Deka Group
Interim Report as at 30 June 2018

100 Jahre Deka

#deka100


Berlin 1918


Frankfurt 2018

A story of success for 100 years.

Finanzgruppe

Deka Group at a glance

BUSINESS DEVELOPMENT INDICATORS		30 June 2018	31 Dec. 2017	Change (%)
Total assets	€m	99,540	93,740	6.2
Total customer assets	€m	287,897	282,888	1.8
thereof: retail customers	€m	141,613	138,951	1.9
thereof: institutional customers	€m	146,283	143,937	1.6
Number of securities accounts	thousand	4,575	4,492	1.8
		1st half 2018	1st half 2017	
Net sales	€m	10,570	12,611	−16.2
thereof: retail customers	€m	6,634	5,662	17.2
thereof: institutional customers	€m	3,936	6,949	−43.4
PERFORMANCE INDICATORS				
Total income	€m	737.8	759.8	−2.9
thereof: net interest income [1]	€m	77.6	73.1	6.2
thereof: net commission income	€m	563.9	573.2	−1.6
Total expenses	€m	515.1	518.5	−0.7
thereof: administrative expenses (including depreciation)	€m	515.1	519.1	−0.8
Economic result	€m	222.6	241.3	−7.7
Total profit or loss before tax	€m	238.3	289.6	−17.7
KEY RATIOS				
Return on equity (before tax) [2]	%	9.6	10.7	−1.1%-Points
Cost/income ratio [3]	%	71.3	69.5	1.8%-Points
KEY REGULATORY FIGURES (without transitional provisions – fully loaded)		30 June 2018	31 Dec. 2017	
Own funds	€m	5,782	5,442	6.2
Total capital ratio	%	23.1	21.9	1.2%-Points
Common Equity Tier 1 capital ratio	%	18.0	16.7	1.3%-Points
RISK RATIOS				
Risk capacity	€m	5,949	5,912	0.6
Total risk	€m	2,037	2,035	0.1
Utilisation of risk capacity	%	34.2	34.4	−0.2%-Points
RATING LONG-TERM (SHORT-TERM) [4]				
Moody's [5]		Aa2 (P–1)	Aa2 (P–1)	
Standard & Poor's [6]		A+ (A–1)	A+ (A–1)	
SUSTAINABILITY RATING				
MSCI		AA	AA	
ISS-oekom		C+ (Prime)	C+ (Prime)	
KEY EMPLOYEE FIGURES				
Number of employees		4,671	4,649	0.5
Number of active employees		4,102	4,078	0.6

1) The net income from the disposal of assets recognised at amortised cost amounted to €1.2m (first half of 2017: €5.8m) is included in the net financial income for the first time in the first half of 2018. In the previous year, it was shown in the net interest income. Previous year's figures have been adjusted for better comparability.
2) The return on equity (before tax) calculation was changed in 2017. The comparative figure for the year 2016 has been adjusted. The reported figure corresponds to the annualised economic result relative to the average balance sheet equity including atypical silent capital contributions, without additional Common Equity Tier 1 capital (AT1) and adjusted for intangible assets.
3) Calculation of the cost/income ratio without taking into account the restructuring expenses and the provisions for loan losses and, from 2018, also without taking into account of the risk provisions for securities. Previous year's figures have been adjusted for better comparability.
4) As at 3 August 2018
4) Rating long-term: Preferred Senior Unsecured Debt (Moody's: 3 August 2018: Senior Unsecured Debt; 31 December 2017: Senior Senior Unsecured Debt)
5) Rating long-term: Preferred Senior Unsecured Debt (S&P: Senior Unsecured Debt)

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

Interim Report as at 30 June 2018

FOREWORD **04**

INTERIM MANAGEMENT REPORT **06**

AT A GLANCE 07

INFORMATION ABOUT THE DEKA GROUP 08

ECONOMIC REPORT 09

FORECAST REPORT 25

RISK REPORT 28

INTERIM FINANCIAL STATEMENTS **37**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 38

STATEMENT OF FINANCIAL POSITION 39

CONDENSED STATEMENT OF CHANGES IN EQUITY 40

CONDENSED STATEMENT OF CASH FLOWS 42

NOTES 43

ASSURANCE OF THE BOARD OF MANAGEMENT 91

REVIEW REPORT 92

OTHER INFORMATION **93**

ADMINISTRATIVE BOARD AND BOARD OF MANAGEMENT OF DEKABANK 93

Dear Shareholders and Investors,

On 1 February this year, DekaBank Deutsche Girozentrale celebrated its 100th birthday. In its centenary year, we are convinced that Deka is on a very secure footing and ready to face the challenges of the future. What is all the more pleasing is that our customers share this view: investors have entrusted another €10.6bn to the Deka Group in the first half of 2018. The impartial view of market observers is also gratifying. This year, for the first time ever, Deka was chosen as Finanzen Verlag's "Fund Manager of the Year", while Capital-Fonds-Kompass again awarded us its maximum five-star rating.

Despite these welcome inflows of new funds, especially from retail business, we are still far from exhausting our enormous potential. A recently published YouGov survey commissioned by Deka has shown that around one in five Germans would like to save more for their retirement and are specifically interested in investment funds. Yet few have the knowledge required to put this intention into practice. Sound advice on securities investment, like that provided by the savings banks with Deka's support, therefore remains as vital as ever, even in the age of mobile banking and robo-investing. More than one in two of those surveyed believes advice is important. Notably, interest among the younger, digitalised generation is particularly strong.

It is therefore only right that a key aim of our DekaPro initiative programme is to bring these two worlds together by taking an ever more active approach to the multi-channel selling of securities. The ongoing development of the "internet branch" of the savings banks, for instance through digital asset management, serves not least to create new ways for savings bank customers to contact their advisers. The incorporation of stocks and shares functions into the *Sparkassen-*

Finanzgruppe app goes hand in hand with the expansion of online execution processes. At the same time, through the DekaPro programme launched at the start of 2018, we are investing to deliver even better products and advisory services for institutional customers and more effective, automated banking processes. The goal of all these initiatives is to bring Deka even closer to its customers.

In its centenary year, DekaBank remains focused on its annual target. Net interest income and net commission income have remained virtually constant compared with last year. In particular, spread trends in net financial income from banking book portfolios and actuarial losses on pension provisions, which impacted other operating profit, led to an economic result of €222,6m (first half of 2017: €241.3m).

Our aim remains to achieve a small increase in the economic result for 2018 as a whole. As in previous years, this will ensure that DekaBank remains able to distribute profits and make the necessary reinvestments as part of the capital management process.

This year, too, retaining part of our earnings has further strengthened our capital base. The fully loaded Common Equity Tier 1 capital ratio (calculated in accordance with CRR/CRD IV requirements) stood at 18.0% at mid-year, compared with 16.7% at the end of 2017. The SREP requirements for the Common Equity Tier 1 capital ratio and total capital ratio were substantially exceeded at all times. Continued low risk capacity utilisation and liquidity levels substantially above the minimum prudential ratios also show clearly that the *Wertpapierhaus* rests on a solid foundation.

The Deka Group's robust strategy for the future builds on this foundation. In the remaining months of this year and beyond, the savings banks of the *Sparkassen-Finanzgruppe* must act together to implement new regulations at reasonable expense and keep working steadily to take the securities business in Germany to the next level.

Sincerely,

Michael Rüdiger
CEO

Interim management report 2018.

AT A GLANCE 07
INFORMATION ABOUT THE DEKA GROUP 08
ECONOMIC REPORT 09
FORECAST REPORT 25
RISK REPORT 28

Interim management report 2018

At a glance

In the year of its 100th anniversary, DekaBank remains focused on its annual target. Through the DekaPro initiative programme begun at the start of 2018, we have expanded our multi-channel sales capabilities for securities business and our solutions for institutional customers. We also intend to continue with the increasing automation of our processes, in order to handle growing business volumes. Confirmation of the high quality of Deka's products and services came in the form of Finanzen Verlag's "Fund Manager of the Year" award – the first time we have won this accolade – and our maximum five-star rating from Capital-Fonds-Kompass.

Net sales in the first half of 2018 were €10,6bn, despite the uneven market environment. Deka did not quite succeed in matching the very high figure of €12.6bn achieved the previous year. In retail business, both funds and certificates business exceeded the comparative figures for last year, whereas institutional business, special funds, advisory/management mandates and certificates lagged behind. Total customer assets rose to €287.9bn from €282.9bn at the previous year-end.

The Deka Group closed the first half of 2018 with an economic result of €222.6m (previous year: €241.3m). Whereas net interest income and net commission income remained more or less constant, net financial income and other operating profit were affected respectively by movements in spreads on banking book assets and actuarial losses on pension provisions, leading overall to a slight decline in income (€737.8m) relative to the same period last year (€759.8m).

The Deka Group's financial position remains robust. The fully loaded common equity Tier 1 capital ratio (calculated in accordance with CRR/CRD IV) stood at 18.0% at mid-year, compared with 16.7% at the end of 2017. Risk capacity utilisation was 34.2%, representing a further slight decrease from the non-critical level of 34.4% at the end of last year. The liquidity coverage ratio (LCR) was 136.6% at mid-year, comfortably above the minimum requirement of 100% applicable since the start of 2018.

Information about the Deka Group

Deka Group profile and strategy 8

Deka Group profile and strategy

At 30 June 2018, the fundamental legal and organisational structure and the business model of the Deka Group were essentially as described in the Group Management Report for 2017.

The DekaPro initiative programme, launched at the start of 2018, was actively pursued over the first six months of the year. DekaPro brings together the key measures aimed at further implementation of the *Wertpapierhaus* strategy.

Particular efforts were made in the area of multi-channel sales, the goal being to strengthen our positioning online and ultimately to exploit retail business opportunities more effectively and respond quickly to changes in the market. Ongoing development of the "internet branch" of the savings banks is delivering a wide range of improvements for end customers, including extensions to the custody account dashboard and new ways for savings bank customers to contact customer advisers. The incorporation of stocks and shares functions into the "Sparkassen-Finanzgruppe" app goes hand in hand with the expansion of online execution processes. The "Abräumsparen" (savings sweep) option, for instance, allows spare cash to be automatically invested into funds.

During the reporting period, confirmation of the high quality of Deka's products and services came in the form of Finanzen Verlag's "Fund Manager of the Year" award – the first time we have won this accolade – and our maximum five-star rating from Capital-Fonds-Kompass 2018 was confirmed.

Growth in our institutional business was driven not least by platform solutions such as Deka Easy Access. This analysis, management and dealing tool was already employed by over 100 savings banks at the end of the reporting period. In February, Deka Investment's Master KVG offering was given a score of 1 and an outlook of 1+ ("excellent") by the Telos rating agency. The improved rating cements Deka's position as a leading solutions provider under the Deka Institutionell brand.

The new process optimisation initiatives launched under DekaPro are aimed in particular at reducing complexity and making use of robotic process automation (RPA), so that growing business volumes can be handled while keeping resources at a steady level. Efforts in the first half of 2018 focused on standardising processes in asset management. We are currently working on a cross-divisional package of internal optimisation measures, based on a fundamental review of the Asset Management Securities and Asset Management Real Estate business divisions.

As part of our strategic reorientation, LBB-Invest GmbH was renamed Deka Vermögensmanagement GmbH at the start of April 2018. Going forward, the company will act as a competence centre for asset management products and boutique funds.

Renewed progress was made in the first half of 2018 with the sustainability strategy, in order to take account of the EU Commission's COM/2018/355 action plan. Deka has expanded its sustainability reporting and issued the new non-financial statement required under the German CSR Directive Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz*) as part of its detailed Sustainability Report for 2017.

The Deka Group continues to be rated as "very good" by sustainability rating agencies. In the first half of the year, MSCI maintained our AA and ISS-oekom the C+(Prime) ratings in spite of new, stricter requirements.

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

The annual sustainability report, including the non-financial statement, does not form part of the Group management report. In accordance with the statutory publication deadlines, the 2017 sustainability report was published on time at the end of April 2018 on the Deka Group website (https://www.deka.de/deka-group/sustainability), where it will remain accessible for at least ten years.

Economic Report

Economic environment 9
Business development and profit performance in the Deka Group 13
Financial position of the Deka Group 23
Human resources report 24

Economic environment

Overall conditions for asset management did not develop quite as positively as they did last year. The fundamental reasons for this included political risks, which resulted primarily from measures taken by the US administration. The renunciation of the Iran nuclear agreement, an intermittent policy of escalation in the Korean peninsula and the imposition of punitive tariffs on China, Canada and the EU made investors uneasy and triggered temporary corrections in the markets. Poorer economic performance in the first quarter and disappointing corporate profits, partly due to the strength of the euro, also had an effect. In the second quarter, equity markets recovered to some degree and bond markets were calmer, although both remained more volatile than in the previous year.

As previously, banking business suffered under the effects of expansionary central bank policy in the eurozone. The European Central Bank continued its bond purchases, while key interest rates stayed persistently low. Rising inflation forecasts, emanating chiefly from the US, meanwhile weighed heavily on eurozone bond markets. However, this development reversed in the spring. Higher-risk assets suffered under the weight of poor macroeconomic data, concerns about political developments in Italy and escalating trade conflicts. By contrast, demand was strong for safe investments such as German federal government bonds, causing Bund yields to drop sharply yet again.

Regarding Brexit, a deal on the exit treaty has not yet moved any closer, despite an understanding being reached on financial obligations and citizens' rights. The British Prime Minister is struggling to build a consensus within her own party on future relations with the EU that could serve as a basis for negotiations. Contrary to expectations, the EU summit in late June failed to create clarity over the future rules for the Northern Irish border. The UK's departure is set to take place on 29 March 2019, with a transitional period lasting until the end of 2020 in which the status quo will largely be maintained. This will not become legally binding, however, until the exit treaty is signed. From a capital markets perspective, clarification regarding the clearing of euro derivatives, which is primarily carried out in London, is of particular importance.

Concerns about the stability of the EU and its common currency have increased again, not only because of Brexit but also due to the assumption of government by right-wing populists and eurosceptics in Italy and disagreements on dealing with refugees.

Macroeconomic conditions

The global economy lost traction slightly during the reporting period. Growth in the eurozone cooled during the early months of the year, especially in France and Germany. This was due to a number of causes, among them strikes, the cold weather and an unusually strong wave of influenza, as well as the decrease in world trade. Although these impediments largely dropped away, growth rates did not recover to last year's levels in the second quarter either. Growth in the United States was higher in the first half of this year than in the first six months of the year before, having been boosted among other things by tax cuts for households and businesses.

China achieved a growth rate of over 6.5%, as planned. Although the punitive tariffs imposed by the US have not yet had a significant effect, they have increasingly weighed down on business sentiment. Other emerging markets exhibited steady growth overall. However, some countries are suffering from capital outflows and weak currencies.

Sector-related conditions

Trends in money and capital markets

In line with its previous announcements, the ECB cut the monthly volume of bond purchases to €30bn from the start of the year. Only after the Council meeting in June did it announce that the bond-buying programme would expire at the end of 2018. This is conditional, however, on inflation continuing to rise. At the same time, the ECB ruled out any increases in key interest rates for the near future, thus lowering market expectations in respect of future money-market rates.

During the first half of 2018, the US Federal Reserve raised its base rate on two occasions by 25 basis points each time, first to 1.75% and then to 2.00%. The scope for further rate rises depends partly on inflation; however, current estimates are that inflation will be relatively moderate. Yields on 10-year US Treasuries rose to over 3% for the first time since the start of 2014 but did not remain at this level for long.

Yields on medium- and long-term German federal bonds again sank sharply in the early summer of 2018. Fears of a resurgence of the euro crisis emanating from Italy and the mounting US trade conflict prompted investors to shift funds from higher-risk investments to the safety of German federal bonds and US Treasuries. Reduced expectations about future rate rises by the ECB also contributed to the decline in yields.

The ECB's support for corporate bonds is gradually coming to an end. This is already being priced in by the markets, with the result that risk premiums on corporate bonds have tangibly increased since the start of 2018. In addition to somewhat reduced purchases by the ECB, concerns about overall economic performance also had an adverse effect on spreads. Investors were also unsettled by the anti-European noises coming from the new Italian government. But while German federal bonds are sought after as a safe haven investment, corporate bond yields have remained fairly stable overall. Despite gloomier sentiment, most major European companies continue to generate positive results.

Political developments in Italy have driven spreads on Italian government and bank bonds sharply higher. Italian covered bonds, which enjoy a substantially better rating than the country itself, have performed much less badly than government bonds. Nevertheless, spreads have widened considerably relative to covered bonds from the core eurozone. Yields on German *Pfandbriefe* have recently fallen considerably again but were unable to keep pace with the strong performance of federal government bonds. This can be inferred from the widening of the Bund swap spread.

The positive fundamental conditions for the German equity market essentially remain intact. Compared to the previous year, however, the market was not marked by particularly strong upward momentum. After a favourable start, the DAX lost ground in February and March before staging a partial recovery in the second quarter. Volatility has substantially increased, not least due to significant political risks.

Trends in property markets

European property markets in the first half of 2018 were marked by sustained high demand in the investment market, a trend bolstered by the continuing low level of interest rates. Scarcity of supply, however, especially in the core real estate market, meant that the demand could not be adequately satisfied. Initial yields fell further in many European markets.

European rental markets benefited from declining unemployment figures. High demand, the ongoing repurposing of properties and a still-moderate level of construction activity led to falling vacancy rates and rising rents. The shortage of available space has become a problem, particularly in German office property markets. In London, rising demand in the City and West End led to a reduction in vacancies. The available supply fell even in Prague and Warsaw, major eastern European cities where the volume of new building is high. While premium rents in London stagnated, rents continued to grow in the major Spanish cities of Barcelona and Madrid, as well as in Stockholm and in top locations in Germany.

In the US, demand for class A office space was somewhat weaker than in the first half of 2018 than in the same period the previous year. Nationwide, there was a moderate rise in the vacancy rate. While the volume of new building maintained the high level of the preceding quarters, it remained moderate overall in comparison to the boom phases of previous economic cycles. Growth in rents has slowed overall and stagnated in downtown locations. Rents rose, however, in a few markets where demand is strong, such as Atlanta, San Francisco and Seattle.

In the Asia/Pacific region, demand was driven mainly by technology firms and the region’s financial services providers. In Singapore, rents began to rise again in the wake of previous substantial falls. In Australia, high demand led to lower vacancies and rent rises, especially in Sydney and Melbourne.

Investor attitudes

Demand for mutual funds has dropped substantially relative to the previous year. According to the German Investment Funds Association (BVI), net investments in open-ended mutual funds were €11.5bn for the period from January to May 2018, about one third of the equivalent figure for the previous year (€30.1bn). Net inflows were recorded by equity and mixed asset funds, but not at the previous year’s levels. Fixed-yield funds, which had net inflows of over €7bn in the previous year, slipped into negative territory. By contrast, real estate funds achieved net inflows of €2.2bn, virtually the same net sales figure as in the previous year. Sales of special funds for institutional investors also declined, totalling just €33.0bn compared with €48.0bn the previous year.

Regulatory environment

The regulatory environment changed only slightly compared with the situation presented in the 2017 Group management report. The discussion below is confined to those topics where significant new developments occurred in the reporting period.

