9	3,861.8
Total	**11,142.1**	**7,656.2**	3,485.9

29 Financial liabilities at fair value

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

€m	30 Jun 2021	31 Dec 2020	Change
Trading portfolio			
Trading issues	21,919.4	21,849.7	69.7
Securities short portfolios	966.0	877.3	88.6
Negative market values of derivative financial instruments (trading)	6,192.5	7,114.4	–921.8
Negative market values of derivative financial instruments (economic hedging derivatives)	35.3	43.0	–7.6
Total – trading portfolio	**29,113.3**	**29,884.4**	–771.1
Financial liabilities designated at fair value			
Issues	516.6	665.2	–148.6
Total – financial liabilities designated at fair value	**516.6**	**665.2**	–148.6
Total	**29,629.9**	**30,549.6**	–919.7

Issues are broken down by product type as follows:

€m	30 Jun 2021	31 Dec 2020	Change
Trading portfolio			
Uncovered trading issues			
Bearer bonds issued	17,983.8	17,830.8	153.0
Registered bonds issued	1,479.3	1,525.9	–46.6
Promissory notes raised	2,456.4	2,493.0	–36.7
Total	**21,919.4**	**21,849.7**	69.7
Financial liabilities designated at fair value			
Uncovered issues			
Registered bonds issued	154.1	174.8	–20.7
Promissory notes raised	26.1	42.4	–16.3
Covered issues	336.4	448.0	–111.6
Total	**516.6**	**665.2**	–148.6

30 Provisions

€m	30 Jun 2021	31 Dec 2020	Change
Provisions for pensions and similar commitments	225.4	324.6	–99.2
Provisions in investment funds business	101.3	96.2	5.1
Provisions for restructuring measures	21.5	35.0	–13.5
Provisions for legal risks	27.5	10.0	17.5
Provisions for credit risks	4.5	5.4	–0.9
Provisions for operational risks	4.5	5.2	–0.7
Provisions in human resources	0.5	0.1	0.4
Sundry other provisions	143.6	143.8	–0.2
Total	**528.8**	**620.3**	–91.5

The drop in provisions for pensions and similar obligations is mainly due to actuarial gains. The actuarial interest rate underlying the measurement of pension provisions as at 30 June 2021 was 1.05%, 0.35 percentage points above the actuarial interest rate applied at 31 December 2020. The resulting effect was reinforced further by the increase in plan assets. Based on actuarial valuations, a pre-tax revaluation gain of €104.7m (31 December 2020: a revaluation loss of €–50.4m) was recognised in other comprehensive income.

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

The Deka Group's range of products includes investment funds with guarantees of various types. Upon maturity of the fund or at the end of the investment period, the investment management company guarantees that the investor will receive either the capital originally invested or the unit value at the start of that investment period. The amount of the provision is the forecast shortfall at the guarantee date, which is the difference between the expected unit value and the unit value guaranteed. As at the reporting date, €12.4m (31 December 2020: €15.1m) was set aside based on the changes in the respective fund assets. As at the reporting date, the guarantees covered a maximum volume of €2.1bn (31 December 2020: €1.9bn) at the respective guarantee dates. The market value of the corresponding fund assets totalled €2.4bn (31 December 2020: €2.1bn). This includes funds with a forecast return performance, as described below, which had a volume of €0.3bn (31 December 2020: €0.3bn).

Investment funds, whose return is forecast and published on the basis of current money market rates set by the Group, exist in two fund varieties: with or without a capital guarantee. The level of the provision is determined using potential loss scenarios taking account of the risks related to liquidity, interest rate and spreads. As at the reporting date, provisions of €19.1m (31 December 2020: €16.9m) had been created. The underlying total value of the funds was €0.8bn (31 December 2020: €0.9bn), of which €0.4bn (31 December 2020: €0.3bn) related to funds with a capital guarantee and €0.4bn (31 December 2020: €0.6bn) to funds without a capital guarantee.

For the fund-based Riester products offered as private pensions, DekaBank provides a capital guarantee at the start of the disbursement phase, for which a provision of €56.9m (31 December 2020: €51.7m) was recognised. Potential obligations from fund-based pension products totalled €5.1bn at the reporting date (31 December 2020: €4.9bn). The market value of the fund-based pension products totalled €7.0bn (31 December 2020: €6.2bn).

Restructuring provisions relate primarily to restructuring activities in connection with the strategic cost initiative, which is focusing on a lasting reduction in personnel and operating expenses through initiatives to improve and consolidate operations. The bilateral agreements reached with employees are presented as a utilisation of restructuring provisions from the date on which the agreement is signed and are reported in other liabilities until the end of the term.