Regulatory topics

In the EU, reform of Capital Requirements Regulation II (CRR II) and Capital Requirements Directive V (CRD V) is progressing. In May 2018, ECOFIN (the council of European economic and finance ministers), agreed on a general approach to be followed in this regard. In June 2018, the European Parliament's Committee on Economic and Monetary Affairs (ECON) issued its reports on CRR II. Trilogue negotiations can thus begin in the second half of 2018. Whether it will be possible to pass the new legislation before the end of this year and introduce CRR II in the near future is uncertain. The revision of the CRR is intended primarily to implement the proposals of the Basel Committee on Banking Supervision (BCBS) regarding the leverage ratio (LR) and net stable funding ratio (NSFR), as well as the revised rules on large exposures and the trading book. CRR II does not incorporate the finalised version of Basel III from December 2017 ("Basel IV"), which includes, among other things, rules on the so-called "output floor". The Basel Committee intends these rules to be introduced as from 1 January 2022. A timetable for implementation at EU level is not yet known.

In March 2018, the ECB published its expectations regarding provisioning for non-performing loans (NPLs). The document is not binding on banks but serves as a basis for dialogue at banking supervisory level. However, the EU Commission has put forward a draft amendment to the CRR under which a mandatory deduction would be made to Common Equity Tier 1 capital if a bank's actual provisioning fell short of the minimum supervisory requirement.

The "Fundamental Review of the Trading Book" (FRTB), which has already been incorporated into CRR II, was further translated into concrete measures via a Basel Committee consultation paper in March 2018. Looking forward, the rule changes are likely to lead to a rise in risk-weighted assets (RWA), even though the risk weightings for the standard approach as included in the consultation paper are slightly lower than those originally contemplated.

In March 2018, the ECB opened an official consultation phase regarding uniform European rules for the internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) for significant institutions, development of which began in February 2017. The aim is to revise the two guidelines published by the Single Supervisory Mechanism (SSM). DekaBank is closely monitoring the evolution of these prudential requirements and examining them with a view to identifying any potential need to alter existing processes and methods.

The ECB is examining 37 eurozone banks in connection with this year's round of stress tests conducted with the European Banking Authority (EBA). At the same time, the ECB is carrying out its own stress test for significant institutions that are subject to ECB supervision, but, like DekaBank, are not among the institutions participating in the EBA's EU-wide stress tests. This additional stress test is consistent with the EBA methodology. The stress test results for all significant institutions will be used in the second half of 2018 when determining the Pillar II capital requirements for individual banks in connection with the Supervisory Review and Evaluation Process.

Product and service-related regulatory proposals

In 2018, various detailed regulations have been and will be issued at both national and EU level in relation to the revised version of the EU's Markets in Financial Instruments Directive (MiFID II). Among other things, guidelines on suitability assessment have been issued by the ESMA (European Securities and Markets Authority) and a revised version of Germany's Minimum Requirements for the Compliance Function (MaComp) has been published. Both of these have accordingly been implemented in the Deka Group.

In April, the Federal Financial Supervisory Authority (BaFin) presented a consultation paper on the detailed content of the Minimum Requirements for Conduct and Organisational Duties in Relation to Depositary Business (known in German as "MaDepot"). These bring the relevant supervisory rules on conduct and organisational duties under one roof and are essentially based on the MiFID II rules for protecting customer assets. A timetable for the publication of the final Minimum Requirements has not yet been announced.

Furthermore, in March the EU Commission put forward a package of measures on capital markets union, including draft legislation on matters such as covered bonds and cross-border transactions in securities and claims. The package includes action plans for sustainable financing, from which a proposal for an EU-wide sustainability classification system emerged in May 2018. In addition, a proposal was presented on the disclosure of ESG (environmental and social governance) factors. This is aimed primarily at institutional investors and asset managers but is also intended to be relevant to investment advisory business.

Business development and profit performance in the Deka Group

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

The Deka Group ended the first half of 2018 with an economic result of €222.6m (previous year: €241.3m). Whereas net interest income and net commission income remained more or less constant, net financial income and other operating profit were affected respectively by movements in spreads on banking book assets and actuarial losses on pension provisions, leading overall to a slight decline in income (€737.8m) relative to the same period last year (€759.8m). Expenses (€515.1m) were broadly similar to the first half of 2017.

Net sales were €10.6bn, in spite of the uneven market environment. They thus fell slightly short of the very high figure of €12.6bn achieved in the same period last year. In retail business, both funds and certificates business exceeded the comparative figures for the first half of 2017, whereas in institutional business, special funds, advisory/management mandates and certificates lagged behind.

Total customer assets rose by some €5bn compared with year-end 2017 to reach €287.9bn. This movement was driven in particular by high net sales of equity funds, mixed asset funds and mutual property funds. Distributions to investors, maturities of certificates and market-driven falls in valuations were more than offset by the very positive level of net sales.

Deka Group total customer assets *in €m (Fig. 1)*

	30 Jun 2018	31 Dec 2017	Change	
Total customer assets	**287,897**	**282,888**	5,009	1.8%
by customer segment				
Retail customers	141,613	138,951	2,662	1.9%
Institutional customers	146,283	143,937	2,346	1.6%
by product category				
Mutual funds and fund-based asset management	143,162	141,166	1,996	1.4%
Special funds and mandates	116,506	115,057	1,449	1.3%
Certificates	19,108	17,552	1,556	8.9%
ETF	9,120	9,113	7	0.1%

See also:
Overall risk position for the first half of 2018
pages 29ff

Risk capacity utilisation was 34.2%, representing a further slight decrease from the non-critical level of 34.4% at the end of last year. Both risk capacity and total risk changed only slightly.

The Deka Group's financial position remains robust. The fully loaded common equity Tier 1 capital ratio (calculated in accordance with CRR/CRD IV requirements) stood at 18.0% at mid-year, compared with 16.7% at the end of 2017. The rise in common Equity Tier 1 capital was due to effects related to the 2017 financial statements, such as the formal allocation of profit to retained earnings. Such effects more than offset the simultaneous slight increase in risk-weighted assets.

Taking account of the requirements of the SREP (Supervisory Review and Evaluation Process), DekaBank must comply at group level with a phase-in common Equity Tier 1 capital ratio of at least 8.10% as at 30 June 2018. This capital requirement is made up of the Pillar One minimum requirement (4.5%) plus the Pillar Two requirement (1.25%), the capital conservation buffer (1.88%), the countercyclical capital buffer (approximately 0.16% at 30 June 2018) and the capital buffer for other systemically important banks (0.32%). The capital requirement for the total capital ratio (phase-in) was 11.60%. Both requirements were clearly exceeded at all times.

The liquidity coverage ratio (LCR) was 136.6% at mid-year, comfortably above the minimum requirement of 100% applicable since the start of 2018. The fully loaded leverage ratio stood at 4.7% at 30 June 2018. This figure is likewise substantially above the expected minimum ratio of 3.0% to be observed in 2019.

Ratings

In 2018, DekaBank's ratings remain among the best in its peer group of German commercial banks. Since October 2017, our issuer rating from Standard & Poor's (S&P) has stood at A+ with a stable outlook, with a short-term rating of A-1. S&P gives us ratings of A+ for preferred senior unsecured debt (S&P: "Senior Unsecured Debt") and A for non-preferred senior unsecured debt (S&P: "Senior Subordinated Debt").

Moody's adjusted the ratings for DekaBank debt securities at the start of August 2018, as part of an industry-wide reassessment. This was due to the transposition of Directive 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy (the "BRRD Amendment Directive") into German law on 21 July 2018.

Moody's now rates DekaBank's preferred senior unsecured debt issues (Moody's: "Senior Unsecured Debt") at Aa2 with a stable outlook. Non-preferred senior unsecured debt issues (Moody's: "Junior Senior Unsecured Debt") are rated A1. The short-term rating is unchanged at P-1. Moody's awarded an Aaa rating to DekaBank's *Pfandbrief* bonds.

The ratings awarded by both agencies 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.

Profit performance of the Deka Group

At €222.6m, the economic result was €18.7m (7.7%) lower than in the same period last year (€241.3m).

Whilst there was a slight decrease of 2.9% in total income to €737.8m (previous year: €759.8m), total expenses at €515.1m were more or less the same as last year (€518.5m).

Net interest income of €77.6m was 6.2% up on the previous year (€73.1m). Key components of net interest income were earnings from specialised and real estate financing in the Financing business division, as well as earnings from the Strategic Investments unit in the Capital Markets business division. Overall, these earnings were slightly above the level for the same period last year.

Risk provisions in the lending and securities business in the first half of 2018 were €15.4m (previous year: €12.6m), chiefly due to the reversal of loss allowances that were no longer required. Of this, €5.9m (previous year: €0.8m) related to lending business and €9.5m (previous year: €11.8m) to securities.

Net commission income was €563.9m (previous year: €573.2m) and thus made up almost 80% of total income. Commission income from investment fund and custody account business increased relative to the same period last year. The slight decrease in net commission income was a result in particular of lower commissions on agency business at DekaBank.

Net financial income was €96.5m, substantially above the figure for the first half of 2017 (€72.6m). This figure includes all income and expense items from the trading book as well as net income on disposals from the banking book.

At €139.4m, net financial income from the trading book was lower than in the previous year (€167.5m). A key component of the total was income from the Trading & Structuring unit, which, however, fell short of the amount achieved in the same period last year. In structuring, demand remained strong in the third-party issues and certificates business. By contrast, the Collateral Trading unit achieved a slight increase in net income relative to the first half of 2017.

Net financial income from the banking book was €–43.0m (previous year: €–94.9m). This was essentially due to adverse valuation effects on securities in the wake of spread movements in the first half of 2018. An amount of €30m was released from the general provision for potential risks. 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. The previous year's figure included an increase in the general provision of €100m.

Other operating profit of €–15.5m was below the previous year's figure (€28.2m). Actuarial losses had an adverse impact on pension provisions of €–12.2m, due to the market-related fall in plan assets and a lower actuarial interest rate of 1.85% at the end of June 2018 (end 2017: 1.90%). Actuarial gains of €33.7m were recorded in the previous year. 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.

At €260.3m, personnel expenses were close to the previous year's level (€261.4m). Expenses were pushed up by wage and salary increases as a result of the collective bargaining rounds and by a slight rise in the workforce. By contrast, allocations to the pension provisions were lower.

Operating expenses (excluding bank levy and depreciation) increased to €216.1m, a rise of 1.2% over the previous year (€213.6m). This was due in particular to higher marketing and sales expenses in connection with the increased support provided to savings banks. Operating expenses also reflect the expenses incurred in relation to the implementation of regulatory requirements. As in the previous year, operating expenses for the first six months include the full annual contribution to the deposit protection reserve of the *Landesbanken* and *Girozentralen* (€11.0m; previous year: €13.7m).

The annual charge of €29.6m in relation to the European bank levy (previous year: €35.3m) was also recognised in full.

Depreciation and amortisation charges of €9.2m (previous year: €8.8m) mainly comprise the amortisation of intangible assets.

The cost/income ratio, i.e. the ratio of total expenses to total income (excluding restructuring expenses and movements in risk provisions in the lending and securities business), was 71.3% and was thus worse than the 69.5% figure for the previous year. This was due to the reduced level of income. Return on equity (before tax) was 9.6% (previous year: 10.7%)

Deka Group performance *in €m (Fig. 2)*

	1st half 2018	1st half 2017	Change	
Net interest income[1]	77.6	73.1	4.5	6.2%
Risk provisions in the lending and securities business	15.4	12.6	2.8	22.2%
Net commission income	563.9	573.2	–9.3	–1.6%
Net financial income[1]	96.5	72.6	23.9	32.9%
Other operating profit	–15.5	28.2	–43.7	–155.0%
Total income	**737.8**	**759.8**	–22.0	–2.9%
Administrative expenses (including depreciation)	515.1	519.1	–4.0	–0.8%
Restructuring expenses	–	–0.6	0.6	100.0%
Total expenses	**515.1**	**518.5**	–3.4	–0.7%
Economic result	**222.6**	**241.3**	–18.7	–7.7%

[1] Net income of €1.2m (first half of 2017: €5.8m) from the disposal of assets recognised at amortised cost is included in net financial income for the first time in the first half of 2018. This was disclosed under net interest income in the previous year. For better comparability, the previous years's figures were adjusted.

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 achieved net sales of €5.1bn in spite of the rather uneven market environment. Total customer assets were €232.7bn. The economic result was €126.3m (previous year: €168.8m).

Net sales performance and total customer assets

Net sales of €2.4bn were achieved in relation to mutual securities funds (including fund-based asset management). The rise relative to the first half of 2017 (€2.1bn) was essentially due to buoyant demand for equity and mixed asset funds. The sustained demand for Deka Group funds was visible both in respect of mutual funds, for which the net sales of €1.8bn were close to the previous year's level (€1.9bn), and in fund-based asset management, where net sales of €0.6bn were achieved in comparison to €0.2bn the previous year. Funds of funds in particular benefited from investor demand. Net sales of ETFs rose to €0.4bn from €0.2bn in the first half of 2017.

Net sales of special funds and advisory/management mandates (including master funds) declined to €2.4bn (previous year: €5.3bn). Although special securities funds recorded a rise, net sales of master funds and advisory/management mandates were substantially lower.

Net sales performance in the Asset Management Securities business division *in €m (Fig. 3)*

	1st half 2018	1st half 2017
Net sales	**5,129**	**7,560**
by customer segment		
Retail customers	2,610	1,941
Institutional customers	2,518	5,619
by product category		
Mutual funds and fund-based asset management	2,353	2,093
ETF	370	181
Special funds and mandates	2,406	5,286

During the first six months of 2018, the division's total customer assets rose by €1.7bn to €232.7bn. This rise is due to positive net sales, which more than offset the negative market performance and distributions to investors.

Total customer assets in the Asset Management Securities business division *in €m (Fig. 4)*

	30 Jun 2018	31 Dec 2017	Change	
Total customer assets	**232,665**	**230,991**	1,674	0.7%
by customer segment				
Retail customers	103,098	103,104	−6	0.0%
Institutional customers	129,567	127,887	1,680	1.3%
by product category				
Mutual funds and fund-based asset management	113,311	112,883	428	0.4%
thereof: equity funds	30,630	29,656	974	3.3%
thereof: bond funds	33,923	36,473	−2,550	−7.0%
thereof: mixed funds	15,834	16,377	−543	−3.3%
ETF	9,120	9,113	7	0.1%
Special funds and mandates	110,234	108,995	1,239	1.1%

Profit performance in the Asset Management Securities business division

At €126.3m, the division's economic result was lower than the comparative figure for the previous year (€168.8m). Net commission income, the principal component of the division's income, was €326.8m, thus falling slightly short of last year's figure in the wake of market trends. Expenses amounted to €186.2m, roughly in line with the previous year.

Profit performance in the Asset Management Securities business division *in €m (Fig. 5)*

	1st half 2018	1st half 2017	Change	
Net commission income	326.8	353.7	–26.9	–7.6%
Other income	–4.2	7.1	–11.3	–159.2%
Total income	**322.5**	**360.8**	–38.3	–10.6%
Administrative expenses (including depreciation)	186.3	187.7	–1.4	–0.7%
Restructuring expenses	–0.0	–0.6	0.6	100.0%
Total expenses	**186.2**	**187.1**	–0.9	–0.5%
Economic result without Treasury function	**136.3**	**173.7**	–37.4	–21.5%
Treasury function	–9.9	–4.9	–5.0	–102.0%
Economic result	**126.3**	**168.8**	–42.5	–25.2%

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

The Asset Management Real Estate business division increased its total customer assets to €36.1bn, a rise of €1.8bn relative to the end of last year. This came as a result of solid asset performance and net sales comparable to the previous year's level. At €50.8m, the division's economic result exceeded the half-yearly figure for 2017 (€27.4m).

Net sales performance and total customer assets

Net sales totalled €1.3bn (previous year: €1.3bn). Units in mutual property funds worth €1.1bn (previous year: €1.3bn) were sold. The decrease relative to the same period last year is essentially due to changes made to the distribution timetable as a result of the Investment Tax Reform Act (*Investmentsteuerreformgesetz)* and the associated lack of reinvestment inflows. Distributions in the second half of the year are expected to compensate for this effect. Demand was much higher but was again only partly satisfied. This was in order to limit the amount of liquidity in the funds in the current low-interest environment, as well as to ensure that there was no undue pressure to invest, given the high property prices.

The net inflow into special funds, single-investor property funds and advisory/management mandates was €0.2bn, which represented an increase over last year.

Net sales performance in the Asset Management Real Estate business division *in €m (Fig. 6)*

	1st half 2018	1st half 2017
Net sales	**1,263**	**1,303**
by customer segment		
Retail customers	1,035	1,321
Institutional customers	228	–18
by product category		
Mutual property funds	1,092	1,330
Special funds and individual property funds and mandates	171	–28

Total customer assets in the Asset Management Real Estate business division rose by 5.2% to €36.1bn (end 2017: €34.3bn), of which €29.9bn related to mutual property funds. A yield-focused cash management policy again contributed to the rise in total customer assets. Euro-denominated mutual property funds achieved an average volume-weighted return of 3.1% (previous year: 2.7%).

Transaction volume, i.e. purchases and sales of property, declined to €1.2bn (previous year: €2.4bn). Around 83% of the overall transaction volume concerned a total of 26 contractually secured property purchases. There were eight disposals. Business activities continue to centre on properties in the office, shopping, hotel and logistics asset classes.

Total customer assets in the Asset Management Real Estate business division *in €m (Fig. 7)*

	30 Jun 2018	31 Dec 2017	Change	
Total customer assets	**36,123**	**34,345**	1,778	5.2%
by customer segment				
Retail customers	27,644	26,232	1,412	5.4%
Institutional customers	8,479	8,113	366	4.5%
by product category				
Mutual property funds	29,851	28,283	1,568	5.5%
Special funds and individual property funds and mandates	6,272	6,062	210	3.5%

Profit performance in the Asset Management Real Estate business division

The economic result for the Asset Management Real Estate business division was €50.8m for the first half of 2018 (previous year: €27.4m). The substantial rise relative to the first half of 2017 was due to higher portfolio-based commissions, in particular a higher amount of variable management fees. Commission income from purchasing and construction fees was also higher than last year. Expenses for the first six months were only slightly higher than in the same period last year.

Profit performance in the Asset Management Real Estate business division *in €m (Fig. 8)*

	1st half 2018	1st half 2017	Change	
Net interest income	0.2	2.0	–1.8	–90.0%
Net commission income	119.0	91.1	27.9	30.6%
Net financial income	–1.2	–0.7	–0.5	–71.4%
Other operating profit	0.5	0.3	0.2	66.7%
Total income	**118.6**	**92.7**	25.9	27.9%
Administrative expenses (including depreciation)	65.8	63.9	1.9	3.0%
Total expenses	**65.8**	**63.9**	1.9	3.0%
Economic result without Treasury function	**52.8**	**28.9**	23.9	82.7%
Treasury function	–2.0	–1.4	–0.6	–42.9%
Economic result	**50.8**	**27.4**	23.4	85.4%

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

In the first half of 2018, the Asset Management Services business division again increased the number of custody accounts and the total amount of assets under custody, as well as expanding its digital multi-channel management offering. The economic result was €11.6m (previous year: €10.6m).

Business development in the Asset Management Services business division

Assets under custody rose by €1.7bn relative to the end of 2017 to reach €203.3bn, bolstered by the growth in the two Asset Management business divisions. The number of custody accounts for which the division is the legal provider rose by 1.8% to some €4.6 million. Regular savings products were a key driver of the increase. The number of securities transactions also rose relative to the first half of 2017 as a result of the introduction of the Investment Tax Reform Act. More savings banks integrated the Digital Asset Management system developed by bevestor into their Internet Branch. In addition, more savings banks were persuaded to integrate S Broker's SComfortDepot as a full custody account solution into their offering for customers interested in stocks and shares.