In its ruling of 27 April 2021, the German Federal Court of Justice (BGH) ruled that amendments to the general terms and conditions of business concerning adjustments to fees were partially invalid. The Deka Group has reviewed the relevant customer agreements and set up a provision for legal risks in the amount of €17.5m for potential claims for the repayment of fees.

DekaBank has undertaken voluntary investigations to ascertain whether its involvement enabled third parties to conduct share trades around the dividend record date and make use of abusive tax structures or whether it was otherwise involved in such structures. The possibility of a claim in the amount of €3.8m being asserted against DekaBank in this regard due to its function as custodian cannot be ruled out with an overwhelming probability. As a result, a provision for operational risks was set up in the corresponding amount as at 31 December 2020. The situation remains unchanged as at 30 June 2021.

The sundry other provisions were established in respect of liabilities arising from a range of issues. Sundry other provisions chiefly comprise a provision created in the 2019 financial year for capital-strengthening measures in relation to a company in the equity investment portfolio.

31 Equity

€m	30 Jun 2021	31 Dec 2020	Change
Subscribed capital	**286.3**	**286.3**	–
Own shares (deduction)	**94.6**	**94.6**	–
Additional capital components (AT1 bonds)	**473.6**	**473.6**	–
Capital reserve	**190.3**	**190.3**	–
Retained earnings	**4,848.7**	**4,877.1**	–28.4
Statutory reserve	6.1	6.1	–
Other reserves from retained earnings	4,842.6	4,871.0	–28.4
Revaluation reserve	**–101.4**	**–183.2**	81.8
For provisions for pensions	–169.1	–273.8	104.7
For foreign currency basis spreads of hedging derivatives	–23.3	–13.6	–9.7
For financial assets measured at fair value through other comprehensive income	4.3	8.9	–4.6
For own credit risk of financial liabilities designated at fair value	–1.9	–2.1	0.2
Currency translation reserve	–0.2	–0.3	0.1
Deferred taxes	88.8	97.7	–8.9
Accumulated profit/loss (consolidated profit)	**238.5**	**95.3**	143.2
Total	**5,841.4**	**5,644.8**	196.6

The European Central Bank (ECB) issued dividend recommendations in the course of the COVID-19 pandemic. On 15 December 2020, it announced that dividend payments would no longer be generally discouraged and that companies were free to pay out moderate dividends. As a result, the Annual General Meeting held in March 2021 approved a dividend distribution of €59.2m (previous year: €0.0m) for the 2020 financial year. The cap on dividend amounts recommended in the aforementioned announcement was lifted by the ECB on 23 July 2021 with effect from 30 September 2021.

As at the reporting date of 30 June 2021, the consolidated profit of €238.5m consists of the total profit for 2021 of €202.5m and the profit brought forward from previous years of €36.0m.

Other disclosures

32 Fair value disclosures for financial instruments

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

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

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

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

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

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

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

	30 Jun 2021		31 Dec 2020	
€m	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Assets				
Financial assets measured at amortised cost				
Cash reserves	18,735.4	18,735.4	9,206.7	9,206.7
Due from banks	14,928.8	14,921.3	16,366.8	16,350.2
Due from customers	30,273.4	29,890.0	24,997.0	24,616.4
Financial investments	5,474.7	5,328.7	5,348.5	5,162.1
Other assets	189.0	189.0	211.8	211.8
Financial assets measured at fair value through other comprehensive income				
Financial investments	4,495.2	4,495.2	5,388.7	5,388.7
Financial assets measured at fair value through profit or loss				
Trading portfolio				
Financial assets at fair value	18,144.6	18,144.6	21,388.7	21,388.7
Financial assets mandatorily measured at fair value through profit or loss				
Financial assets at fair value	1,249.1	1,249.1	1,593.2	1,593.2
Other assets	5.6	5.6	0.9	0.9
Positive market values of derivative hedging instruments	309.3	309.3	638.7	638.7
Total asset items	**93,805.1**	**93,268.2**	**85,141.0**	**84,557.4**
Liabilities				
Financial liabilities measured at amortised cost				
Due to banks	21,748.8	21,629.6	17,271.4	17,140.6
Due to customers	23,220.2	23,095.5	21,832.9	21,660.2
Securitised liabilities	11,178.8	11,142.1	7,749.5	7,656.2
Subordinated capital	1,047.0	969.1	1,052.3	959.4
Other liabilities	368.5	368.5	323.1	323.1
Financial liabilities measured at fair value through profit or loss				
Trading portfolio				
Financial liabilities at fair value	29,113.3	29,113.3	29,884.4	29,884.4
Other liabilities	10.6	10.6	0.9	0.9
Financial liabilities designated at fair value				
Financial liabilities at fair value	516.6	516.6	665.2	665.2
Negative market values of derivative hedging instruments	192.2	192.2	107.1	107.1
Total liability items	**87,396.0**	**87,037.5**	**78,886.6**	**78,397.1**

Fair value hierarchy

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

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

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

	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
€m	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Financial assets measured at fair value through profit or loss						
Debt securities, other fixed-interest securities and loan receivables	4,480.2	6,602.9	2,815.1	3,996.7	2,030.8	1,702.6
Shares and other non fixed-interest securities	2,787.3	2,351.4	98.9	46.7	25.1	79.8
Derivative financial instruments	155.5	79.1	6,823.3	8,006.5	155.6	98.4
Interest-rate-related derivatives	0.4	–	5,596.2	6,988.0	140.6	92.1
Currency-related derivatives	–	–	59.0	148.6	–	–
Share and other price-related derivatives	155.1	79.1	1,168.1	869.9	15.0	6.3
Shareholdings	–	–	–	–	21.9	17.9
Positive market values of derivative hedging instruments	–	–	309.3	638.7	0.0	0.0
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	2,103.1	1,798.1	2,392.1	3,590.6	–	–
Total	**9,526.1**	**10,831.5**	**12,438.7**	**16,279.2**	**2,233.4**	**1,898.7**

€m	Prices listed on active markets (level 1) 30 Jun 2021	Prices listed on active markets (level 1) 31 Dec 2020	Valuation method based on observable market data (level 2) 30 Jun 2021	Valuation method based on observable market data (level 2) 31 Dec 2020	Valuation method not based on observable market data (level 3) 30 Jun 2021	Valuation method not based on observable market data (level 3) 31 Dec 2020
Financial liabilities measured at fair value through profit or loss						
Securities short portfolios	855.0	740.6	110.9	136.7	–	–
Derivative financial instruments	202.3	123.6	5,920.0	6,850.3	105.7	183.5
Interest-rate-related derivatives	–	–	4,462.3	5,390.8	60.4	120.6
Currency-related derivatives	–	–	60.8	100.7	–	–
Share and other price-related derivatives	202.3	123.6	1,396.9	1,358.8	45.3	62.9
Issues	–	–	20,267.3	20,118.4	2,168.7	2,396.5
Negative market values of derivative hedging instruments	–	–	192.2	107.1	–	–
Total	**1,057.3**	**864.2**	**26,490.4**	**27,212.4**	**2,274.4**	**2,580.0**

Reclassifications

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

€m	Reclassifications from level 1 to level 2 2021	Reclassifications from level 1 to level 2 2020	Reclassifications from level 2 to level 1 2021	Reclassifications from level 2 to level 1 2020
Financial assets measured at fair value through profit or loss				
Debt securities, other fixed-interest securities and loan receivables	854.5	400.0	1,243.7	958.5
Derivative financial instruments	98.6	39.6	94.7	31.5
Share and other price-related derivatives	98.6	39.6	94.7	31.5
Financial liabilities measured at fair value through profit or loss				
Securities short portfolios	2.4	19.0	2.7	25.3
Derivative financial instruments	71.5	25.6	93.1	58.8
Interest-rate-related derivatives		–		–
Share and other price-related derivatives	71.5	25.6	93.1	58.8

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

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

Fair value hierarchy level 1

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

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

Fair value hierarchy level 2

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

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

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

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

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

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

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

Fair value hierarchy level 3

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

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

The debt securities, other fixed-interest securities and loan receivables disclosed under financial assets measured at fair value through profit or loss are bonds, promissory note loans and originated loans.

The fair value of the bonds is calculated either using the discounted cash flow model based on credit spreads that cannot be observed on the market or on the basis of indicative quotations that implicitly result in a valuation spread. The promissory note loans are also measured using the discounted cash flow model based on credit spreads that cannot be observed on the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the bonds and promissory note loans could have been €2.7m higher or lower.

Determining the fair value of loan receivables also involves the use of spreads that are not observable in the market. Assuming an average uncertainty of fifty basis points relating to the credit spreads, the fair value of the loan receivables measured at fair value could have been €1.4m higher or lower.