Profit performance in the Asset Management Services business division

The economic result for the Asset Management Services business division was €11.6m (previous year: €10.6m). The largest income component was net commission income of €92.6m. Against this, administrative expenses were €81.8m (previous year: €73.2m). Part of the rise is due to the further expansion of digital multi-channel management.

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

	1st half 2018	1st half 2017	Change	
Net interest income	2.1	1.5	0.6	40.0%
Risk provisions in the lending and securities business	–0.1	–	–0.1	n/a
Net commission income	92.6	81.0	11.6	14.3%
Net financial income	–2.2	0.4	–2.6	(< –300%)
Other operating profit	2.0	1.6	0.4	25.0%
Total income	**94.4**	**84.6**	9.8	11.6%
Administrative expenses (including depreciation)	81.8	73.2	8.6	11.8%
Total expenses	**81.8**	**73.2**	8.6	11.8%
Economic result without Treasury function	**12.5**	**11.4**	1.1	9.6%
Treasury function	–1.0	–0.7	–0.3	–42.9%
Economic result	**11.6**	**10.6**	1.0	9.4%

Business development and profit performance in the Capital Markets business division

The Capital Markets business division has continued consistently to develop its products and expand infrastructure services, thus enhancing its positioning as a provider of products and solutions covering all aspects of customer needs and future regulatory requirements. As expected, the economic result of €34.5m was below the previous year's figure of €151.4m.

Business development in the Capital Markets business division

Thanks to its strong positioning in stock lending and collateral management amongst other things, the Collateral Trading unit reached the comparable figure for the previous year, whereas agency trading, as expected, came in below the figure for the first half of 2017. In the Trading & Structuring unit, demand remained strong for debt issues and certificates. The unit cemented its position in the retail certificates market, with net sales of €3.0bn exceeding the previous year's figure of €2.4bn. Net sales of certificates to institutional customers totalled €1.2bn (previous year: €1.3bn).

Profit performance in the Capital Markets business division

The division's economic result for the first half of the year fell to €34.5m (previous year: €151.4m). This is essentially due to valuation effects on banking book assets and lower customer activity in agency trading and bond trading. The total also includes a higher negative contribution from the Treasury function, again as a result of valuation effects. Expenses of €82.4m were slightly above the previous year's level.

Profit performance in the Capital Markets business division *in €m (Fig. 10)*

	1st half 2018	1st half 2017[1]		Change
Net interest income	18.8	20.3	–1.5	–7.4%
Risk provisions in the lending and securities business	9.2	11.9	–2.7	–22.7%
Net commission income	11.3	32.5	–21.2	–65.2%
Net financial income	112.1	180.1	–68.0	–37.7%
Other operating profit	1.3	1.0	0.3	30.0%
Total income	**152.7**	**245.7**	–93.0	–37.8%
Administrative expenses (including depreciation)	82.4	80.0	2.4	3.0%
Total expenses	**82.4**	**80.0**	2.4	3.0%
Economic result without Treasury function	**70.3**	**165.7**	–95.4	–57.6%
Treasury function	–35.8	–14.3	–21.5	–150.3%
Economic result	**34.5**	**151.4**	–116.9	–77.2%

[1] The remaining portfolios of non-core business were transferred to the Capital Markets business division as of 1 January 2018. The figures for the 1st half 2017 have been adjusted.

Business development and profit performance in the Financing business division

In the first half of 2018, the Financing business division achieved an economic result of €37.7m (previous year: €32.8m). Gross loan volume in the division increased by 4.6% to reach €22.6bn at mid-year. Both specialist financing and real estate financing exceeded the previous year's figures.

Business development in the Financing business division

Gross loan volume in the Specialist Financing subdivision rose to €13.6bn (end 2017: €13.0bn). Of this total, €2.7bn related to infrastructure financing (end 2017: €2.4bn), €1.3bn to export financing (end 2017: €1.1bn), €1.0bn to public sector financing (end 2017: €0.8bn), and €4.2bn to transport financing (previous year: €3.9bn). Of the transport loans, €0.9bn related to ship financing and €3.3bn to aircraft financing. Total loans to savings banks fell slightly to €4.2bn (end 2017: €4.5bn).

The legacy portfolio, which primarily contains ship financing loans that were made before the lending risk strategy was changed in 2010, was reduced by €0.3bn as planned (end 2017: €0.4bn). Legacy ship financing accounted for 87% of this total.

Gross lending volume in the Real Estate Financing subdivision rose during the first half of 2018 to €9.0bn (end 2017: €8.6bn). The volume of commercial property loans rose to €7.6bn (end 2017: €7.1bn), while loans to open-ended property funds remained at €1.4bn, the same as at the year end.

The average rating for the overall loan portfolio on the DSGV master scale remained at 5, there being no change relative to the end of 2017. This corresponds to a rating of BBB– on the S&P rating scale. The average rating for Specialist Financing slipped from 5 at the year end to 6 at mid-year (S&P: BBB– to BB+), while that for Real Estate Financing declined from 3 to 4 (S&P: BBB to BBB–). Taking account of collateralised assets, the average rating for Real Estate Financing remains unchanged at AAA on the DSGV master scale (S&P: AAA).

At €3.3bn, the volume of new business was considerably above the figure for the previous year (€2.0bn). Positive performance in new business was recorded in both Specialist Financing (€2.1bn) and Real Estate Financing (€1.3bn), compared to prior-year figures of €1.2bn and €0.8bn, respectively. Loans to savings banks accounted for some 10% of total new business in the division.

The volume of third-party placements fell to €0.6bn, in line with expectations. This represents a reduction of €0.2bn relative to the comparative figure for 2017.

Profit performance in the Financing business division

The Financing business division ended the first six months with an economic result of €37.7m (previous year: €32.8m). The sum of net interest income and net commission income was slightly above the previous year's figure. Risk provisions had a positive balance of €6.2m in the period to 30 June 2018, this being the result in particular of the release of allowances that were no longer required and receipts in respect of written-down receivables. At €27.8m, expenses were at the same level as in the previous year.

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

	1st half 2018	**1st half 2017**	Change	
Net interest income[1]	59.1	56.3	2.8	5.0%
Risk provisions in the lending and securities business	6.2	0.7	5.5	(> 300%)
Net commission income	14.2	15.4	–1.2	–7.8%
Net financial income[1]	2.6	–4.5	7.1	157.8%
Other operating profit	0.9	0.2	0.7	(> 300%)
Total income	**83.1**	**68.0**	15.1	22.2%
Administrative expenses (including depreciation)	27.8	27.2	0.6	2.2%
Total expenses	**27.8**	**27.2**	0.6	2.2%
Economic result without Treasury function	**55.3**	**40.8**	14.5	35.5%
Treasury function	–17.6	–8.0	–9.6	–120.0%
Economic result	**37.7**	**32.8**	4.9	14.9%

[1] Net income of €0.1m (first half of 2017: €1.3m) from the disposal of assets recognised at amortised cost is included in net financial income for the first time in the first half of 2018. This was disclosed under net interest income in the previous year. For better comparability, the previous years's figures have been adjusted.

Financial position of the Deka Group

Financial position, capital structure, assets and liabilities

The Deka Group's total assets rose by €5,8bn relative to the end of 2017 to reach €99,5bn as at 30 June 2018. This was mainly due to a customer-led rise in repo activities, which is reflected in the amounts due from banks and customers and the amounts due to customers. Excess liquidity in the money and capital markets, higher liquidity surpluses on the part of customers and the Deka Group's good credit rating enabled deposit business to be transacted on the money markets at rates that were often below the central bank's deposit facility rate. Parts of these deposit surpluses increased the risk-free cash reserve held at the central bank.

On the assets side, the total amount due from banks and customers rose by €3.7bn to €50.8bn, thus accounting for around 51% of total assets. Financial assets measured at fair value dropped to €24.1bn (end 2017: €32.0bn, whereas financial investments rose by €6.7bn to reach €10.5bn, this being chiefly due to reclassifications made upon the adoption of IFRS 9.

On the liabilities side, amounts due to banks and customers increased by €7.1bn to reach €53.0bn as at 30 June 2018, thus representing around 53% of total liabilities. Securitised liabilities dropped by €2.5bn in the first half of 2017 to €11.7bn. At €27.5bn, financial liabilities measured at fair value were €1.5bn higher than at the end of 2017.

Changes in the Deka Group balance sheet *in €m (Fig. 12)*

	30 Jun 2018	31 Dec 2017	Change	
Total assets	**99,540**	**93,740**	5,800	6.2%
Selected asset items				
Due from banks and customers	50,750	47,047	3,703	7.9%
Financial assets at fair value	24,149	31,985	−7,837	−24.5%
Financial investments	10,535	3,791	6,744	177.9%
Selected liability items				
Due to banks and customers	53,007	45,899	7,108	15.5%
Securitised liabilities	11,737	14,235	−2,498	−17.5%
Financial liabilities at fair value	27,468	25,983	1,486	5.7%

Changes in regulatory capital (own funds)

Capital adequacy is determined in accordance with the CRR/CRD IV. Alongside counterparty risk, market risk and operational risk, credit valuation adjustment (CVA) risk is also taken into account. Regulatory own funds requirements were met at all times during the reporting period.

The change in the Common Equity Tier 1 capital ratio (fully loaded) is described as part of the overall commentary on the business trend and the Group's position. The corresponding total capital ratio stood at 23.1% at mid-year (end 2017: 21.9%).

The leverage ratio as determined in accordance with the Delegated Regulation of 17 January 2015, i.e. the ratio of Common Equity Tier 1 capital to total assets as adjusted in line with regulatory requirements, stood at 4.7% as at 30 June 2018 and was thus unchanged relative to the end of 2017. Taking account of the phase-in provisions, the leverage ratio for the Deka Group was 4.7% (end 2017: 4.8%). This is substantially above the minimum leverage ratio of 3.0% that is currently expected to apply from the start of 2019.

Deka Group own funds *in €m (Fig. 13)*

	30 Jun 2018		31 Dec 2017	
	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 (CET 1) capital	4,493	4,493	4,145	4,238
Additional Tier 1 (AT 1) capital	474	495	474	437
Tier 1 capital	**4,967**	**4,988**	**4,619**	**4,676**
Tier 2 (T2) capital	815	815	823	817
Own funds	**5,782**	**5,803**	**5,442**	**5,492**
Credit risk	16,053	16,053	15,568	15,568
Market risk	4,949	4,949	5,127	5,127
Operational risk	3,399	3,399	3,242	3,242
CVA risk	608	608	950	950
Risk-weighted assets	**25,009**	**25,009**	**24,886**	**24,886**
%				
Common Equity Tier 1 capital ratio	**18.0**	**18.0**	**16.7**	**17.0**
Tier 1 capital ratio	**19.9**	**19.9**	**18.6**	**18.8**
Total capital ratio	**23.1**	**23.2**	**21.9**	**22.1**

Liquidity and refinancing

See also: Liquidity risk pages 34ff

The liquidity management requirements set out under the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement* – MaRisk) were fully met during the first six months of 2018. The requirements of the German Liquidity Regulation (*Liquiditätsverordnung*) were likewise fully complied with. The liquidity coverage ratio (LCR) stood at 136.6% at mid-year (end 2017: 152.5%). More detailed information regarding the Deka Group's liquidity situation can be found in the risk report.

Refinancing is carried out in a diversified manner using domestic and international money market and capital market instruments. This includes issues of public sector and mortgage *Pfandbriefe*, short-term bearer bonds based on the commercial paper (CP) programme, and medium to long-term bearer bonds based on the debt issuance programme and the programmes for structured issues and certificates. These activities are supplemented by placements of registered debt securities and promissory note loans. DekaBank also uses the repo and lending markets, call money and time deposits to raise and invest liquidity.

Human resources report

The total number of people employed by the Deka Group increased slightly in the first six months of 2018 to 4,671 (end 2017: 4,649). 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 also increased only slightly, reaching 4,102 in comparison with 4,078 at the end of 2017. The total 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 25
Expected macroeconomic conditions 25
Expected business development and profit performance 26
Expected financing and risk position 27

Forward-looking statements

The Deka Group's planning is based on the assumptions about future economic development that appear the most probable from a current standpoint. Statements about the expected development in the second half of 2018 are nevertheless subject to uncertainty.

Actual trends in the international capital, money and property markets or in the Deka Group's business divisions may diverge significantly from our assumptions, which are partly based on expert estimates. The Deka Group's risk position is summarised in the risk report. If the risk scenarios referred to in the risk report should materialise, for example as a result of stress situations or counterparty default, this may result in negative differences from the forecast during the remaining months of the 2018 financial year. Conversely, opportunities may result in expectations being exceeded.

Expected macroeconomic conditions

The two base rate increases in the United States and the ECB's announcement that it will cease bond purchases confirmed DekaBank's expectations that central banks will initiate a turnaround in monetary policy against the background of a global economic recovery. If this continues in line with investors' expectations, the macroeconomic and profitability trends in the equity trends ought to remain intact.

For 2018, DekaBank is assuming global economic growth of 3.8%, with noticeably higher growth expectations for the US in particular. Global inflation is forecast at 3.2% and is thus slowly coming closer to the central banks' inflation targets, as expected.

We expect gross domestic product in the eurozone to rise by 2.2%. Recovery is likely to continue in Spain, Ireland and Portugal. Risks to stability in the eurozone exist *inter alia* with respect to the future direction of economic policy in Italy. Growth in Germany is forecast to be somewhat lower than in the previous year. Risks arise *inter alia* from the protectionist course being pursued by the US government and the ongoing lack of clarity about the terms of Brexit.

Following on from the satisfactory trends in the early months of the year, which were also boosted by the administration's tax cuts, the US is expected to achieve GDP growth of 2.8% this year. Employment could continue to rise, although it remains unclear to what extent this will accelerate wage increases. Inflationary pressure is expected to increase only gradually.

For the emerging-market countries, DekaBank is again forecasting annual economic growth of approximately 5%. Risks arise *inter alia* in Turkey, where the collapse of the Turkish lira continues unabated in the face of high inflation. A fragile situation also exists in Argentina, where interest rates have been dramatically increased. The US-China trade dispute may also slow down growth.

Expected trends in the capital markets
In the eurozone, the reorientation of monetary policy has begun with the announced ending of the bond-buying programme. Given that inflation is only rising slowly, however, this is likely to take place in small steps. The ECB is not expected to hike interest rates until autumn 2019 at the earliest. Money-market rates thus remain firmly tethered and a relatively moderate increase in bond yields is to be expected.

Further base rate increases are to be expected in the US. The size and speed of these increases will depend primarily on how strong the Federal Reserve estimates the pressure on prices to be. At present, however, there are no signs of excessive inflation. It is likely that rises in bond yields will be modest, following the substantial rise in US yields during the first few months of the year and the significant flattening of the curve that followed.

The German equity market is not especially bullish at the moment. Growth rates for second-quarter corporate profits may in fact go slightly into reverse. Recently, however, analysts have raised their profit forecasts and the prospect of a positive equity market performance over the further course of the year has improved somewhat.

Expected trends in the property markets
DekaBank expects the highest rental increases to be in the office space markets in Stockholm, Amsterdam, Berlin, Frankfurt and Lyon. In London, further corrections may be on the cards for premium rents in the City, both because of the ongoing boom in construction and because Brexit is drawing near. In general, rental growth in Europe is likely to slow down. Yields ought to bottom out in the course of the current year. A rise is only to be expected in the medium term, owing to the low-interest-rate environment.

In the US, the supply of readily available office space may well grow scarce in some locations, including in markets such as Boston, Seattle or San Francisco where demand from the tech sector is high. DekaBank expects the highest rent increases to be in Atlanta, downtown Manhattan and Seattle. Overall, however, US rental growth is likely to continue slowing down. As a result of the cautious base rate rises, moderate increases in the cap rate can be expected across the whole country.

The outlook for rental markets in the Asia/Pacific region remains positive. However, a substantial slowdown is apparent in markets such as Tokyo, Sydney and Melbourne, where high rents have grown constantly in recent years. The strongest growth is expected in Singapore. Yields have limited downward potential over the further course of the year.

Expected business development and profit performance

The DekaPro initiative programme, launched at the beginning of the year, will be continued during the second half of the year in accordance with the defined focus areas. This will further consolidate the Deka Group's customer-oriented approach within its business model and organisation.

The Group stands by the full-year expectations for 2018 stated in the Group Management Report for 2017. The Group's 2018 economic result is expected slightly to exceed the previous year's figure. As previously, it will therefore ensure that DekaBank remains able to distribute profits while retaining sufficient earnings in reserves to meet the needs of capital management.

A slight increase in total customer assets is forecast for 2018, on the basis of continued high net sales performance. This assumes that no substantial market price corrections occur in the remainder of the year.

The Asset Management Securities business division expects very positive net sales from retail business, bolstered in part by growing volumes from multi-channel selling. However, the result will remain below the very high level achieved in 2017. Positive net sales are also expected from institutional business. Risks exist *inter alia* in the form of political and macroeconomic impacts leading to falling stock prices and rising risk premiums, as well as rising market interest rates due to higher inflation expectations.

In 2018, the Asset Management Real Estate business division aims to go on improving its net sales and its position in the market for institutional business. Products and services for both savings banks and other institutional customers in connection with the Deka Property Compass are to be further expanded. Risks to future performance arise from the uncertain conditions surrounding the implementation of transaction plans. Valuation risks also exist due to the prolonged boom in property markets.

The Asset Management Services business division will continue to pursue its multi-channel strategy and further expand the range of functions and tools for execution-only investing as well as for digitalised asset management in the "internet branch" of the savings banks. The depositary function will also be further strengthened in line with growth in the Asset Management divisions. Risks to future performance exist *inter alia* in increased pressure on margins for depositaries as well as in the possibility that cost increases will arise due to a further tightening of the regulatory requirements for securities business in the retail segment.

The Capital Markets business division will continue to develop products and expand infrastructure services, thus enhancing its positioning as a supplier of products and solutions. Risks arise in particular from increased pressure on fees, a drop-in customer activity prompted by political events, and regulatory intervention in the definition of products, terms and conditions.

The Financing business division aims to increase new business in its defined core segments over 2018 as a whole. The planned increase in gross loan volume will serve as a basis for sustainable contributions to the division's results. Risks include political crises, which could adversely affect the economic outlook for lending segments in which we operate. This could lead to a need for higher loan loss provisions, or to increased capital adequacy requirements as a result of a downgrading of our credit ratings.

Expected financing and risk position

The Deka Group expects to retain its sound financial position over the remainder of the current year and anticipates a slight rise in total balance sheet assets, due in part to a planned increase in lending business. Balance sheet management is already geared towards ensuring compliance with the minimum leverage ratio of 3.0%. The Group's liquidity position is expected to remain at a comfortable level.

The fully loaded Common Equity Tier 1 capital ratio is forecast to fall during the remainder of 2018, in line with the planned volume increases in specialist and real estate financing. However, it will remain above 13%.

In October 2017, the European Banking Authority (EBA) presented a regulatory interpretation regarding the own funds requirements for guarantees on investments in investment funds. Application of these requirements would have severe effects on prudential capital ratios. An industry-devised alternative solution for handling the credit risks presented by guaranteed funds and Riester pension products was introduced into the legislative process for CRR II in the course of the ECON committee meeting in June 2018, with the committee voting in favour. The proposal will now form part of the trilogue negotiations on CRR II. Potential transitional provisions to be applied before the full adoption of the requirements have not yet been laid down, and other questions pertaining to capital adequacy remain. The overall effect, particularly on prudential capital ratios, is expected to be material. There could also be a negative impact on the range of such products available on the market as a whole.