The Bank also allocates to level 3 a limited number of equity, credit and interest rate derivatives or issues with embedded equity, credit and interest rate derivatives, for example if unobservable valuation parameters are used which are significant for their valuation. For equity and interest rate derivatives whose valuation requires correlations, the Bank typically uses historical correlations with the relevant share prices or interest rate fixings, or changes to these. The sensitivity of the equity option positions concerned was around €–1.8m as at 30 June 2021. For interest rate derivatives based on an index spread, the sensitivity in terms of the correlation between the relevant reference indices is mapped via shifts in the model parameters. The resulting change in the correlation is approximately 1.35%, giving rise to a measurement difference of €+0.1m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty as at 30 June 2021 is approximately €–31.7m. For credit default swaps (CDS) and credit linked notes with a longer maturity than CDS spreads quoted on the market, a temporal extrapolation uncertainty of five basis points is assumed. As at 30 June 2021, this results in a value of €0.4m.

There are no publicly quoted market prices for the company shares listed as shareholdings. The fair value of company shares is determined using the dividend discount model, provided that the company pays dividends on a sustained basis. Other company shares are measured on the basis of the net asset value approach.

For transactions assigned to fair value hierarchy level 3 on the reporting date, a day-one loss of €1.1m was accrued on the reporting date. This accrual item will be reversed over an average term for the financial instruments concerned over the next two financial years.

As at 30 June 2021, 100.0% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.

Performance of financial instruments in fair value hierarchy level 3

The movement in level 3 assets carried at fair value is shown in the table below:

€m	Debt securities, other fixed-interest securities and loan receivables	Shares and other non fixed-interest securities	Interest-rate-related derivatives	Share and other price-related derivatives	Shareholdings	Positive market values of derivative hedging instruments	Total
As at 1 January 2020	**2,830.3**	**–**	**345.3**	**16.1**	**61.3**	**0.1**	**3,253.1**
Additions through purchase	469.8	–	–	–	–	–	469.8
Disposals through sale	735.5	–	3.6	4.3	50.8	–	794.2
Maturity/repayments	644.0	–	111.8	7.1	–	–	762.9
Transfers							–
To Level 3	118.5	79.8	3.1	–	–	–	201.4
From Level 3	270.4	–	200.5	2.4	–	–	473.3
Change in scope of consolidation	–	–	–	–	–	–	–
Changes arising from measurement/disposal							–
Recognised in profit or loss[1]	−66.1	–	59.6	4.0	7.4	−0.1	4.8
Recognised in other comprehensive income[2]	–	–	–	–	–	–	–
As at 31 December 2020	**1,702.6**	**79.8**	**92.1**	**6.3**	**17.9**	**0.0**	**1,898.7**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**−73.0**	**–**	**59.6**	**4.0**	**−6.0**	**−0.1**	**−15.5**
As at 1 January 2021	**1,702.6**	**79.8**	**92.1**	**6.3**	**17.9**	**0.0**	**1,898.7**
Additions through purchase	900.6	0.2	0.1	–	0.9	–	901.8
Disposals through sale	364.5	56.4	–	–	–	–	420.9
Maturity/repayments	82.5	–	–	–	–	–	82.5
Transfers							
To Level 3	12.7	–	–	0.1	–	–	12.8
From Level 3	139.0	–	–	1.3	–	–	140.3
Changes arising from measurement/disposal							
Recognised in profit or loss[1]	0.9	1.5	48.4	9.9	3.1	–	63.8
Recognised in other comprehensive income[2]							
As at 30 June 2021	**2,030.8**	**25.1**	**140.6**	**15.0**	**21.9**	**0.0**	**2,233.4**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**13.1**	**1.2**	**65.3**	**11.6**	**3.1**	**–**	**94.3**

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

[2] Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.

[3] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve. In the reporting period, the mirror "performance of financial instruments in fair value hierarchy level 3" was standardised with regard to the presentation of the different financial instruments for reasons of better readability. In the case of disposals of derivative financial instruments, for example, the value in the opening balance is now also divided into disposal value and realised profit and loss for the period.

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

€m	Securities short portfolios	Interest-rate-related derivatives	Share and other price-related derivatives	Issues	Total
As at 1 January 2020	**–**	**276.7**	**99.3**	**4,177.0**	**4,553.0**
Additions through purchase	–	12.6	0.1	49.9	62.6
Disposals through sale	–	–	1.9	34.4	36.3
Additions through issues	–	–	–	211.7	211.7
Maturity/repayments	–	67.5	70.5	498.5	636.5
Transfers					
To Level 3	–	2.9	–	–	2.9
From Level 3	–	163.1	13.8	1,498.8	1,675.7
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	–	–59.0	–49.7	10.4	–98.3
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2020	**–**	**120.6**	**62.9**	**2,396.5**	**2,580.0**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**–59.0**	**–49.7**	**–5.8**	**–114.5**
As at 1 January 2021	**–**	**120.6**	**62.9**	**2,396.5**	**2,580.0**
Additions through purchase	–	2.3	–	4.0	6.3
Disposals through sale	–	–	10.3	–	10.3
Additions through issues	–	–	–	42.0	42.0
Maturity/repayments	–	–	0.4	146.1	146.5
Transfers					
To Level 3	–	–	2.9	5.4	8.3
From Level 3	–	–	3.3	81.2	84.5
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	–	62.5	6.5	51.9	120.9
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 30 June 2021	**–**	**60.4**	**45.3**	**2,168.7**	**2,274.4**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**–13.5**	**–11.7**	**19.7**	**–5.5**

1) Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.
2) Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.
3) Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve. In the reporting period, the mirror "performance of financial instruments in fair value hierarchy level 3" was standardised with regard to the presentation of the different financial instruments for reasons of better readability. In the case of disposals of derivative financial instruments, for example, the value in the opening balance is now also divided into disposal value and realised profit and loss for the period.

Positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €139.0m were transferred from level 3 in the reporting period. Negative market values of issues amounting to €81.2m were also transferred from level 3. Furthermore, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €12.7m were migrated to level 3. Negative market values of issues amounting to €5.4m were additionally migrated to level 3. This was due to a more detailed analysis of the market data used for valuation.

Measurement processes for financial instruments in fair value hierarchy level 3

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

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

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

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

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

33 Information on the quality of financial assets

Non-performing exposures

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

€m	Transport and export finance	Energy and utility infra-structure	Property risks	Total 30 Jun 2021	Total 31 Dec 2020
Non-performing exposures[1]	143.0	–	180.8	323.8	536.6
Collateral[2]	105.9	–	138.5	244.4	356.8
Provisions for loan losses/credit rating-related changes in fair value	36.7	–	37.8	74.5	133.9

[1] The figures shown represent the cross carrying value of the credit risk-bearing financial asset classified as non-performing.
[2] Recognition of measurable collateral. Indication of market or fair value not exceeding the underlying exposure.

Exposures with forbearance measures

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

€m	Transport and export finance	Energy and utility infra-structure	Property risks	Total 30 Jun 2021	Total 31 Dec 2020
Forborne exposures[1]	359.1	24.1	888.3	1,271.5	1,392.4
thereof: Performing	270.3	24.1	758.7	1,053.1	1,000.2
thereof: Non-Performing	88.8	–	129.6	218.4	392.2
Collateral[2]	334.1	–	825.1	1,159.2	1,236.4
Provisions for loan losses/credit rating-related changes in fair value	24.8	0.2	54.9	79.9	106.4

[1] The figures shown represent the cross carrying value of the credit risk-bearing financial asset classified as forborne.
[2] Recognition of measurable collateral. Indication of market or fair value not exceeding the underlying exposure.

Key ratios for non-performing and forborne exposures:

%	30 Jun 2021	31 Dec 2020
NPE ratio at the reporting date		
(Ratio of non-performing exposures to maximum credit risk)	0.35	0.63
NPE coverage ratio, including collateral, at the reporting date		
(Ratio of risk provisions, including collateral, to non-performing exposures)	98.48	91.45
NPE coverage ratio, excluding collateral, at the reporting date		
(Ratio of risk provisions, excluding collateral, to non-performing exposures)	23.01	24.95
Forborne exposures ratio at the reporting date		
(Ratio of forborne exposures to maximum credit risk)	1.39	1.64

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.35K(a)/IFRS 7.36(a) using credit risk-bearing financial assets and the corresponding off-balance sheet liabilities. As at the reporting date it amounted to €91.6bn (31 December 2020: €85.0bn).