Although a moderate increase in risk capacity utilisation is planned, it will remain at a non-critical level. The increase will result chiefly from the planned rise in the level of new business in the Financing business division.

Risk report

Risk policy and strategy 28
Overall risk position for the first half of 2018 29
Counterparty risk 30
Market price risk 33
Liquidity risk 34
Operational risk 35
Business risk 36
Reputational risk 36
Further risks 36

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 2017. 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 (ICAAP/ILAAP) and is an integral part of the Deka Group's strategy system.

Risk management and risk control, both in organisational terms and in relation to risk modelling, will continue to be reviewed and updated as necessary, taking account of regulatory requirements.

Efforts towards the implementation of the expanded MaRisk requirements, which form the basis of regulation in Germany, continued during the reporting period. These concerned, on the one hand, the architecture and quality management of risk data and the associated reporting, and, on the other hand, the requirements under MaRisk regarding risk culture and governance. In addition, the ongoing development of outsourcing strategy and governance is being coordinated by the Deka Group's Central Outsourcing Management (ZAMD) section, which forms part of the Business Services department. Restrictions on the outsourcing of control and core banking areas are strictly observed.

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

Parameter updates in relation to migration matrices and loss ratios had the overall effect of reducing counterparty risk. In the macroeconomic stress tests, the model adjustments introduced as of 31 March 2018 had only moderate overall effects on forecast risk capacity utilisation. Specifically, the proxy model for calculating counterparty risk was replaced through the integration of the productive model. Methodological changes were also made to the mapping of business risk and of net commission income, which is taken into account in business risk.

Overall risk position for the first half of 2018

The risk position presented in the risk report relates to the Deka Group's risk position overall, and therefore corresponds to the definition used as the basis for presentation of the Deka Group's business development and profit performance in the economic report. The report focuses on risks that are relevant from the point of view of the Group.

Given the ongoing low interest rates and moderate volatility levels, market performance did not lead to any material change in the risk position. Utilisation of the risk appetite limit remained at non-critical levels throughout the six-month reporting period. The Deka Group also maintained ample liquidity throughout.

The Deka Group's total risk (value-at-risk – VaR; confidence level 99.9%; holding period one year) stood at €2,037m. As such, it was virtually unchanged relative to the position at the end of 2017 (€2,035m). Underlying this were increases in counterparty, business and operational risk and decreases in market price risk and shareholding risk.

Utilisation of allocated risk capital was non-critical both at Deka Group level and in all business divisions. The risk appetite of €3,700m (unchanged since the end of 2017) was only 55.0% utilised as at 30 June 2018 (end 2017: 55.0%).

Total risk was virtually unchanged, while risk capacity rose slightly to €5,949m (2017: €5,912m), which was due to a variety of movements in potential exposures which essentially cancelled each other out. Risk capacity utilisation was 34.2%, representing a further slight decrease from the non-critical level of 34.4% at the end of last year. Utilisation of the maximum risk appetite, in the calculation of which subordinated capital (including AT1 capital) is disregarded, fell to 45.8% (end 2017: 46.1%).

The stress scenarios that are run on a regular basis across all risk types also confirmed that risk capacity was not fully utilised in any scenario as at 30 June. In the most commonly considered scenarios, risk capacity utilisation was considerably below the early warning threshold of 80%, both during the reporting period and at the reporting date. Exceptions were the scenarios involving an exacerbation of the euro debt crisis and the collapse of systemically important banks. Even in these two scenarios, risk capacity utilisation remained well under 100%.

Change in Deka Group risk over the course of the year *in €m* *(Fig. 14)*

1) Since 1 January 2018, the property fund risk is included in market price risk.

Counterparty risk

Current risk situation

Counterparty risk, as determined on the basis of the credit value at risk (CVaR) with a confidence level of 99.9% and a holding period of one year, rose slightly in the first half of 2018 to €1,159m (end 2017: €1,115m).

The increase in risk is primarily a consequence of increased migration risks, which are due to the widening of bond spreads caused by the European Central Bank’s announcement that it intends to scale back and then terminate its bond-buying programme at the end of the year. Risk has also risen as a result of new business in transport and infrastructure financing and due to increased protection seller exposures. A material portion of the risk increase is offset by parameter updates in relation to migration matrices and loss ratios. Syndications of project finance loans and the reduced volume of property loans also reduced the risk level.

The risk position of the cluster portfolio was assessed using an expected shortfall redistribution. The result was a moderate increase in absolute terms compared with the end of 2017. The relative share of the cluster portfolio in the overall portfolio increased slightly, in line with overall performance.

Risk capacity allocated to counterparty risk fell to €1,945m (end 2017: €2,015m) and was only 59.6% utilised (end 2017: 55.3%).

Gross loan volume increased by €7.8bn from the end of 2017 (€136.8bn) to reach €144.6bn. A material part of the rise related to the financial institutions risk segment, where larger deposits at the Bundesbank and the increase in the bond portfolio both had an effect. In addition, the higher volume of collateralised equity trades led to a higher gross volume in the corporates risk segment. The funds risk segment was marked chiefly by a larger volume of issued loan collateral. In the lending business, volume rose due to a variety of financing loans for infrastructure, transport, export and real estate, the vast majority of which were secured. In the public sector (Germany) risk segment, however, gross loan volume fell due to a declining portfolio of bonds issued by the German federal states. The ship portfolio’s share of gross loan volume decreased to 0.8% (end 2017: 0.9%), partly as a result of disposals. The market environment remains difficult, and the ship financing portfolio is therefore being closely followed and monitored on an ongoing basis.

Gross loan volume *€m (Fig. 15)*

	30 Jun 2018	31 Dec 2017
Financial institutions	77,723	72,527
Savings banks	7,278	7,177
Corporates	12,720	12,260
Public sector International	2,396	2,710
Public sector Germany	10,245	11,255
Transport and export finance	5,646	5,193
Property risks	9,151	8,771
Funds (transactions and units)	16,709	14,502
Other	2,755	2,420
Total	**144,621**	**136,817**

As a result of the above effects, net loan volume rose by €14.0bn to €68.9bn as at 30 June 2018, thus exhibiting a substantially larger rise than gross volume. The effect of disclosing transactions with domestic public sector counterparties and counterparties bearing guarantor liability on a net basis for the first time also had an effect. The growth in the volume of collateralised business did not have a material effect due to the deductions made when converting from gross to net loan volume. This primarily concerned the netting of stock lending transactions, the volume of which had risen in particular in the funds risk segment, and the collateralisation of loans, the volume of which had increased in the transport finance, export finance and real estate risk segments. The rise in the financial institutions risk segment, which was also visible in net loan volume, was thus due primarily to higher deposits with the Deutsche Bundesbank and a larger bond portfolio.

Net loan volume *€m (Fig. 16)*

	30 Jun 2018	31 Dec 2017
Financial institutions	30,340	24,637
Savings banks	6,919	6,722
Corporates	6,226	6,396
Public sector International	1,684	1,771
Public sector Germany	9,873	2,331
Transport and export finance	712	670
Property risks	1,583	1,695
Funds (transactions and units)	8,859	8,306
Other	2,754	2,400
Total	**68,950**	**54,928**

A substantial amount of the rise in gross loan volume related to the eurozone, owing to the increased level of Bundesbank deposits and the larger number of repo transactions with the central counterparty EUREX, as well as the increase in transactions with counterparties in France. Gross loan volume in the eurozone rose to 71.6% of total gross loan volume from 70.9% at the end of 2017. The gross loan volume attributable to Germany increased by €4.7bn to €65.6bn. In the eurozone, €15.5bn of gross loan volume related to counterparties in Luxembourg. Only 5.7% of gross loan volume related to counterparties in France. In EU countries outside the eurozone, gross loan volume was higher than at the end of 2017, primarily due to increased volumes of repo lending, bond trading and loans with counterparties in the UK. There was little change in relation to OECD states outside the European Union.

Net loan volume by risk segment and rating *(Fig. 17)*

	Average PD in bps	Average rating 30 Jun 2018	30 Jun 2018	Average PD in bps	Average rating 31 Dec 2017	31 Dec 2017
Financial institutions	5	A+	30,340	7	A	24,637
Savings banks	1	AAA	6,919	1	AAA	6,722
Corporates	12	2	6,226	12	2	6,396
Public sector International	8	A	1,684	5	A+	1,771
Public sector Germany	1	AAA	9,873	1	AAA	2,331
Public infrastructure	18	3	677	19	3	675
Transport and export finance	156	8	712	193	9	670
Energy and utility infrastructure	53	6	1,967	59	6	1,606
Property risks	11	2	1,583	10	A–	1,695
Retail portfolio	3	AA	109	3	AA	119
Funds (transactions and units)	12	2	8,859	14	2	8,306
Comprehensive income	**8**	**A-**	**68,950**	**11**	**2**	**54,928**

The gross loan volume relating to borrowers in Italy and Spain declined moderately to €3.8bn from €4.3bn at the end of 2017. The fall was mainly related to repo transactions with Spanish counterparties. Gross loan volume relating to borrowers in the UK increased to €21.1bn from €19.9bn at the end of 2017. The rise is due to repo lending transactions with counterparties in the British capital markets and a larger exposure to bonds.

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 41.5% at 30 June 2018 (end 2017: 42.1%). The proportion of maturities longer than ten years was 3.8%, compared with 3.4% at 31 December 2017. The average legal residual term of gross lending remained at 2.7 years (end 2017: 2.7 years).

The level of risk concentration in the loan portfolio rose during the first half of 2018. As at 30 June, 21.1% (end 2017: 18.4%) of total gross loan volume was attributable to borrower units with a gross limit of at least €2.5bn or an overall net limit of at least €1.0bn (counterparty clusters). The number of counterparty clusters rose by 13 to 32. The reason for this is again the change in the risk calculation for transactions with public sector counterparties, as a result of which higher net limits needed to be set. This did not lead to an increase in risk. Of the cluster portfolio, 65.6% related to counterparties in the German public sector, savings banks and other alliance partners. A total of 20.3% of net loan volume related to counterparty clusters (end 2017: 9.4%).

As at both 30 June 2018 and 31 December 2017, the amount of net loan volume related to shadow banking entities was less than 3% under the principal approach (limit utilisation 96%) and less than 1% under the fallback approach (limit utilisation 71%). The utilisation figures are considered acceptable, especially given that the shadow banking entities have an average rating of A on the DSGV master scale.

The average rating for the gross loan volume was unchanged at 2 on the DSGV master scale. The average probability of default was 13 bps (end 2017: 12 bps). The rating for the net loan volume increased to A–, not least as a result of the increase in volumes with highly rated counterparties such as the Deutsche Bundesbank and public sector entities. Moreover, the probability of default went down to 8 bps, compared with 11 bps at the end of 2017. This was a result of the slight improvement in ratings for large Deka funds and lower utilisation in the medium-level creditworthiness range.

The Bank continues to achieve its target rating of investment grade (5 or better) for the portfolio as a whole without difficulty. 92.1% of net loan volume remained in the same grouping (determined by rating class) as at the end of 2017.

Market price risk

Current risk situation

Market price risk at Deka Group level (measured using value-at-risk with a confidence level of 99.9% and a holding period of one year) diminished significantly to €319m, compared with €382m as at the end of 2017. The fall is essentially due to a reduction in spread risk. By contrast, the integration of property fund risks, which were previously quantified separately, into the measurement of market price risk as from 1 January 2018 had only a negligible effect.

Utilisation of the allocated risk capital for market price risk stood at €1,020m (end 2017: €865m). This represents a very moderate utilisation level of 31.3%.

Market price risk for the Deka Group (excluding guarantees) as at 30 June 2018 was €33.4m (end 2017: €43.8m), measured as the value-at-risk with a confidence level of 99.0% and a holding period of ten days. Utilisation of the operational management limit at Deka Group level (excluding guarantees) stood at €69m. This represented a utilisation level of 48.4% and was therefore non-critical. Following the above-mentioned integration of property fund risk, the Asset Management Securities and Asset Management Real Estate business divisions are now also monitored as part of operational market price risk management. Non-core business has been allocated to the Capital Markets business division since 1 January 2018.

Deka Group value-at-risk excluding guaranteed products[1]) (confidence level 99%, holding period ten days)
€m (Fig. 18)

	30 Jun 2018						
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
Interest rate risk	0.1	0.4	2.4	24.5	15.8	33.2	– 17.0%
Interest rate – general	0.1	0.4	2.3	3.6	10.8	11.9	36.8%
Spread	0.0	0.0	1.4	23.3	11.1	30.2	– 23.9%
Share price risk	0.4	0.4	0.8	2.3	2.0	1.8	– 48.6%
Currency risk	0.0	0.1	0.2	0.7	4.0	4.4	– 47.6%
Total risk	**0.4**	**0.6**	**2.5**	**24.1**	**16.5**	**33.4**	– 23.7%

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

	31.12.2017			
Category	**Treasury and Capital Markets business division**	**Asset Management Services business division**	**Non-core business**	**Deka Group excluding guarantees**
Interest rate risk	39.1	2.6	4.0	40.0
Interest rate – general	7.8	2.6	1.3	8.7
Spread	38.1	1.6	3.7	39.7
Share price risk	3.7	0.3	0.0	3.5
Currency risk	8.8	0.2	0.5	8.4
Total risk	**43.0**	**2.5**	**3.9**	**43.8**

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

During the six-month period, the VaR of spread risk went down to €30.2m (end 2017: €39.7m). The reduction results in particular from portfolio reallocations in the Capital Markets business division and the ensuing increase in diversification effects, as well as from a slight reduction in the liquidity reserve in the Treasury department. In line with the business model, risk concentration in terms of spread risk was mainly attributable to German and US bonds issued by the public sector, financial institutions and corporates.

The VaR for general interest rate risk (excluding risks on guarantee products) increased from €8.7m at year-end 2017 to €11.9m. The rise resulted principally from an increase in exposure to cross-currency swaps in the Treasury unit.

Share price risk decreased compared with year-end 2017 (€3.5m) to €1.8m and thus remained insignificant.

As in the previous year, currency risk resulted mostly from positions in British pounds and US dollars. It declined to a VaR of €4.4m (2017: €8.4m).

Liquidity risk

Current risk situation

The Deka Group continued to have ample liquidity during the first half of 2018. There were clear positive liquidity balances in all relevant maturity bands of the "combined stress scenario" funding matrix for periods of up to 20 years. This was also the case for the alternative stress scenarios examined and under the going concern approach. Limits and early warning thresholds were complied with throughout the reporting period.

As at 30 June 2018, the accumulated liquidity balance of the Deka Group's "combined stress scenario" funding matrix in the short-term range (up to one week) stood at €7.2bn (end 2017: €6.4bn). In the maturity band of up to one month, the liquidity surplus totalled €8.8bn (end 2017: €7.0bn), and in the medium range (three months) it was €17.0bn (end 2017: €12.6bn). The higher liquidity balance in shorter maturity bands is primarily the result of an increase in unsecured borrowing and securities lending transactions.

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

Combined stress scenario funding matrix of Deka Group as at 30 June 2018 *(Fig. 19)*

	D1	>D1–1M	>1M–12M	>12M–5Y	>5Y–20Y	>20Y
Liquidity potential (accumulated)	11,134	10,929	2,885	–293	34	75
Net cash flows from derivatives (accumulated)[1]	–347	–171	563	–828	–1,738	–1,746
Net cash flows from other products (accumulated)	–6,051	–1,931	9,864	10,784	4,653	852
Liquidity balance (accumulated)	**4,735**	**8,827**	**13,312**	**9,662**	**2,949**	**–820**
For information purposes:						
Net cash flows from derivatives by legal maturity (accumulated) [1]	–347	–356	–914	–2,454	–3,228	–1,745
Net cash flows from other products by legal maturity (accumulated)	–6,134	–9,011	–18,566	–1,828	–34	52
Net cash flows by legal maturity (accumulated)	**–6,481**	**–9,367**	**–19,480**	**–4,282**	**–3,262**	**–1,694**

[1] Including lending substitute transactions and issued CLNs

As at 30 June 2018, 63.2% (end 2017: 60.6%) of total refinancing related to repo transactions, overnight and term deposits and other money market products. The remainder of the refinancing concerned capital market products, primarily with longer maturity profiles. The refinancing profile for lending business was well balanced, given the maturity structure. Money market refinancing remained broadly diversified across a range of investor groups. Most of the investors in money market refinancing are financial service providers such as clearing houses, stock exchanges and funds, or large banks and savings banks. Savings banks accounted for 14.0% of money market refinancing, while funds represented 24.9%.

The regulatory requirements in relation to the Liquidity Coverage Ratio (LCR) were met throughout the period under review. As at 30 June 2018, the Deka Group's LCR stood at 136.6% (end 2017: 152.5%). The average during the first half of the year was 145.2%, compared with 140.7% in the first half of 2017. It fluctuated within a range from 136.6% to 152.0%. The LCR was thus substantially above the minimum limit of 100.0% applicable in 2018. As the Deka Group is subject to the articles 411 to 428 of the CRR, full introduction of the LCR meant that the German Liquidity Regulation ceased to apply to the Group as of 1 January 2018.

Operational risk

Current risk situation

There was a moderate increase in the VaR for operational risk (confidence level 99.9%, holding period one year), which rose from €259m at the end of 2017 to €272m as the assessments of a variety of loss scenarios were updated. Utilisation of the allocated risk capital for operational risk stood at €325m (end 2017: €320m), representing a utilisation level of 83.7%. Utilisation thus remains at a non-critical level.

The risk of operational loss, as determined in connection with the group-wide risk survey, also increased, reaching €58m compared with €56m at the end of 2017. This was related to increased business volumes, as well as to updated probability estimates. In contrast to VaR, which is an upper limit for losses with a specific probability that the limit will not be exceeded, loss potential is an expected value that results from the estimated frequency of occurrence and scale of losses of all OR scenarios in the Deka Group.

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

In addition, DekaBank is conducting a voluntary investigation 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. Investigations into this matter have not yet been fully concluded. Based on the results available to date, DekaBank considers it unlikely that the tax authority will be able to make a successful claim in relation to these matters.

Business risk

The VaR of business risk was €251m as at 30 June, slightly above the level of €234m at the end of the previous year. This non-material increase in risk was primarily due to higher forecasts for commission income in the Asset Management Securities business division. The reduced risk capital allocation of €350m (end 2017: €400m) was 71.6% utilised.

Reputational risk

Because of the way they affect business, reputational risks are seen as a component of, or as factors that exacerbate, other types of risk. Existing types of risk can be both a cause and an effect of reputational damage. The effects of reputational damage relate primarily to business risk and liquidity risk.

Further risks

Shareholding risk

The VaR of shareholding risk was €36m at 30 June and was thus virtually unchanged relative to the level of €37m at the previous year-end. The risk capital allocated to shareholding risk was unchanged at €60m

Interim financial statements 2018.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 38

STATEMENT OF FINANCIAL POSITION 39

CONDENSED STATEMENT OF CHANGES IN EQUITY 40

CONDENSED STATEMENT OF CASH FLOWS 42

NOTES 43

ASSURANCE OF THE BOARD OF MANAGEMENT 91

REVIEW REPORT 92

Interim financial statements

Statement of profit or loss and other comprehensive income
for the period from 1 January to 30 June 2018

€m	Notes	1st half 2018	1st half 2017	Change	
Interest and similar income		469.0	430.2	38.8	9.0%
Interest expenses		422.5	357.9	64.6	18.0%
Net interest income	[7]	**46.5**	**72.3**	–25.8	–35.7%
Risk provisions in the lending and securities business[1]	[8], [20]	**15.4**	**0.8**	14.6	(> 300%)
Net interest income after provisions		**61.9**	**73.1**	–11.2	–15.3%
Net income from the disposal of assets recognised at amortised cost		**1.2**	**N/A**	N/A	N/A
Commission income		1,174.6	1,138.8	35.8	3.1%
Commission expenses		610.8	566.0	44.8	7.9%
Net commission income	[9]	**563.8**	**572.8**	–9.0	–1.6%
Trading profit or loss	[10]	**103.4**	**186.2**	–82.8	–44.5%
Profit or loss on financial assets mandatorily measured at fair value	[11]	**–45.0**	**N/A**	N/A	N/A
Profit or loss on financial instruments designated at fair value	[12]	**27.1**	**–36.4**	63.5	174.5%
Profit or loss from fair value hedges according to IAS 39		**6.1**	**0.5**	5.6	(> 300%)
Profit or loss on financial investments	[13]	**39.7**	**19.8**	19.9	100.5%
Administrative expenses	[14]	**515.1**	**519.1**	–4.0	–0.8%
Other operating profit	[15]	**–4.8**	**–7.3**	2.5	34.2%
Total of profit or loss before tax		**238.3**	**289.6**	–51.3	–17.7%
Income taxes	[16]	**90.8**	**97.5**	–6.7	–6.9%
Interest expenses for atypical silent capital contributions		**25.1**	**27.9**	–2.8	–10.0%
Total of profit or loss		**122.4**	**164.2**	–41.8	–25.5%
Thereof:					
Attributable to non-controlling interests		0.0	0.0	0.0	o.A.
Attributable to the shareholders of DekaBank		122.4	164.2	–41.8	–25.5%
Changes not recognised in profit or loss	[30]				
Items reclassified to profit or loss					
Change in reserve for financial assets measured at fair value through other comprehensive income		–71.6	N/A	N/A	N/A
Change in cash flow hedges valuation reserve		3.4	16.6	–13.2	–79.5%
Change in currency translation reserve		0.0	–0.2	0.2	100.0%
Deferred taxes on items reclassified to profit or loss		21.6	–5.3	26.9	(> 300%)
Items not reclassified to profit or loss					
Revaluation gains/losses on defined benefit pension obligations		–12.2	33.7	–45.9	–136.2%
Change in valuation reserve for own credit risk of financial liabilities designated at fair value		1.3	N/A	N/A	N/A
Revaluation reserve investments accounted for using the equity method		0.0	0.1	–0.1	–100.0%
Deferred taxes on items not reclassified to profit or loss		3.5	–10.8	14.3	132.4%
Other comprehensive income		**–54.0**	**34.1**	–88.1	–258.4%
Comprehensive income for the period under IFRS		**68.4**	**198.3**	–129.9	–65.5%
Thereof:					
Attributable to non-controlling interests		0.0	0.0	0.0	o.A.
Attributable to the shareholders of DekaBank		68.4	198.3	–129.9	–65.5%

[1] From 2018 including risk provisions for securities, which were included in profit or loss on financial investments in 2017. Previous year's figures were not adjusted.

Statement of financial position as at 30 June 2018

€m	Notes	30 Jun 2018	31 Dec 2017	Change	
Assets					
Cash reserves	[17]	**13,208.2**	**10,039.6**	3,168.6	31.6%
Due from banks	[18]	**27,504.3**	**26,396.4**	1,107.9	4.2%
(net after risk provisions amounting to)	[20]	(0.2)	(0.3)	−0.1	−33.3%
Due from customers	[19]	**23,246.0**	**20,650.5**	2,595.5	12.6%
(net after risk provisions amounting to)	[20]	(101.6)	(143.5)	−41.9	−29.2%
Financial assets at fair value	[21]	**24,148.6**	**31,985.4**	−7,836.8	−24.5%
a) Trading portfolio		13,108.5	12,472.7	635.8	5.1%
b) Financial assets required to be measured at fair value		11,040.1	N/A	N/A	N/A
c) Financial assets designated at fair value		0.0	19,512.7	−19,512.7	−100.0%
(of which deposited as collateral)		(4,806.3)	(4,880.4)	−74.1	−1.5%
Positive market values of derivative hedging instruments		**25.6**	**20.4**	5.2	25.5%
Financial investments	[22]	**10,534.5**	**3,790.7**	6,743.8	177.9%
a) Financial assets measured at amortised cost		3,249.1	N/A	N/A	N/A
b) Financial assets measured at fair value through other comprehensive income		7,269.5	N/A	N/A	N/A
c) Loans and receivables		N/A	875.3	N/A	N/A
d) Available-for-sale financial assets		N/A	48.2	N/A	N/A
e) Held-to-maturity investments		N/A	2,851.2	N/A	N/A
f) Shares in equity-accounted companies		15.9	16.0	−0.1	−0.6%
(net after risk provisions amounting to)	[20]	(4.4)	(43.2)	−38.8	−89.8%
(of which deposited as collateral)		(1,784.6)	(1,398.5)	386.1	27.6%
Intangible assets	[23]	**189.8**	**194.7**	−4.9	−2.5%
Property, plant and equipment	[24]	**26.0**	**27.4**	−1.4	−5.1%
Current income tax assets		**190.5**	**186.2**	4.3	2.3%
Deferred income tax assets		**154.7**	**148.4**	6.3	4.2%
Other assets		**311.9**	**300.6**	11.3	3.8%
Total assets		**99,540.1**	**93,740.3**	5,799.8	6.2%
Liabilities					
Due to banks	[25]	**21,306.0**	**19,237.8**	2,068.2	10.8%
Due to customers	[26]	**31,701.0**	**26,660.9**	5,040.1	18.9%
Securitised liabilities	[27]	**11,737.2**	**14,234.8**	−2,497.6	−17.5%
Financial liabilities at fair value	[28]	**27,468.3**	**25,982.7**	1,485.6	5.7%
a) Trading portfolio		25,884.4	23,750.7	2,133.7	9.0%
b) Financial liabilities designated at fair value		1,583.9	2,232.1	−648.2	−29.0%
Negative market values of derivative hedging instruments		**44.6**	**12.0**	32.6	271.7%
Provisions	[29]	**342.8**	**322.9**	19.9	6.2%
Current income tax liabilities		**41.5**	**21.7**	19.8	91.2%
Deferred income tax liabilities		**93.3**	**147.4**	−54.1	−36.7%
Other liabilities		**602.7**	**831.1**	−228.4	−27.5%
Subordinated capital		**900.5**	**927.1**	−26.6	−2.9%
Atypical silent capital contributions		**52.4**	**52.4**	0.0	0.0%
Equity	[30]	**5,249.8**	**5,309.5**	−59.7	−1.1%
a) Subscribed capital		191.7	191.7	0.0	0.0%
b) Additional capital components		473.6	473.6	0.0	0.0%
c) Capital reserve		190.3	190.3	0.0	0.0%
d) Retained earnings		4,355.6	4,462.6	−107.0	−2.4%
e) Revaluation reserve		−83.7	−80.9	−2.8	−3.5%
f) Currency translation reserve		−0.1	−0.1	0.0	0.0%
g) Accumulated profit/loss (consolidated profit)		122.4	72.3	50.1	69.3%
h) Minority interests		0.0	0.0	0.0	o.A.
Total liabilities		**99,540.1**	**93,740.3**	5,799.8	6.2%

Condensed statement of changes in equity for the period from 1 January to 30 June 2018

€m	Subscribed capital	Additional capital components	Capital reserves	Retained earnings	Consolidated profit/loss	Provisions for pensions[2]	Cash flow hedges
Equity as at 1 Janary 2017	**191.7**	**473.6**	**190.3**	**4,293.0**	**70.7**	**–169.5**	**–29.1**
Total of profit or loss	–	–	–	–	164.2	–	–
Other comprehensive income	–	–	–	–	–	33.7	16.6
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**164.2**	**33.7**	**16.6**
Changes in the scope of consolidation and other changes[1]	–	–	–	–23.9	–	–	–
Distribution	–	–	–		–70,7	–	–
Equity as at 30 June 2017	**191.7**	**473.6**	**190.3**	**4,269.1**	**164.2**	**–135.8**	**–12.5**
Total of profit or loss	–	–	–	–	97,1	–	–
Other comprehensive income	–	–	–	–	–	–18.3	9.1
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**97.1**	**–18.3**	**9.1**
Changes in the scope of consolidation and other changes[1]	–	–	–	4.5	–	–	–
Allocation to reserves from retained earnings	–	–	–	189.0	–189.0	–	–
Equity as at 31 December 2017 (IAS 39)	**191.7**	**473.6**	**190.3**	**4,462.6**	**72.3**	**–154.1**	**–3.4**
IFRS 9 initial application effect	–	–	–	–83,1	–	–	–
Equity as at 1 January 2018 (IFRS 9)	**191.7**	**473.6**	**190.3**	**4,379.5**	**72.3**	**–154.1**	**–3.4**
Total of profit or loss	–	–	–	–	122,4	–	–
Other comprehensive income	–	–	–	–	–	–12.2	3.4
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**122.4**	**–12.2**	**3.4**
Changes in the scope of consolidation and other changes[1]	–	–	–	–23.9	–	–	–
Distribution	–	–	–	–	–72.3	–	–
Equity as at 30 June 2018	**191.7**	**473.6**	**190.3**	**4,355.6**	**122.4**	**–166.3**	**–**

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

Revaluation reserve					Currency translation reserve	Total before minority interest	Minority interest	Equity
Financial instruments available for sale	**Equity-accounted companies**	**Financial assets measured at fair value through other comprehensive income**	**Own credit risk of financial liabilities designated at fair value**	**Deferred taxes**				
5.1	**−4.5**	**–**	**–**	**63.3**	**1.8**	**5,086.4**	**–**	**5,086.4**
–	–	–	–	–	–	164.2	–	164.2
–	0.1	–	–	−16.1	−0.2	34.1	–	34.1
–	**0.1**	**–**	**–**	**−16.1**	**−0.2**	**198.3**	**–**	**198.3**
–	–	–	–	–	–	−23.9	–	−23.9
–	–	–	–	–	–	−70.7	–	−70.7
5.1	**−4.4**	**–**	**–**	**47.2**	**1.6**	**5,190.1**	**–**	**5,190.1**
–	–	–	–	–	–	97.1	–	97.1
28.5	−2.2	–	–	2.4	−1.7	17.8	–	17.8
28.5	**−2.2**	**–**	**–**	**2.4**	**−1.7**	**114.9**	**–**	**114.9**
–	–	–	–	–	–	4.5	–	4.5
–	–	–	–	–	–	–	–	–
33.6	**−6.6**	**–**	**–**	**49.6**	**−0.1**	**5,309.5**	**–**	**5,309.5**
−33.6	–	135.4	−12.6	−38.0	–	−31.9	–	−31.9
–	**−6.6**	**135.4**	**−12.6**	**11.6**	**−0.1**	**5,277.6**	**–**	**5,277.6**
–	–	–	–	–	–	122.4	–	122.4
–	–	−71.6	1.3	25.1	–	−54.0	–	−54.0
–	**–**	**−71.6**	**1.3**	**25.1**	**–**	**68.4**	**–**	**68.4**
–	–	–	–	–	–	−23.9	–	−23.9
–	–	–	–	–	–	−72.3	–	−72.3
–	**−6.6**	**63.8**	**−11.3**	**36.7**	**−0.1**	**5,249.8**	**–**	**5,249.8**

Condensed statement of cash flows for the period from 1 January to 30 June 2018

€m	1st half 2018	1st half 2017
Cash and cash equivalents at the start of the period	**10,039.6**	**3,687.6**
Cash flow from operating activities	3,377.4	9,303.8
Cash flow from investing activities	–0.3	–747.2
Cash flow from financing activities	–208.5	–375.8
Cash and cash equivalents at the end of the period	**13,208.2**	**11,868.4**

The definitions of the individual cash flow components are the same as those in the 2017 consolidated financial statements. The cash flow statement 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 2017).

Notes

Segment reporting		**44**
1	Segmentation by operating business divisions	44
General information		**48**
2	Accounting principles	48
3	Accounting policies	49
4	Accounting standards applied for the first time and to be applied in future	49
5	Effects of applying IFRS 9	50
6	Changes in the scope of consolidation	58
Notes to the statement of profit or loss and other comprehensive income		**58**
7	Net interest income	58
8	Risk provisions in the lending and securities business	60
9	Net commission income	61
10	Trading profit or loss	62
11	Profit or loss on financial instruments mandatorily measured at fair value	62
12	Profit or loss on financial instruments designated at fair value	62
13	Profit or loss on financial investments	62
14	Administrative expenses	63
15	Other operating profit	63
16	Income taxes	63
Notes to the consolidated statement of financial position		**64**
17	Cash reserves	64
18	Due from banks	64
19	Due from customers	64
20	Risk provisions for the lending and securities business	64
21	Financial assets at fair value	70
22	Financial investments	71
23	Intangible assets	71
24	Property, plant and equipment	72
25	Due to banks	72
26	Due to customers	72
27	Securitised liabilities	72
28	Financial liabilities at fair value	73
29	Provisions	74
30	Equity	75
Other disclosures		**75**
31	Fair value disclosures for financial instruments	75
32	Information on non-performing and forborne exposures	84
33	Derivative transactions	85
34	Regulatory capital (own funds)	85
35	Contingent liabilities and other obligations	86
36	List of shareholdings	87
37	Related party disclosure	89
38	Additional miscellaneous information	90
Assurance of the Board of Management		**91**

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 profit 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 total profit before tax, the economic result includes changes to the revaluation reserve (before tax) as well as the interest- and currency-related valuation result from original lending and issuance business. This concerns financial instruments that are measured at amortised cost in the consolidated financial statements but for which the valuation result is additionally taken into account in internal reporting. This allows economic hedges that do not meet the criteria for hedge accounting under IAS 39 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 total profit before tax in the "reconciliation" column.

Another key indicator for the operating segments, in addition to the economic result, is total customer assets. Total customer assets primarily comprise the income-relevant fund assets of the mutual and special funds under management (including ETFs) in the Securities and Real Estate business divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and master funds. Total customer assets also include fund units of €1.6bn (31 December 2017: €1.6bn) held as part of the proprietary portfolio. These mainly relate to start-up financing for newly launched investment funds.

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

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

Asset Management Securities
The Asset Management Securities reporting segment focuses on the active management of securities funds as well as investment solutions and services for private investors and institutional customers. In addition, passive investment solutions are also offered. In addition to investment funds and structured investment concepts, the product range also includes products from selected international cooperation partners. The Deka Group's investment funds cover all major asset classes, sometimes in conjunction with guarantee, discount and bonus structures. The offering for private retirement pensions encompasses fund-based Riester and Rürup products.

The segment also comprises advisory, management and asset management mandates for institutional customers. In addition, the segment includes business involving listed ETFs. The range of services offered by the segment furthermore includes asset servicing and Master KVG activities, which institutional customers can use to pool their assets under management in a single investment company.

Asset Management Real Estate

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

Asset Management Services

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

Capital Markets

The Capital Markets reporting segment is the central product, solution and infrastructure provider and service provider in the Deka Group's customer-focused capital markets business. Its role as a securities and collateral platform (which includes acting a risk hub) also contributes to the Group's success. The segment focuses on the generation of customer-driven business in the triangle of savings banks, the Deka Group and selected counterparties and business partners, which include external asset managers, banks, insurance companies and pension funds. In this environment, the Capital Markets segment offers a carefully coordinated, competitive range of capital market and credit products. The Capital Markets reporting segment is also responsible for the Deka Group's strategic investments. Strategic investments comprise the securities in the proprietary portfolio that are not held for liquidity management purposes. As the winding-down of activities in the former Non-Core Business segment has largely been completed, all remaining portfolios were transferred to the Capital Markets division as of 1 January 2018. The objective of winding down these activities while safeguarding assets remains in place.

Financing

Since the reorganisation of the divisional structure as of 1 January 2017, the Financing reporting segment is made up of real estate financing and specialist financing, including financing of the savings banks. Lending is taken onto our own statement of financial position via the banking book, as well as being packaged as an investment product for other banks or institutional investors via club deals or syndications. Priority is given to placements within the Sparkassen-Finanzgruppe. The specialist financing business concentrates on selected segments, such as infrastructure financing, ship and aircraft financing, financing covered by ECAs, public sector financing and savings bank financing. Specialist financing positions entered into before the credit risk strategy was changed in 2010 are classified separately in the legacy portfolio. Real estate lending relates mainly to commercial real estate and is focused on marketable properties in the office, retail, shopping, hotel and logistics segments in liquid markets in Europe, North America and Asia/Pacific.

Other

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

	Asset Management Securities		Asset Management Real Estate		Asset Management Services		Capital Markets	
	Economic result							
€m	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017
Net interest income[1]	3.2	9.2	0.2	2.0	2.1	1.5	18.8	20.3
Risk provisions in the lending and securities business[2]	−0.0	−0.0	–	–	−0.1	0.0	9.2	11.9
Net commission income	326.8	353.7	119.0	91.1	92.6	81.0	11.3	32.5
Net financial income[1)2)3]	−2.5	2.7	−1.2	−0.7	−2.2	0.4	112.1	180.1
Other operating profit[4]	−4.9	−4.7	0.5	0.3	2.0	1.6	1.3	1.0
Total income without contributions to earnings from Treasury function	**322.5**	**360.8**	**118.6**	**92.7**	**94.4**	**84.6**	**152.7**	**245.7**
Administrative expenses (including depreciation)	186.3	187.7	65.8	63.9	81.8	73.2	82.4	80.0
Restructuring expenses[4]	−0.0	−0.6	–	–	–	–	–	–
Total expenses before allocation of Treasury function	**186.2**	**187.1**	**65.8**	**63.9**	**81.8**	**73.2**	**82.4**	**80.0**
(Economic) result before tax excluding Treasury function	**136.3**	**173.7**	**52.8**	**28.9**	**12.5**	**11.4**	**70.3**	**165.7**
Treasury function	−9.9	−4.9	−2.0	−1.4	−1.0	−0.7	−35.8	−14.3
(Economic) result before tax	**126.3**	**168.8**	**50.8**	**27.4**	**11.6**	**10.6**	**34.5**	**151.4**
Cost/income ratio[5]	0.58	0.52	0.55	0.69	0.87	0.87	0.57	0.34
	30 Jun 2018	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**
Group risk (value-at-risk)[6]	519	494	76	79	113	110	673	692
Total customer assets	232,665	230,991	36,123	34,345	–	–	19,108	17,552
Gross loan volume	6,593	6,545	128	35	634	675	89,448	84,074

[1] Net income of €+1.2m (first half of 2017: €+5.8m) from the disposal of assets recognised at amortised cost is included in net financial income for the first time in the first half of 2018. This was disclosed under net interest income in the previous year. For better comparability, prior-year economic result figures have been reclassified in line with the current cassification scheme and adjusted accordingly.

[2] This includes for the first time the change of €+9.5m in risk provisions for securities under IFRS 9 categories AC and FVOCI (first half of 2017: €+11.8m). This was disclosed under net financial income in the first half of 2017. For better comparability, prior-year economic result figures have been reclassified in accordance with the current classification scheme and adjusted accordingly.

[3] 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.

[4] Restructuring expenses are disclosed in the Group financial statements under Other operating profit.