34 Derivative transactions

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

	Nominal value		Positive fair values[1]		Negative fair values[1]	
€m	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Interest rate risks	639,174.2	573,921.5	12,367.5	15,605.0	11,889.4	15,456.6
Currency risks	22,527.2	28,693.8	403.3	839.0	253.7	198.8
Share and other price risks	43,698.3	45,525.9	1,420.7	1,036.2	1,735.6	1,636.7
Total	**705,399.7**	**648,141.2**	**14,191.5**	**17,480.2**	**13,878.7**	**17,292.1**
Net amount disclosed in the statement of financial position			**7,443.8**	**8,822.6**	**6,420.1**	**7,264.4**

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

35 Regulatory capital (own funds)

Regulatory capital and the capital ratios were calculated as at 30 June 2021 on the basis of the capital requirements currently applicable under the Capital Requirements Regulation (CRR), which is subject to certain transitional provisions.

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

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

	30 Jun 2021		31 Dec 2020	
€m	CRR II (without transitional provisions)	CRR II (with transitional provisions)	CRR I (without transitional provisions)	CRR I (with transitional provisions)
Common Equity Tier 1 (CET 1) capital	4,694	4,694	4,437	4,437
Additional Tier 1 (AT 1) capital	474	479	474	484
Tier 1 capital	**5,168**	**5,173**	**4,911**	**4,921**
Tier 2 (T2) capital	813	813	842	842
Own funds	**5,981**	**5,986**	**5,753**	**5,763**

The increase in Common Equity Tier 1 capital is due primarily to the inclusion of year-end effects from 2020 (profit retention and inclusion of the risk provisions set up in 2020 in the comparison of provisions).

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

	30 Jun 2021		31 Dec 2020	
€m	CRR II (without transitional provisions)	CRR II (with transitional provisions)	CRR I (without transitional provisions)	CRR I (with transitional provisions)
Credit risk	20,017	20,017	17,605	17,605
Market risk	6,678	6,678	9,578	9,578
Operational risk	3,505	3,505	3,485	3,485
CVA risk	516	516	638	638
Risk-weighted assets	**30,716**	**30,716**	**31,307**	**31,307**

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

	30 Jun 2021		31 Dec 2020	
%	CRR II (without transitional provisions)	CRR II (with transitional provisions)	CRR I (without transitional provisions)	CRR I (with transitional provisions)
Common Equity Tier 1 capital ratio	15.3	15.3	14.2	14.2
Tier 1 capital ratio	16.8	16.8	15.7	15.7
Total capital ratio	19.5	19.5	18.4	18.4

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

36 Contingent liabilities and other obligations

€m	30 Jun 2021	31 Dec 2020	Change
Irrevocable lending commitments	1,091.5	1,341.6	–250.1
Other liabilities	109.9	132.4	–22.5
Total	**1,201.4**	**1,474.0**	–272.6

The bank guarantees provided by DekaBank are financial guarantees under IFRS and are stated net. The nominal amount of the guarantees in place as at the reporting date amounts to €185.7m (31 December 2020: €138.7m).

In a circular dated 9 July 2021, the Federal Ministry of Finance (BMF) presented revised rules for the tax treatment of share trades around the dividend record date, and noted, inter alia, that certain transaction types may fall under the scope of section 42 of the German Tax Code (Abgabenordnung – AO) and that, in certain cases, beneficial ownership pursuant to section 39 of the German Tax Code does not pass to the recipient of the shares. In a ruling dated 28 January 2020 (4 K 890/17), the Kassel Fiscal Court gave its verdict, among other things, on the entitlement to relief from capital yields tax (Kapitalertragsteuer) in cum/cum securities transactions for the years in dispute, 2004 to 2007. The matter on which the Kassel Fiscal Court reached its judgement differed from the share trades transacted by DekaBank around the dividend record date. DekaBank therefore still sees no convincing reason to believe that the share trades it transacted around the dividend record date will fall under the scope of section 42 of the German Tax Code. In the case of its share trades, DekaBank also believes that there was a transfer of beneficial ownership and therefore considers it more unlikely than not that a final claim will be made in this regard. Consequently, there are no grounds to create provisions for financial burdens arising from the refusal by tax authorities to allow relief from capital yields tax. Since a degree of uncertainty remains as to how the tax authorities and fiscal courts will ultimately assess the share trades concerned, it cannot be definitively ruled out that an adverse financial impact of €51.6m may arise in this regard. The increase in contingent liabilities by around €4m as against 31 December 2020 is due to the more specific information set out in the BMF circular of 9 July 2021 compared to the BMF circular of 17 July 2017 on relief from capital yields tax, including the solidarity surcharge, as well as clearer legal consequences in the event of refusal to allow relief. On the other hand, payments made in January 2021 based on a corporation tax amendment notice for 2013 issued by the Frankfurt am Main V-Höchst tax authorities dated 30 December 2020 reduced these liabilities. As DekaBank continues to assume that its legal view will be confirmed in the final instance of fiscal court proceedings, tax refund claims of €108.6m are recognised in this context.