Financing		Other[7]		Deka Group		Reconciliation		Deka Group	
Economic result								Total profit or loss before tax (IFRS)	
1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017
59.1	56.3	–5.7	–15.9	77.6	73.1	–31.1	–0.8	46.5	72.3
6.2	0.7	0.0	0.1	15.4	12.6	–	–11.8	15.4	0.8
14.2	15.4	0.1	–0.6	563.9	573.2	–0.1	–0.4	563.8	572.8
2.6	–4.5	–12.5[8]	–105.5[8]	96.5	72.6	36.0	97.5	132.5	170.1
0.9	0.2	–15.4	29.8	–15.5	28.2	10.7	–36.1	–4.8	–7.9
83.1	**68.0**	**–33.5**	**–92.2**	**737.8**	**759.8**	**15.6**	**48.4**	**753.4**	**808.1**
									–
27.8	27.2	71.1	87.0	515.1	519.1	–	–	515.1	519.1
–	–	0.0	–0.0	–	–0.6	–	–	–	–0.6
27.8	**27.2**	**71.1**	**87.0**	**515.1**	**518.5**	**–**	**–**	**515.1**	**518.5**
55.3	**40.8**	**–104.6**	**–179.2**	**222.6**	**241.3**	**15.6**	**48.4**	**238.3**	**289.6**
–17.6	–8.0	66.4	29.4	–	–	–	–	–	–
37.7	**32.8**	**–38.2**	**–149.8**	**222.6**	**241.3**	**15.6**	**48.4**	**238.3**	**289.6**
0.36	0.40	–	–	0.71	0.69				
30 Jun 2018	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**				
497	462	227	246	2,037	2,035				
–	–	–	–	287,897	282,888				
22,614	21,577	25,204	23,911	144,621	136,817				

[5] Calculation of the cost/income ratio does not take into account the restructuring expenses or the loan loss provision for lending business, and from 2018, without risk provisions for securities. Previous year's figures were adjusted for better comparability.

[6] Value-at-risk for economic 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.

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

[8] This includes effects relevant for management purposes of €+ 30.0m (first half 2017: €– 100.0m) 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.

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

During the financial year, the reporting and measurement differences between internal reporting and the total profit before tax under IFRS amounted to €–15.6m (first half of 2017: €–48.4m).

The result not recognised in profit or loss was €+63.4m during the reporting period (first half of 2017: €–98.2m). Of this total, €+47.5m (first half of 2017: €+15.9m) relates to interest- and currency-related valuation results from original lending and issuing business. The valuation result included in other comprehensive income also includes the total interest expense (including accrued interest) of €–14.1m on the AT1 bonds (first half of 2017: €–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. As at 30 June 2018, the provision for these effects in the management accounts was €–175.0m (first half of 2017: €–210.0m). The effect on the economic result in the first half of 2017 was €+30.0m (first half of 2017: €–100.0) and is disclosed under Other. The movement of €–79.0m in the revaluation reserve before tax (previous year: €50.4m) is also included in the economic result.

The other amounts shown in the reconciliation column concern differences in presentation between management reporting and the consolidated financial statements. Of these, €45.2m (first half of 2017: €21.3m) 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. The reconciliation column for the first half of 2017 also includes the movement of €+11.8m in risk provisions for securities (part of net financial income in 2017) as well as net income of €+5.8m on disposals of assets measured at amortised cost (part of net interest income in 2017).

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 financial position, statement of profit and loss and other comprehensive income, condensed statement of changes in equity, condensed cash flow statement and selected explanatory notes. All amounts are rounded in accordance with standard commercial practice. This may result in small discrepancies in the calculation of totals within tables.

The present consolidated interim report has been reviewed by our year-end auditor and should be read in conjunction with our audited 2017 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 2017, 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 addition, the Deka Group ceased to apply the rules on cash flow hedge accounting as from the first half of 2018. The effects arising from the reversal of the cash flow hedging relationships are visible in the Statement of Changes in Equity. In accordance with IAS 34, the accounting recognition of a transaction is based on an independent evaluation as at the current reporting date and not in anticipation of the consolidated financial statements.

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

Estimates and assessments required as part of accounting and measurement under IFRS are carried out in accordance with the respective standard on a best estimate basis and are continually re-evaluated. They are based on empirical values and other factors, including expectations regarding future events that appear reasonable under the given circumstances. Estimation uncertainties arise in connection with – inter alia – provisions for loan losses and securities business, the impairment test for goodwill, fair value measurement of financial instruments, and provisions and other liabilities. Where material estimates were required, the assumptions made are explained in detail below in the notes on the relevant line items.

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

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

IFRS 9

IFRS 9 "Financial Instruments" has been applied in the Deka Group on a modified retrospective basis as from 1 January 2018. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and contains new regulations governing the classification and measurement of financial instruments, the impairment of financial assets and the recognition of hedging relationships. Deka Group has exercised the option not to apply the IFRS 9 rules for hedging relationships as at 1 January 2018 and continue applying the rules under IAS 39 instead. Comparative information in the Notes is disclosed unchanged in accordance with the IAS 39 structure. The effects on the consolidated statement of financial position are disclosed in note [5] "Effects of applying IFRS 9".

IFRS 15

IFRS 15 "Revenue from Contracts with Customers" has also been applied on a modified retrospective basis as from 1 January 2018. The new standard replaces the previous rules on revenue recognition (IAS 18 "Revenue", IAS 11 "Construction Contracts" and the associated interpretations). The new standard provides a five-step model to be used to determine the amount and timing of revenue recognition. IFRS 15 is in principle applicable to all customer agreements for the sale of goods or provision of services. Disclosures in the notes are also required, depending on the circumstances of the Deka Group. The effects of first-time application of the new standard are disclosed in note [9] "Net commission income".

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 adopted into European law but not yet applied

IFRS 16
The new IFRS 16 was published in January 2016 and governs how leases should be accounted for. IFRS 16 will replace IAS 17 "Leases", as well as the associated interpretations IFRIC 4, SIC-15 and SIC-27. Application of the new standard is mandatory for financial years beginning on or after 1 January 2019.

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

Furthermore, IFRS 16 includes a number of additional provisions regarding disclosures in the notes to the financial statements. This is expected to affect the accounting treatment of leased commercial properties, although the impact on the Deka Group's financial position and financial performance is likely to be negligible. A minor increase in total assets is expected, while some reclassifications between items in the statement of profit or loss will also result.

Standards and interpretations not yet adopted into European law

IFRIC 23
The IASB published IFRIC interpretation 23, "Uncertainty over Income Tax Treatments", in June 2017. IFRIC 23 concerns the recognition and measurement of tax risk exposures. Under this interpretation, tax risks should be provided for in the accounts if it is probable that the tax authorities will not accept a particular tax treatment. This approach disregards the likelihood of discovery by the tax authorities (discovery risk). Tax risks may be measured either at the most likely amount or at the expected value, whichever method best reflects the existing risk. Application of IFRIC 23 will be mandatory in financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. Implementation of the new interpretations will have no effect on the consolidated financial statements.

Annual Improvements
In December 2017, the IASB published amendments to four standards as part of its Annual Improvements Project for 2015-2017. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. The amendments affect the recognition and measurement of transactions. Implementation of the amendments will have no effect on the consolidated financial statements.

5 Effects of applying IFRS 9

This note sets out the changes in accounting policy that result from IFRS 9 and the material effects on the Deka Group arising on first application.

Classification and measurement of financial assets and liabilities
In contrast to IAS 39, the new classification rules under IFRS 9 provide for a classification model for assets that is based on the underlying business model and contractual cash flows.

The business model reflects how financial assets are managed in order to generate cash flows.

IFRS 9 provides for the following business models:

„Held to collect":	Financial assets are held with the aim of collecting the contractual cash flows.
„Held to collect and sell":	Financial assets are held with the aim of both collecting the contractual cash flows and selling the financial assets.
„Residual":	This business model is used for financial assets that cannot be classified as either "held to collect" or "held to collect and sell".

Allocation to a particular business model is based on groups of financial assets (portfolios). The division between business models is based on the actual circumstances – such as how the portfolios are managed. The decision thus ultimately rests with managers in key positions within the Deka Group.

Where a financial asset is allocated to the "held to collect" or "held to collect and to sell" business models, it is necessary to check at initial recognition whether the SPPI (cash flow) condition is met, in order to determine its measurement category under IFRS 9. For the SPPI[1] condition to be met, all contractual cash flows from the financial assets must solely represent payments of principal and interest, where the interest essentially represents consideration for the time value of money and the credit risk. If the cash flow condition is met, the asset is measured at amortised cost if classified in the "held to collect" business model, or at fair value through other comprehensive income if classified in the "held to collect and sell" business model. Financial assets that are held for trading or classified in the "residual" business model are measured at fair value through profit or loss.

IFRS 9 measurement categories

Financial assets measured at amortised cost (AC)
Financial assets are allocated to this category if they belong to a portfolio with a "held to collect" business model and their cash flows solely comprise payments of principal and interest (i.e. they meet the SPPI condition).

Financial assets in this category are measured initially at fair value. In subsequent periods, they are measured at amortised cost using the effective interest method. Interest income, impairments and currency translation effects are recognised in profit or loss.

In the Deka Group, loans and securities are usually allocated to this category, provided that they are not purchased with the intent to resell and either meet the SPPI condition or are held for liquidity management purposes.

Assets measured at fair value through other comprehensive income (FVOCI)
Financial assets are allocated to this category if they belong to a portfolio with a "held to collect and sell" business model and their cash flows solely comprise payments of principal and interest.

Assets in this category are measured at fair value on both initial and subsequent measurement. Changes in value are generally recognised in other comprehensive income (OCI) until the asset is either derecognised or reclassified. Interest income, impairments and currency translation effects are recognised in profit or loss. Impairments are determined in accordance with the expected loss model under IFRS 9, in the same way as for financial assets measured at amortised cost. On derecognition or reclassification, the cumulative gain or loss recognised in OCI is reclassified to profit or loss. In addition, where an equity instrument is not held for trading, an irrevocable election may be made at initial recognition to measure it at fair value through other comprehensive income. This option is currently not exercised in the Deka Group.

[1] SPPI: Solely Payments of Principal and Interest

Equity instruments are thus always measured at fair value through profit or loss. Equity instruments that are held for trading must generally be valued at fair value. In the Deka Group, securities held for liquidity management purposes are classified in this category.

Assets measured at fair value through profit or loss (FVPL)
Financial assets held for trading are to be classified in this category.

Financial assets are also classified in this category if they are not held for trading but also do not fall under the "held to collect" or "held to collect and sell" business models. Such assets are measured at fair value through profit and loss, both on initial recognition and in subsequent periods.

In addition, financial assets not held for trading are also valued at fair value through profit or loss if they are held within the "held to collect" or "held to collect and sell" business models but do not meet the SPPI condition.

It is also possible to assign financial assets (excluding debt instruments) irrevocably to this category upon acquisition if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an "accounting mismatch"). The Deka Group does not currently make use of this option under IFRS 9.

In addition, all derivatives and equity instruments are generally classified in this category.

Liabilities measured at fair value through profit or loss (LFV)
Within this category, a distinction is made between financial liabilities in the trading portfolio (held for trading) and those which are irrevocably designated at fair value (provided that certain conditions are met) upon acquisition (fair value option). Financial liabilities in this category are generally measured at fair value through profit or loss.

Financial liabilities are classified as held for trading if they were issued or entered into primarily with a view to redemption in the short term.

Liabilities designated at fair value arise through the exercise of the fair value option under IFRS 9. Financial liabilities are designated at fair value if they are managed as a unit on a fair value basis in accordance with the Bank's documented risk management strategy. Both the risk and the results thereof are determined on the basis of fair values and reported to the Board of Management. Exercising the fair value option results in this case in the harmonisation of economic management with the presentation of the financial position and financial performance. In addition, the fair value option is exercised for financial liabilities in order to avoid the potential obligation to separate embedded derivatives and to eliminate or significantly reduce measurement or recognition inconsistencies (accounting mismatches). These financial instruments are likewise designated at fair value upon acquisition. Changes in the fair value of designated liabilities that result from changes in own credit risk are not to be recognised in profit or loss, but should instead be recognised in other comprehensive income (OCI). However, this will not be the case if a measurement or recognition inconsistency would be created or enlarged as a result.

Liabilities measured at amortised cost (LAC)
This category comprises those financial liabilities, including securitised liabilities, that are not measured at fair value through profit or loss. They are carried at amortised cost.

Reconciliation of classification (measurement categories under IAS 39 and IFRS 9)
The tables below reconcile the carrying values (net of provisions) at 31 December 2017 of the measurement categories under IAS 39 to the corresponding carrying values (net of provisions) under IFRS 9. A distinction is made between changes in carrying values that are due to the measurement category (reclassification) under IAS 39 and those that are due to a change in the measurement basis (remeasurement) upon switching to IFRS 9.

€m	Carrying value under IAS 39 31 Dec 2017	Reclassi-fication	Re-measure-ment	Carrying value under IFRS 9 1 Jan 2018
Financial assets measured at amortised cost (AC)[1]				
Cash reserves	10,039.6	–	–	10,039.6
Due from banks	26,396.4	–	0.1	26,396.5
thereof: remeasurement of risk provisions	–	–	0.1	–
Due from customers	20,650.5	–472.2	–18.1	20,160.2
thereof: remeasurement of risk provisions	–	–	–18.1	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–472.2	–	–
Financial investments	3,726.5	–386.1	0.9	3,341.3
Transfer from "financial assets held-to-maturity" (HtM)	–	2,851.2	1.7	–
thereof: remeasurement of risk provisions	–	–	1.7	–
Transfer to "financial assets measured at amortised cost" (AC)	–	–2,851.2	–0.8	–
thereof: remeasurement of risk provisions	–	–	–0.8	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–386.1	–	–
thereof: remeasurement of risk provisions	–	–	–	–
Total	**60,813.0**	**–858.3**	**–17.1**	**59,937.6**
Financial assets measured at fair value through profit or loss (FVPL)				
Financial assets at fair value	31,985.4	–7,411.3	–29.4	24,544.7
Trading portfolio (FVPL)	12,472.7	488.4	–	12,961.1
Transfer from "financial assets designated at fair value" (DaFV)	–	488.4	–	–
Financial assets mandatorily measured at fair value through profit or loss (FVPL)	–	11,613.0	–29.4	11,583.6
Transfer from "loans and receivables" (LaR)	–	858.3	–29.4	–
thereof: remeasurement due to reclassification	–	–	–29.4	
Transfer from "financial assets available for sale" (AfS)	–	48.2	–	–
Transfer from "financial assets designated at fair value" (DaFV)	–	10,706.5	–	–
Financial assets designated as at fair value through profit or loss	19,512.7	–19,512.7	–	–
Transfer to trading portfolio (FVPL)	–	–488.4	–	–
Transfer to "financial assets measured at fair value through other comprehensive income" (FVOCI)	–	–8,317.8	–	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–10,706.5	–	–
Positive market values of derivative hedging instruments	20.4	–	–	20.4
Total	**32,005.8**	**–7,411.3**	**–29.4**	**24,565.1**
Financial assets measured at fair value through other comprehensive income (FVOCI)[2]				
Financial investments	48.2	8,269.6	–	8,317.8
Transfer from "financial assets designated at fair value" (DaFV)	–	8,317.8	–	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–48.2	–	–
Total	**48.2**	**8,269.6**	**–**	**8,317.8**

[1] Financial assets measured at amortised cost include the IAS 39 measurement categories "loans and receivables" (LaR) and "held-to-maturity investments" (HtM).
[2] Financial assets measured at fair value through other comprehensive income include the IAS 39 measurement category "available for sale" (AfS).

€m	Carrying value under IAS 39 31 Dec 2017	Reclassification	Remeasurement	Carrying value under IFRS 9 1 Jan 2018
Financial liabilities measured at amortised cost (LAC)				
Due to banks	19,237.8	–	–	19,237.8
Due to customers	26,660.9	–	–	26,660.9
Securitised liabilities	14,234.8	–	–	14,234.8
Subordinated capital	927.1	–	–	927.1
Total	**61,060.6**	**–**	**–**	**61,060.6**
Financial liabilities measured at fair value through profit or loss (LFV)				
Financial liabilities at fair value	25,982.7	–	–	25,982.7
Negative market values of derivative hedging instruments	12.0	–	–	12.0
Total	**25,994.7**	**–**	**–**	**25,994.7**

The transition to IFRS 9 gives rise to an initial adoption effect of €–29.4m as at 1 January 2018 due to the reclassification of financial instruments. An initial adoption effect of €–17.6m (of which €–0,5m for off-balance sheet commitments) arises due to the change in risk provisions. These initial adoption effects have been duly recognised directly in equity, specifically under retained earnings. They give rise to a change in balance-sheet equity of €–47.0m (before tax) and €–31.9m (after tax).

Financial assets valued at €19,512.7m that were designated at fair value under IAS 39 had to be reclassified upon the adoption of IFRS 9. This reclassification was mainly due to the requirement to allocate assets to a business model. Under IFRS 9, it is also no longer possible to designate a financial instrument at fair value on the grounds that its performance is managed on a fair value basis.

Securities held for liquidity management purposes have been classified in the "held to collect and sell" business model under IFRS 9 and are therefore measured at fair value through other comprehensive income. The fair value option had been exercised in respect of such securities under IAS 39; this option no longer applies following the adoption of IFRS 9. The table below shows the fair value of such securities that were still held in the portfolio as at 30 June 2018 and the net income from changes in their fair value, which was reported in profit or loss under IAS 39 but is now reported in other comprehensive income (OCI):

€m	Fair value 30 Jun 2018	Net income from change in fair value 2018
Reclassification of financial assets		
from the subcategory "Designated at Fair Value (IAS 39)" to the category "Financial assets measured at fair value through other comprehensive income (IFRS 9)"	6,251.6	–26.6

Impairment of financial assets

A further significant innovation of IFRS 9 is the switch to the expected loss model for determining provisions, in place of the incurred loss model used under IAS 39. IFRS 9 requires a provision equal to the amount of the expected losses to be recognised for all financial assets within its sphere of application. These rules mainly apply to instruments measured at amortised cost or at fair value through other comprehensive income.

Tiered concept

Under the expected loss model, assets within the scope of IFRS 9 must be allocated to one of three "stages" depending on their credit quality in order to determine the risk provision required. The stage to which an asset is allocated affects the size of the risk provision to be established for that asset.

IFRS distinguishes between the following three stages:

Stage 1: Loss allowances are recognised in the amount of the expected loss for the next twelve months, unless the risk of default has significantly increased.
Stage 2: Loss allowances are recognised in the amount of the expected loss for the remaining lifetime of the financial instrument.
Stage 3: Loss allowances are recognised based on the recoverable cash flows on the assumption that a loss event has already occurred.

Assets are classified in stage 1 upon acquisition and a risk provision equal to the expected loss for the next twelve months is recognised in profit or loss. If the default risk has significantly increased since the financial instrument was acquired, it is classified in stage 2 and the lifetime expected credit loss is recognised in profit or loss. If indications exist that creditworthiness is impaired, the instrument is to be transferred to stage 3 and the expected loss for the remaining lifetime of the instrument is recognised in profit or loss.

The Deka Group generally checks for a significant rise in credit risk since the acquisition of a financial instrument using a quantitative and a qualitative test. A significant risk increase is assumed where the credit rating has dropped by a specified amount relative to the initial rating on the first balance sheet date, or where the loan has been classified as non-performing. In addition, for financial instruments where payment is 30 days overdue, a check is also made as to whether the presumption of a significant increase in credit risk can be rebutted. If this is not the case, these loans, too, will be classified to stage 2.

For securities measured at fair value through other comprehensive income (FVOCI) and/or classified to the "held to collect and sell" business model, the Deka Group makes use of the relief provided under the standard, whereby a test for significant risk increase may be dispensed with for instruments with a low risk of default. Such securities exclusively comprise securities held in the liquidity reserve, which must satisfy strict requirements as to credit quality and liquidity.

If there is objective evidence that a loss event has already occurred, the financial instrument should be allocated to stage 3. Indications of impaired creditworthiness are:

- significant financial difficulty of the issuer or debtor,
- an actual breach of contract, such as a default or past-due event,
- concessions granted by the lender to the debtor for economic or contractual reasons in connection with the debtor's financial difficulties that the creditor would not otherwise consider,
- a high probability that the borrower will enter bankruptcy or other financial reorganisation,
- the disappearance of an active market for the financial asset because of financial difficulties,
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Direct write-downs are made where irrecoverability is certain.

A simplified impairment model is used for trade receivables. The simplified model must always be used where the financial asset does not contain a significant financing component; otherwise, its use is optional. Unlike under the general impairment model, provisions under the simplified impairment model are always measured at the amount of the lifetime expected credit loss. The three-stage classification is not applied.

In addition, specific rules apply for financial instruments that were impaired on purchase or origination (POCI[2]) and therefore already exhibit signs of impaired creditworthiness upon acquisition. For POCI financial instruments, no provision is recorded at the time of initial recognition, but lifetime expected losses are recognised in subsequent periods. When determining the expected credit losses, the expected payment defaults are discounted using the credit risk adjusted effective interest rate.

In Stages 1 and 2 of the impairment model, interest income is recognised on the basis of the gross carrying value – i.e. the amortised carrying value before risk provisions. If the asset is transferred to Stage 3, interest income is recognised in subsequent periods on the basis of the net carrying value – i.e. the gross carrying value less risk provisions.

Determining the ECL (Expected Credit Loss)

Under IFRS 9, the ECL is determined in different ways for the different stages of the impairment model. The ECL for stages 1 and 2 is determined on the basis of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

At stage 1, a provision is made in the amount of the 12-month expected loss (ECL). This is the present value of the loss that will arise over the remaining lifetime of the instrument if there is a default during the next twelve months, weighted according to the probability that such a default will occur. The current gross carrying value as at the reporting date is thus multiplied by the customer’s 12-month probability of default and by the expected loss given default.

12-month expected loss (ECL) = 12-month probability of default (PD) x loss given default (LGD) x gross carrying value

For financial assets in stage 2, a provision is made in the amount of the present value of the lifetime expected credit loss, i.e. the total expected credit losses from all potential default events over the remaining lifetime of the financial asset. For each time period, the exposure at default is multiplied by the relevant probability of default and the amortised loss given default and then discounted to the reporting date; the results are then added together.

$$\mathrm{ECL} := \sum_{\mathrm{i \geq Reporting\ date}} \mathrm{EAD_i} \cdot \mathrm{PD_i} \cdot \mathrm{LGD_i} \cdot \mathrm{DF_i}$$

ECL = expected credit loss at calculation date
EADi = exposure at time i
PDi = marginal probability of default during the period from i to i+1
LGDi = loss given default at time i
DFi = discount factor from time i to the reporting date
i = start of the i+1th time period (i=0 represents the start of the first time period)

At stage 3, provisions are determined on a case-by-case basis using probability-weighted cash flows under a variety of scenarios. The amount of the ECL is the difference between the gross carrying value under IFRS 9 and the probability-weighted present value of the expected cash flows, discounted at the effective interest rate.

The ECL is calculated using prospective information, including macroeconomic information (e.g. macroeconomic forecasts). The rating modules employed in the Deka Group enable the PD and LGD to be determined in a way that complies with IFRS 9 while taking account of all available reliable information, including macroeconomic factors.

[2] POCI: Purchased or Originated Credit Impaired

Reconciliation of loss allowances (provisions under IAS 39 and IFRS 9)

The table below reconciles the risk provisions under IAS 39 and the provisions under IAS 37 as at 31 December 2017 to the opening risk provision balances under IFRS 9 as at 1 January 2018. The effects on loss allowances of changes in measurement category are shown separately.

The total effect of implementing the IFRS 9 impairment model is €–17.6m. This amount was recognised directly in equity as at the date of adoption.

				IFRS 9 Provisions 1 Jan 2018			
€m	IAS 39 Risk provisions/ IAS 37 Provisions 31 Dec 2017	Effects due to new measurement category	Effects due to change in impairment model	Sub-total	Stage 1	Stage 2	Stage 3
Risk provisions							
Financial assets measured at amortised cost (AC)							
from loans and advances to banks (loans and receivables – LaR)	0.3	–	–0.1	0.2	0.2	0.0	–
from loans and advances to customers (loans and receivables – LaR)[1]	143.5	–39.2	18.1	122.4	8.0	19.0	95.4
from financial assets (held-to-maturity investments – HtM)	40.4	–	–1.7	38.7	0.9	1.2	36.6
from financial assets (loans and receivables – LaR)[1]	2.8	–0.1	0.8	3.5	0.3	3.2	–
Financial assets measured at fair value through other comprehensive income (FVOCI)							
from financial assets (assets designated at fair value – DaFV)	–	1.0	–	1.0	1.0	–	–
Total risk provisions	**187.0**	**–38.3**	**17.1**	**165.8**	**10.4**	**23.4**	**132.0**
Other provisions for credit risk							
Off-balance sheet commitments[2]	1.6	–	0.5	2.1	1.7	0.1	0.3
Total other provisions for credit risks	**1.6**	**–**	**0.5**	**2.1**	**1.7**	**0.1**	**0.3**
Total risk provisions and other provisions for credit risik	**188.6**	**–38.3**	**17.6**	**167.9**	**12.1**	**23.5**	**132.3**

[1] The effect due to new measurement category results from the transfer of these items to the "Financial assets mandatorily measured at fair value" category.
[2] Within the off-balance sheet commitments, €0.1m was reclassified from provisions for credit risks to other provisions.

Hedge Accounting

All financial assets and liabilities, including all derivative financial instruments, are recognised in the statement of financial position in accordance with IFRS 9. An exception is made for hedging transactions, which may continue to be accounted for in accordance with the hedge accounting rules under IAS 39 by exercising the option granted in IFRS 9.7.2.21. Financial instruments attributed to the "held to collect and to sell" business model are designated as hedged items, in addition to financial instruments attributed to the "held to collect" business model and own issues.

Derivative financial instruments that are used for economic hedging but do not meet the hedge accounting requirements of IAS 39 are treated in the same way as derivatives held for trading purposes and reported under financial assets or financial liabilities at fair value. Net interest income from economic hedging transactions is treated in the same way as interest from hedging derivatives within the meaning of IAS 39 (hedge accounting) and reported under net interest income. The valuation result from economic hedging derivatives is disclosed under trading profit or loss.

6 Changes in the scope of consolidation

In addition to DekaBank (the parent company), the consolidated financial statements include a total of 10 (31 December 2017: 10) German and 6 (31 December 2017: 6) foreign companies in which DekaBank holds a direct or indirect majority of the voting rights. The scope of consolidation also includes 7 structured entities (31 December 2017: 7).

A total of 12 (31 December 2017: 15) 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 financial statements. Units in unconsolidated investment funds are measured at fair value through profit or loss. These are shown in the statement of financial position under financial assets at fair value.

The subsidiaries (affiliated companies and structured entities), joint ventures and associated companies, as well as the companies and equity investments not included in the consolidated financial statements on materiality grounds are shown in the list of shareholdings (note [36]).

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

7 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 2018
Interest income from	
Financial assets measured at amortised cost	
thereof: lending and money market transactions	234.2
thereof: fixed-interest securities	33.8
Financial assets measured at fair value through other comprehensive income	
thereof: money market transactions	–
thereof: fixed-interest securities	13.8
thereof: current income from non-fixed-interest securities	–
Financial assets measured at fair value through profit or loss	
Trading portfolio	
thereof: lending and money market transactions	2.8
thereof: interest rate derivatives (economic hedges)	75.5
thereof: hedge derivatives (hedge accounting)	27.5
Financial assets mandatorily measured at fair value through profit or loss	
thereof: lending and money market transactions	7.8
thereof: fixed-interest securities	15.6
thereof: current income from shares and other non-fixed-interest securities	2.2
thereof: current income from equity investments	2.4
Financial assets designated at fair value	
thereof: lending and money market transactions	–
thereof: fixed-interest securities	–
Negative interest from liabilities	**53.4**
Total interest income	**469.0**
Interest expenses for	
Financial liabilities measured at amortised cost	
thereof: lending and money market transactions	91.8
thereof: securitised liabilities	43.6
thereof: subordinated liabilities	18.0
Financial liabilities measured at fair value through profit or loss	
Trading portfolio	
thereof: lending and money market transactions	3.1
thereof: interest rate derivatives (economic hedges)	161.4
thereof: hedge derivatives (hedge accounting)	24.0
Financial liabilities designated at fair value	
thereof: lending and money market transactions	27.7
thereof: securitised liabilities	6.5
thereof: subordinated liabilities	–
Negative interest on money-market transactions and fixed-interest securities	**46.4**
Total interest expenses	**422.5**
Net interest income	**46.5**

In total, interest income of €335.2m and interest expenses of €189.2 million were recorded in relation to financial assets and liabilities that are not recognised at fair value through profit or loss.

€m	1st half 2017
Interest income from	
Lending and money market transactions	208.8
Interest rate derivatives (economic hedges)	72.7
Fixed-interest securities and debt register claims	73.3
Hedging derivatives (hedge accounting)	29.9
Negative interest from liabilities	33.7
Current income from	
Shares and other non fixed-interest securities	9.6
Equity investments	2.2
Total interest income	**430.2**
Interest expenses for	
Interest rate derivatives (economic hedges)	132.2
Liabilities	128.3
Securitised liabilities	34.1
Hedging derivatives (hedge accounting)	14.9
Subordinated liabilities and profit participation capital	18.1
Typical silent capital contributions	2.4
Negative interest on money-market transactions and fixed-interest securities	27.9
Total interest expenses	**357.9**
Net interest income	**72.3**

8 Risk provisions in the lending and securities business

Risk provisions in the lending an securities business are recognised in the statement of profit or loss and other comprehensive income as follows:

€m	1st half 2018	1st half 2017	Change
Allocations to risk provisions	–8.8	–34.0	25.2
Reversals of risk provisions	11.6	34.4	–22.8
Income on written-down receivables	3.1	0.4	2.7
Net income from modifications in the lending business (stage 3)	–	N/A	N/A
Risk provisions in the lending business	**5.9**	**0.8**	5.1
Allocations to risk provisions	–1.4	N/A	N/A
Reversals of risk provisions	10.9	N/A	N/A
Direct write-downs on securities	–	N/A	N/A
Profit or loss from modifications of securities (stage 3)	–	N/A	N/A
Risk provisions in the securities business	**9.5**	**N/A**	N/A
Risk provisions in the lending and securities business	**15.4**	**0.8**	14.6

Following the application of IFRS 9, movements in risk provisions for securities that are measured under IFRS 9 either at amortised cost or at fair value through other comprehensive income are now disclosed in this line item, instead of under net income from financial investments.

9 Net commission income

Net commission income by type of service is as follows:

€m	1st half 2018	1st half 2017	Change
Commission income from			
Investment fund business	1,081.5	1,025.1	56.4
Securities business	66.5	77.9	–11.4
Lending business	15.5	24.1	–8.6
Other	11.1	11.7	–0.6
Total commission income	**1,174.6**	**1,138.8**	35.8
Commission expenses for			
Investment fund business	587.7	536.8	50.9
Securities business	19.9	18.5	1.4
Lending business	1.2	8.7	–7.5
Other	2.0	2.0	–
Total commission expenses	**610.8**	**566.0**	44.8
Net commission income	**563.8**	**572.8**	–9.0

Commission income results from contracts with customers (including investment funds), which were accounted for in accordance with IFRS 15 for the first time in the reporting period. In the Deka Group, a receivable is recognised as and when the service is provided, as this is the point at which consideration becomes unconditional and payment on the due date becomes mandatory.

Commission income from investment fund business arises in the Asset Management Securities and Asset Management Real Estate divisions. Management and administration activities and the asset management of fund products give rise to administration/asset management fees, sales commissions and performance-related fees, and income from lump-sum fees. Additional commission income arises in the investment fund business as a result of brokerage services provided during the reporting period. This relates to portfolio-based commissions, which form the majority of the net commission income in these business divisions. When fund units are issued, entry charges are levied at the time of issue. Commission expenses for the investment fund business largely comprise payments to sales partners.

In addition, the Asset Management Services business division earns commission income in the securities business from custody account management and depositary services carried out in the reporting period. The Capital Markets business division also earns commission income from agency trading in relation to securities.

In the Financing business division, commission income on lending business arises mainly from loan administration.

Due to the adoption of IFRS 15, consideration received and paid for services provided on an agency basis is disclosed net as from the first half of 2018. This results in a reduction of €6.6m in commission income from lending business and of €7.7m in commission income from investment fund business. The latter initial adoption effect is more than compensated by the higher overall level of commission income from investment fund business.

10 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments in the "held for trading" sub-category. Net interest income from derivative and non-derivative financial instruments in the trading book, together with any related refinancing expenses, are also reported under this item. Net income from economic hedging derivatives (€–36.7m) is also included here. However, net interest income from these economic hedging derivatives is reported under net interest income.

€m	1st half 2018	1st half 2017	Change
Sale and valuation results	184.4	73.1	111.3
Net interest income and current income from trading transactions	–72.3	123.5	–195.8
Commission	–8.7	–10.4	1.7
Trading profit or loss	**103.4**	**186.2**	–82.8

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

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

€m	1st half 2018	1st half 2017	Change
Sale and valuation results	–45.0	N/A	N/A
Commission	–	N/A	N/A
Profit or loss on financial assets mandatorily measured at fair value	**–45.0**	**N/A**	N/A

12 Profit or loss on financial instruments designated at fair value

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

€m	1st half 2018	1st half 2017	Change
Sale and valuation results	27.1	–36.3	63.4
Commission	–0.0	–0.1	0.1
Profit or loss on financial instruments designated at fair value	**27.1**	**–36.4**	63.5

13 Profit or loss on financial investments

€m	1st half 2018	1st half 2017	Change
Sale results	39.8	–1.0	40.8
Reversal of/allocation to risk provisions for securities	N/A	11.8	N/A
Net income from equity-accounted companies	–0.1	9.0	–9.1
Profit or loss on financial investments	**39.7**	**19.8**	19.9

Following the application of IFRS 9, movements in risk provisions for securities that are measured under IFRS 9 either at amortised cost or at fair value through other comprehensive income are now disclosed under risk provisions in the lending and securities business (see Note [8]).

14 Administrative expenses

€m	1st half 2018	1st half 2017	Change
Personnel expenses	260.3	261.4	–1.1
Other administrative expenses	245.6	248.9	–3.3
Depreciation of property, plant and equipment and intangible assets	9.2	8.8	0.4
Administrative expenses	**515.1**	**519.1**	–4.0

Operating expenses include the full-year contribution to the European Union's Single Resolution Fund of €29.6m (30 June 2017/ full-year contribution for 2017: €35.3m).

15 Other operating profit

The breakdown of other operating profit is as follows:

€m	1st half 2018	1st half 2017	Change
Income from repurchased debt instruments	**–1.6**	**–2.3**	0.7
Other operating income	9.7	6.8	2.9
Other operating expenses	12.9	11.8	1.1
Other operating profit	**–4.8**	**–7.3**	2.5

16 Income taxes

Based on the corporation tax and trade tax rates applicable for 2018, 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, thus 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 consolidated statement of financial position

17 Cash reserves

€m	30 Jun 2018	31 Dec 2017	Change
Cash on hand	0.7	0.8	–0.1
Balances with central banks	13,207.5	10,038.8	3,168.7
Total	**13,208.2**	**10,039.6**	3,168.6

18 Due from banks

€m	30 Jun 2018	31 Dec 2017	Change
Domestic banks	15,633.7	13,682.6	1,951.1
Foreign banks	11,870.8	12,714.1	–843.3
Due from banks before risk provisions	**27,504.5**	**26,396.7**	1,107.8
Provisions for loan losses	–0.2	–0.3	0.1
Total	**27,504.3**	**26,396.4**	1,107.9

19 Due from customers

€m	30 Jun 2018	31 Dec 2017	Change
Domestic borrowers	5,544.8	4,434.9	1,109.9
Foreign borrowers	17,802.8	16,359.1	1,443.7
Due from customers before risk provisions	**23,347.6**	**20,794.0**	2,553.6
Provisions for loan losses	–101.6	–143.5	41.9
Total	**23,246.0**	**20,650.5**	2,595.5

20 Risk provisions for the lending and securities business

Default risks in the lending and securities business are recognised through the creation of valuation allowances and through the creation of provisions for off-balance sheet commitments. Following the implementation of the tiered concept under IFRS 9, risk provisions for the first half of 2018 are as follows:

€m	30 Jun 2018
Risk provisions for loan losses – due from banks	
Stage 1	0.2
Stage 2	0.0
Stage 3	–
Risk provisions for loan losses – due from customers	
Stage 1	8.8
Stage 2	13.6
Stage 3	79.2
Provisions for off-balance sheet commitments	
Stage 1	2.2
Stage 2	4.2
Stage 3	1.3
Risk provisions in the lending business	**109.5**
Risk provisions for securities[1]	
Stage 1	2.4
Stage 2	3.0
Stage 3	–
Risk provisions in the securities business	**5.4**
Total	**114.9**

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

€m	31 Dec 2017
Provisions for loan losses – due from banks	
Specific provisions	–
Collective provisions for creditworthiness risks	0.3
Provisions for loan losses – due from customers	
Specific provisions	130.6
Collective provisions for creditworthiness risks	12.9
Collective provisions for country risks	–
Total	**143.8**

Movements in risk provisions for the first half of 2018 in accordance with IFRS 9 are as follows:

€m	Stage 1	Stage 2	Stage 3
Risk provisions for financial assets measured at amortised cost			
Due from banks			
Position as at 1 January 2018	**0.2**	**0.0**	**–**
Transfers to other stages	–	–	–
Transfers from other stages	–	–	–
Change in position including new business	–0.0	–	–
Allocation to risk provisions	–	–	–
Reversal of risk provision	–0.0	–0.0	–
Utilisation	–	–	–
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	–	–	–
Position as at 30 June 2018	**0.2**	**0.0**	**–**
Due from customers			
Position as at 1 January 2018	**8.0**	**19.0**	**95.4**
Transfers to other stages	–0.0	–0.2	–0.1
Transfers from other stages	0.2	0.1	–
Change in position including new business	0.5	–0.5	–1.1
Allocation to risk provisions	0.8	0.1	1.6
Reversal of risk provision	–0.8	–5.1	–3.8
Utilisation	–	–	–14.9
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	0.1	0.2	2.1
Position as at 30 June 2018	**8.8**	**13.6**	**79.2**
Financial investments			
Position as at 1 January 2018	**1.2**	**4.4**	**36.6**
Transfers to other stages	–	–0.0	–
Transfers from other stages	0.0	–	–
Change in position including new business	0.3	–1.3	–8.3
Allocation to risk provisions	0.0	0.2	–
Reversal of risk provision	–0.1	–0.3	–
Utilisation	–	–	–28.3
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	–	–	–0.0
Position as at 30 June 2018	**1.4**	**3.0**	**–**

€m	Stage 1	Stage 2	Stage 3
Risk provisions for financial assets measured at fair value through other comprehensive income			
Financial investments			
Position as at 1 January 2018	**1.0**	**–**	**–**
Transfers to other stages	–	–	–
Transfers from other stages	–	–	–
Change in position including new business	–0.0	–	–
Allocation to risk provisions	0.0	–	–
Reversal of risk provision	0.0	–	–
Utilisation	–	–	–
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	–	–	–
Position as at 30 June 2018	**1.0**	**–**	**–**

€m	Stage 1	Stage 2	Stage 3
Provisions for credit risks from off-balance sheet commitments			
Position as at 1 January 2018	**1.7**	**0.1**	**0.3**
Transfers to other stages	–	–	–
Transfers from other stages	–	–	–
Change in position including new business	0.5	0.2	–
Allocation to risk provisions	0.0	3.9	1.0
Reversal of risk provision	–0.1	–	–
Utilisation	–	–	–
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	0.1	–	0.0
Position as at 30 June 2018	**2.2**	**4.2**	**1.3**

Movements in risk provisions for the first half of 2017 in accordance with IAS 39 are as follows:

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

Key ratios for risk provisions:

%	30 Jun 2018	31 Dec 2017
Reversal/allocation ratio as at reporting date[1]		
(Ratio of net allocation to provision-relevant gross carrying values)	0.03	–0.11
Default rate as at reporting date		
(Ratio of defaults to provision-relevant gross carrying values)	0.11	0.76
Average default rate		
(Ratio of defaults on a 5-year average to provision-relevant gross carrying values)	0.31	0.58
Net provisioning ratio as at reporting date		
(Ratio of risk provisions to provision-relevant gross carrying values)	0.31	0.56

[1] Reversal ratio shown without negative leading sign

The calculation of the above ratios now includes securities measured at amortised cost or at fair value through other comprehensive income under IFRS 9. Prior-year figures have not been adjusted. The above ratios are calculated on the basis of a lending volume of €36.6bn (31 December 2017: balance sheet lending volume of €26.2bn).