37 List of shareholdings

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

Consolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity % 30 Jun 2021
bevestor GmbH, Frankfurt/Main	100.00
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Far East Pte. Ltd., Singapore	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Real Estate International GmbH, Frankfurt/Main	100.00
Deka Real Estate Services USA Inc., New York	100.00
Deka Vermögensmanagement GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungsgesellschaft Luxembourg S.A., Luxembourg	100.00
IQAM Invest GmbH, Salzburg	100.00[1)]
IQAM Partner GmbH, Vienna	100.00
S Broker Management AG, Wiesbaden	100.00
S Broker AG & Co. KG, Wiesbaden	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74[2)]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

[1)] 25.5% is held by IQAM Partner GmbH.
[2)] 5.1% is held by WIV GmbH & Co. Beteiligungs KG.

Consolidated subsidiaries (structured entities):

Name, registered office	Share in fund assets % 30 Jun 2021
A-DGZ 2-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
S Broker 1 Fonds, Frankfurt/Main	100.00

Joint ventures accounted for under the equity method:

Name, registered office	Share of equity % 30 Jun 2021	Equity €'000 30 Jun 2021	Total of profit or loss €'000 30 Jun 2021
Joint ventures			
S-PensionsManagement GmbH, Cologne[1)]	50.00	28,069.5	1,244.6
Dealis Fund Operations GmbH i.L., Frankfurt/Main[2)]	50.00	32,818.4	–35.1

[1)] Amounts reported in financial statements for the year ended 31 December 2019
[2)] Amounts reported in financial statements for the year ended 31 December 2020

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

Name, registered office	Share of equity % 30 Jun 2021
Joint ventures	
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Associated companies	
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.20

Unconsolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity % 30 Jun 2021
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 04 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 05 mbH, Frankfurt/Main	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90

Unconsolidated structured entities:

Name, registered office	Fund assets €m 30 Jun 2021	Share of equity/fund assets % 30 Jun 2021
Deka-Institutionell Absolute Return Dynamisch, Frankfurt/Main	8.06	100.00%
Private Banking Premium Ertrag Nachhaltigkeit, Frankfurt/Main	5.16	96.99%
Deka-Immobilien PremiumPlus-Private Banking CF (T), Luxembourg	1.20	96.85%
Private Banking Premium Chance Nachhaltigkeit, Frankfurt/Main	5.47	96.51%
Deka-MultiFactor Global Corporates, Luxembourg	37.83	93.56%
Deka Germany 30 UCITS ETF, Frankfurt/Main	29.68	88.99%
MBS Invest 2 Nachhaltigkeit, Frankfurt/Main	4.99	80.86%
Deka-Institutionell Defensive Equity Europe, Frankfurt/Main	5.32	80.00%
Deka-MultiFactor Global Government Bonds, Luxembourg	19.47	72.25%
Deka-Nachhaltigkeit Dynamisch, Frankfurt/Main	11.55	70.48%
MBS Invest 3 Nachhaltigkeit, Frankfurt/Main	5.05	70.28%
Deka-Institutionell Absolute Return Defensiv, Frankfurt/Main	12.40	64.37%
Deka-MultiFactor Emerging Markets Corporates, Luxembourg	32.45	59.80%
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	39.18	59.72%
Deka Euro Corporates 0-3 Liquid UCITS ETF, Frankfurt/Main	69.24	57.02%
Deka-EuropaGarant 90, Luxembourg	28.96	56.22%
Deka-MultiFactor Global Corporates HY, Luxembourg	43.63	55.89%
Deka MSCI Europe Climate Change ESG UCITS ETF, Frankfurt/Main	151.39	43.29%
Deka MSCI Japan Climate Change ESG UCITS ETF, Frankfurt/Main	112.27	35.70%
Deka Deutsche Boerse EUROGOV® Germany 1-3 UCITS ETF, Frankfurt/Main	233.73	25.68%
Deka-BasisAnlage Defensiv, Frankfurt/Main	0.99	25.25%
Deka MSCI Japan UCITS ETF, Frankfurt/Main	94.39	24.09%
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Mittelstandskreditfonds I, Frankfurt/Main	29.25	23.00%
SSKM Nachhaltigkeit Invest, Frankfurt/Main	73.52	21.59%
Deka-Institutionell RentSpezial HighYield 9/2027, Frankfurt/Main	27.47	21.47%

38 Related party disclosures

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

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

Business dealings with shareholders of DekaBank and unconsolidated subsidiaries:

€m	Shareholders 30 Jun 2021	Shareholders 31 Dec 2020	Subsidiaries 30 Jun 2021	Subsidiaries 31 Dec 2020
Asset items				
Due from customers	–	–	0.4	0.1
Financial assets at fair value	–	–	1.2	1.1
Other assets	–	–	0.1	0.3
Total asset items	**–**	**–**	**1.7**	**1.4**
Liability items				
Due to customers	136.4	60.4	16.4	40.9
Financial liabilities at fair value	–	–	0.0	0.2
Other liabilities	–	–	–	0.0
Total liability items	**136.4**	**60.4**	**16.4**	**41.0**

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

€m	Joint ventures/ associated companies 30 Jun 2021	Joint ventures/ associated companies 31 Dec 2020	Other related parties 30 Jun 2021	Other related parties 31 Dec 2020
Asset items				
Due from customers	0.2	0.3	0.0	–
Financial assets at fair value	0.7	0.9	–	0.0
Other assets	0.2	0.2	0.1	0.5
Total asset items	**1.1**	**1.4**	**0.1**	**0.5**
Liability items				
Due to customers	24.7	20.1	4.8	67.0
Financial liabilities at fair value	59.1	60.7	–	0.4
Total liability items	**83.8**	**80.8**	**4.8**	**67.4**

39 Additional miscellaneous information

Events after the reporting period

No major developments of particular significance occurred after the reporting date of 30 June 2021.

The consolidated interim financial statements were approved for publication on 12 August 2021 by DekaBank's Board of Management.

Assurance of the Board of Management

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

Frankfurt/Main, 12 August 2021

DekaBank
Deutsche Girozentrale

The Board of Management

Dr. Stocker Dr. Danne Dietl-Benzin

Kapffer Knapmeyer Müller

Review Report

To DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main

We have reviewed the condensed interim consolidated financial statements – comprising balance sheet, statement of comprehensive income, condensed statement of changes in equity, condensed cash flow statement and selected explanatory notes – together with the interim group management report of the DekaBank Deutsche Girozentrale AöR for the period from 1 January to 30 June 2021 that are part of the semi annual financial report according to § 115 WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Frankfurt am Main, 13 August 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Beier
Wirtschaftsprüfer

Haider
Wirtschaftsprüfer

Administrative Board and Board of Management of DekaBank

(as of 1 August 2021)

Administrative Board

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

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

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

Further representatives selected by the Shareholders' Meeting:

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

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

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

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

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

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

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

Michael Fröhlich
(since 1 January 2021)
Chairman of the Management Board of Sparkasse Bielefeld, Bielefeld
Member of the Risk and Credit Committee

Gerhard Grandke
Managing President of the Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Melanie Kehr
(since 1 January 2021)
Member of the Management Board of KfW Kreditanstalt für Wiederaufbau, Frankfurt/Main
Member of the Risk and Credit Committee

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

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

Tanja Müller-Ziegler
Member of the Management Board of Berliner Sparkasse, Berlin
Member of the Risk and Credit Committee

Prof. Dr. Ulrich Reuter
(since 1 January 2021)
President of the Savings Banks Association Bavaria, Munich
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee
Member of the Audit Committee

Katrin Rohmann
Freelance accountant, Birkenwerder
Member of the Audit Committee

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

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

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

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

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

Employee Representatives appointed by the Staff Committee:

Michael Dörr
(until 31 July 2021)
Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Edwin Quast
(since 1 August 2021)
Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Barbara Wörfel
(since 1 August 2021)
Second Deputy Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

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

Dr. Uwe Brandl
Mayor of the City of Abensberg and First Deputy Chairman of the German Association of Towns and Municipalities, Berlin

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

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

Board of Management

Dr. Georg Stocker
CEO

Dr. Matthias Danne
Deputy Chairman of the Board of Management

Birgit Dietl-Benzin
Member of the Board of Management

Daniel Kapffer
Member of the Board of Management

Torsten Knapmeyer
Member of the Board of Management
(since 1 April 2021)

Martin K. Müller
Member of the Board of Management

Executive Manager

Manfred Karg

Find out more
The 2021 Interim Report can be found at www.deka.de/deka-group under the heading "Investor Relations/Reports and presentations" section as well as the online version in German and English. In addition, the financial reports, presentations and other reports are also available for download.

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

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

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

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