Risk provisions by risk segment:

€m	Valuation allowances and provisions for credit risks 30 Jun 2018	31 Dec 2017	Defaults[1] 1st half 2018	1st half 2017	Net allocations to[2]/reversals of valuation allowances and provisions for credit risks 1st half 2018	1st half 2017
Customers						
Transport and export finance	86.6	127.9	11.8	134.1	–0.7	–3.5
Public infrastructure	0.3	0.3	–	32.1	0.2	2.9
Property risks	6.5	1.9	–	–0.2	3.0	0.4
Energy and utility infrastructure	15.1	14.0	–	–	0.4	1.9
Corporates	0.0	–	–	–	0.0	–1.3
Other	0.8	1.1	–0.0	–	–0.1	0.1
Total customers	**109.3**	**145.2**	**11.8**	**166.0**	**2.8**	**0.5**
Banks						
Financial institutions	0.2	0.3	–	–	0.0	–0.1
Other	0.0	–	–	–	–	–
Total banks	**0.2**	**0.3**	**–**	**–**	**0.0**	**–0.1**
Securities						
Energy and utility infrastructure	2.9	N/A	–	N/A	0.3	N/A
Corporates	1.5	N/A	28.3	N/A	8.2	N/A
Financial institutions	0.8	N/A	–	N/A	1.1	N/A
Other	0.2	N/A	–	N/A	–0.1	N/A
Total securities	**5.4**	**N/A**	**28.3**	**N/A**	**9.5**	**N/A**
Total	**114.9**	**145.5**	**40.1**	**166.0**	**12.3**	**0.4**

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

21 Financial assets at fair value

This item includes debt securities, equities and units in investment funds, as well as derivatives held for trading purposes. Derivatives forming part of economic hedging relationships that do not meet the requirements for hedge accounting under IAS 39 are also disclosed here. For the first time, this item also includes holdings in unconsolidated subsidiaries, joint ventures and associated companies, as well as other equity investments.

€m	30 Jun 2018	31 Dec 2017	Change
Trading portfolio			
Debt securities and other fixed-interest securities	5,720.2	4,310.2	1,410.0
Bonds and debt securities	5,602.1	4,216.6	1,385.5
Money market securities	118.1	93.6	24.5
Shares and other non fixed-interest securities	1,928.9	2,375.6	–446.7
Shares	503.3	975.1	–471.8
Units in investment funds	1,425.6	1,400.5	25.1
Positive market values of derivative financial instruments	4,971.3	5,004.0	–32.7
Positive market values of derivative financial instruments (trading)	4,600.2	5,004.0	–403.8
Positive market values of derivative financial instruments (economic hedging derivatives)	371.1	N/A	N/A
Loan receivables	488.1	782.9	–294.8
Total – trading portfolio	**13,108.5**	**12,472.7**	635.8
Financial assets mandatorily measured at fair value through profit or loss			
Debt securities and other fixed-interest securities	9,569.7	N/A	N/A
Bonds and debt securities	9,569.7	N/A	N/A
Money market securities	–	N/A	N/A
Shares and other non fixed-interest securities	1,229.8	N/A	N/A
Shares	9.1	N/A	N/A
Units in investment funds	1,220.7	N/A	N/A
Shareholdings	47.7	N/A	N/A
Equity investments	44.9	N/A	N/A
Shares in affiliated companies	1.0	N/A	N/A
Holdings in joint ventures	0.0	N/A	N/A
Shares in associated companies	1.8	N/A	N/A
Loan receivables	192.9	N/A	N/A
Total – financial assets mandatorily measured at fair value through profit or loss	**11,040.1**	**N/A**	N/A
Financial assets designated at fair value			
Debt securities and other fixed-interest securities	–	17,665.7	–17,665.7
Bonds and debt securities	–	17,665.7	–17,665.7
Shares and other non fixed-interest securities	–	1,277.0	–1,277.0
Shares	N/A	10.2	N/A
Units in investment funds	N/A	1,266.8	N/A
Positive market values of derivative financial instruments (economic hedging derivatives)	N/A	488.4	N/A
Loan receivables	–	81.6	–81.6
Total – financial assets designated at fair value	**–**	**19,512.7**	–19,512.7
Total	**24,148.6**	**31,985.4**	–7,836.8

22 Financial investments

€m	30 Jun 2018
Financial assets measured at amortised cost	
Debt securities and other fixed-interest securities	3,253.5
Financial assets measured at fair value through other comprehensive income	
Debt securities and other fixed-interest securities	7,269.5
Shareholdings	
Shares in equity-accounted companies	15.9
Financial investments before risk provision	**10,538.9**
Risk provision	–4.4
Total	**10,534.5**

Holdings in unconsolidated subsidiaries, joint ventures and associated companies and other equity investments, which were previously disclosed under this item, are disclosed under financial assets at fair value as from the first half of 2018.

€m	31 Dec 2017
Loans and receivables	
Debt securities and other fixed-interest securities	878.1
Held to maturity	
Debt securities and other fixed-interest securities	2,891.6
Available for sale	
Debt securities and other fixed-interest securities	0.0
Shareholdings	
Equity investments	45.7
Shares in equity-accounted companies	16.0
Shares in affiliated, non-consolidated companies	1.1
Shares in associated companies not accounted for under the equity method	1.4
Financial investments before risk provision	**3,833.9**
Risk provision	–43.2
Total	**3,790.7**

23 Intangible assets

€m	30 Jun 2018	31 Dec 2017	Change
Purchased goodwill	148.1	148.1	–
Software	28.8	32.4	–3.6
Other intangible assets	12.9	14.2	–1.3
Total	**189.8**	**194.7**	–4.9

Purchased goodwill is unchanged, comprising goodwill of €95.0m from the acquisition of Deka Vermögensmanagement GmbH (formerly: Landesbank Berlin Investment GmbH, Berlin) and €53.1m from the acquisition of WestInvest Gesellschaft für Investmentfonds mbH.

24 Property, plant and equipment

€m	30 Jun 2018	31 Dec 2017	Change
Plant and equipment	20.8	21.5	–0.7
Technical equipment and machines	5.2	5.9	–0.7
Total	**26.0**	**27.4**	–1.4

25 Due to banks

€m	30 Jun 2018	31 Dec 2017	Change
Domestic banks	12,664.0	14,541.3	–1,877.3
Foreign banks	8,642.0	4,696.5	3,945.5
Total	**21,306.0**	**19,237.8**	2,068.2
Thereof:			
Collateralised registered bonds and promissory note loans	128.2	78.7	49.5
Unsecured registered bonds and promissory note loans	2,512.6	2,749.3	–236.7

26 Due to customers

€m	30 Jun 2018	31 Dec 2017	Change
Domestic customers	19,951.4	18,683.6	1,267.8
Foreign customers	11,749.6	7,977.3	3,772.3
Total	**31,701.0**	**26,660.9**	5,040.1
Thereof:			
Collateralised registered bonds and promissory note loans	1,360.5	1,467.5	–107.0
Unsecured registered bonds and promissory note loans	1,176.1	1,219.1	–43.0

27 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. In accordance with IFRS 9, issued bonds are disclosed net of bonds with a nominal value of €0.1bn (31 December 2017: €0.2bn) held within the Deka Group.

€m	30 Jun 2018	31 Dec 2017	Change
Uncovered debt securities issued	5,156.2	7,629.0	–2,472.8
Covered debt securities issued	318.8	241.8	77.0
Money market securities issued	6,262.2	6,364.0	–101.8
Total	**11,737.2**	**14,234.8**	–2,497.6

28 Financial liabilities at fair value

In addition to trading issues and liabilities designated at fair value, this item includes negative market values of derivative financial instruments in the trading book as well as the negative market values of economic hedging transactions which do not quality for hedge accounting under IAS 39. Short positions are also reported in this line item.

€m	30 Jun 2018	31 Dec 2017	Change
Trading portfolio			
Trading issues	19,072.5	17,463.1	1,609.4
Securities short portfolios	1,529.1	960.9	568.2
Negative market values of derivative financial instruments (trading)	4,801.2	5,326.7	– 525.5
Negative market values of derivative financial instruments (economic hedging derivatives)	481.6	N/A	N/A
Total – trading portfolio	**25,884.4**	**23,750.7**	2,133.7
Financial liabilities designated at fair value			
Issues	1,583.9	1,755.8	– 171.9
Negative market values of derivative financial instruments (economic hedging derivatives)	N/A	476.3	N/A
Total – financial liabilities designated at fair value	**1,583.9**	**2,232.1**	– 648.2
Total	**27,468.3**	**25,982.7**	1,485.6

Issues can be broken down by product type as follows:

€m	30 Jun 2018	31 Dec 2017	Change
Trading portfolio			
Uncovered trading issues			
Bearer bonds issued	15,397.9	14,016.8	1,381.1
Registered bonds issued	1,306.1	1,163.2	142.9
Promissory notes raised	2,368.5	2,283.1	85.4
Total	**19,072.5**	**17,463.1**	1,609.4
Financial liabilities designated at fair value			
Uncovered issues			
Bearer bonds issued	235.9	329.8	– 93.9
Registered bonds issued	261.3	288.2	– 26.9
Promissory notes raised	202.0	216.8	– 14.8
Covered issues	884.7	921.0	– 36.3
Total	**1,583.9**	**1,755.8**	– 171.9

The fair value of issues designated at fair value includes cumulative creditworthiness-related changes in value of €11.3m (31 December 2017: €12.6m).

29 Provisions

€m	30 Jun 2018	31 Dec 2017	Change
Provisions for pensions and similar commitments	199.8	182.8	17.0
Provisions in investment funds business	71.4	70.2	1.2
Provisions for legal risks	26.4	27.0	–0.6
Provisions for restructuring measures	25.1	27.7	–2.6
Provisions for credit risks	7.7	1.7	6.0
Provisions for operational risks	0.8	0.9	–0.1
Provisions in human resources	0.5	1.0	–0.5
Sundry other provisions	11.1	11.6	–0.5
Total	**342.8**	**322.9**	19.9

The actuarial interest rate underlying the measurement of pension provisions as at 30 June 2018 was 1.85%, 0.05% below the actuarial interest rate applied at 31 December 2017. Based on actuarial valuations, a pre-tax revaluation loss of €–12.2m (31 December 2017: revaluation gain of €15.4m) was recognised in other comprehensive income.

Biometric probabilities are taken into account in the actuarial valuation of pension obligations with the aid of the Heubeck 2005G mortality tables. Heubeck AG published new mortality tables (2018G) on 20 July 2018. These new tables are not yet being used as their general applicability is not yet certain. It is expected that the adjustment of the mortality tables would give rise to a moderate increase in the Deka Group's pension obligations as at the end of 2018. Any actuarial loss would be reported in other comprehensive income.

Provisions are also created for funds with formal guarantees and targeted returns, as described below.

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 (less charges) 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, provisions of €1.7m (31 December 2017: €2.1m) had been made based on the performance of the relevant funds. As at the reporting date, the guarantees covered a maximum volume of €3.3bn (31 December 2017: €3.4bn) as at the respective guarantee dates. The market value of the corresponding fund assets totalled €3.5bn (31 December 2017: €3.7bn). Of this, €1.5bn (31 December 2017: €1.6bn) relates to funds with a forecast return as described below.

Investment funds whose return is forecast and published on the basis of current money market rates set by the Group exist in two 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 €42.0m (31 December 2017: €44.4m) had been established. The underlying total volume of the funds amounted to €6.7bn (31 December 2017: €6.8bn), of which €1.5bn (31 December 2017: €1.6bn) related to funds with a capital guarantee and €5.2bn (31 December 2017: €5.2bn) to funds without a capital guarantee.

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

30 Equity

€m	30 Jun 2018	31 Dec 2017	Change
Subscribed capital	286.3	286.3	–
Less own shares	94.6	94.6	–
Additional capital components (AT1 bonds)	473.6	473.6	–
Capital reserve	190.3	190.3	–
Retained earnings	4,355.6	4,462.6	–107.0
Revaluation reserve			
For provisions for pensions	–166.3	–154.1	–12.2
For cash flow hedges	–	–3.4	3.4
For financial assets available for sale	N/A	33.6	N/A
For equity-accounted companies	–6.6	–6.6	–
For financial assets measured at fair value through other comprehensive income	63.8	N/A	N/A
For own credit risk of financial liabilities designated at fair value	–11.3	N/A	N/A
Deferred taxes	36.7	49.6	–12.9
Total revaluation reserve	**–83.7**	**–80.9**	–2.8
Currency translation reserve	–0.1	–0.1	–
Consolidated profit/loss	122.4	72.3	50.1
Total	**5,249.8**	**5,309.5**	–59.7

The change in retained earnings results in particular from the first-time application of IFRS 9 (see Statement of Changes in Equity and Note [5] “Effects of applying IFRS 9”).

Other disclosures

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

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

Furthermore, the Bank takes credit value adjustments (CVAs) or debit value adjustments (DVAs) into consideration when measuring OTC derivatives in order to allow for its own credit risk or that of counterparties, unless these are already included elsewhere in the valuation model. If 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 category. The following table shows the fair values of financial assets and liabilities, classified by balance sheet line item or IFRS category, compared to their respective book values:

	30 Jun 2018		31 Dec 2017	
€m	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Asset items				
Cash reserves	13,208.2	13,208.2	10,039.6	10,039.6
Due from banks	27,618.0	27,504.3	26,515.5	26,396.4
Due from customers	23,343.1	23,246.0	20,910.3	20,650.5
Financial assets at fair value	24,148.6	24,148.6	31,985.4	31,985.4
Positive market values of derivative hedging instruments	25.6	25.6	20.4	20.4
Financial investments	10,531.1	10,518.6	3,821.7	3,790.7
Financial assets measured at amortised cost	3,261.6	3,249.1	N/A	N/A
Financial assets measured at fair value through other comprehensive income	7,269.5	7,269.5	N/A	N/A
loans and receivables	N/A	N/A	850.7	875.3
Held-to-maturity investments	N/A	N/A	2,906.8	2,851.2
Available for sale financial assets	N/A	N/A	64.2	64.2
Other assets	159.7	159.7	214.6	214.6
Total asset items	**99,034.3**	**98,811.0**	**93,507.5**	**93,097.6**
Liability items				
Due to banks	21,422.8	21,306.0	19,357.6	19,237.8
Due to customers	31,893.6	31,701.0	26,882.2	26,660.9
Securitised liabilities	11,804.8	11,737.2	14,303.0	14,234.8
Financial liabilities at fair value	27,468.3	27,468.3	25,982.7	25,982.7
Negative market values of derivative hedging instruments	44.6	44.6	12.0	12.0
Subordinated capital	986.7	900.5	1,014.0	927.1
Other liabilities	209.7	209.7	240.6	240.6
Total liability items	**93,830.5**	**93,367.3**	**87,792.1**	**87,295.9**

Fair value hierarchy

Financial instruments carried at fair value on the statement of financial position must be stated, must be allocated to the following three fair value hierarchy levels specified in IFRS 13, depending on the input factors influencing their valuation:

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

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

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

The 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 2018**	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**
Financial assets measured at fair value through profit or loss						
Debt securities, other fixed-interest securities and loan receivables	9,406.3	14,965.4	4,730.7	5,897.1	1,834.2	1,977.9
Shares and other non fixed-interest securities	3,109.7	3,605.1	48.9	47.5	–	–
Derivative financial instruments						
Interest-rate-related derivatives	–	–	4,192.3	4,389.4	1.6	1.2
Currency-related derivatives	–	–	118.7	184.3	–	–
Share and other price-related derivatives	209.3	371.9	419.8	531.5	29.5	14.1
Positive market values of derivative hedging instruments	–	–	25.6	20.4	–	–
Shareholdings	–	–	–	–	47.7	64.2
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	4,691.8	N/A	2,577.7	N/A	–	N/A
Total	**17,417.1**	**18,942.4**	**12,113.7**	**11,070.2**	**1,913.0**	**2,057.4**

€m	Prices listed on active markets (level 1) 30 Jun 2018	Prices listed on active markets (level 1) 31 Dec 2017	Valuation method based on observable market data (level 2) 30 Jun 2018	Valuation method based on observable market data (level 2) 31 Dec 2017	Valuation method not based on observable market data (level 3) 30 Jun 2018	Valuation method not based on observable market data (level 3) 31 Dec 2017
Financial liabilities measured at fair value through profit or loss						
Securities short portfolios	1,321.9	841.9	207.2	119.0	–	–
Derivative financial instruments						
Interest-rate-related derivatives	–	–	4,074.2	4,231.5	58.1	22.3
Currency-related derivatives	–	–	122.2	207.7	–	–
Share and other price-related derivatives	788.8	700.5	232.5	633.3	7.0	7.7
Issues	–	–	19,122.8	18,271.8	1,533.6	947.0
Negative market values of derivative hedging instruments	–	–	44.6	12.0	–	–
Total	**2,110.7**	**1,542.4**	**23,803.5**	**23,475.3**	**1,598.7**	**977.0**

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 2018	Reclassifications from level 1 to level 2 2017	Reclassifications from level 2 to level 1 2018	Reclassifications from level 2 to level 1 2017
Financial assets measured at fair value through profit or loss				
Debt securities, other fixed-interest securities and loan receivables	1,067.6	266.5	1,009.2	2,624.4
Financial liabilities measured at fair value through profit or loss				
Securities short portfolios	54.5	46.6	64.4	39.6

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

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

Unless they are traded on the stock market, derivative financial instruments are generally 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.

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

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

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

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

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

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.

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

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

Determining the fair value of the plain vanilla bonds and promissory note loans involves the use of credit spreads that are not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the plain vanilla bonds could have been €3.6m higher or lower.

Determining the fair value of originated loans 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 could have been €1.3m higher or lower.

The fair value of non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations or via spreads derived from indicative quotations for comparable bonds. These quotations are obtained from various brokers as well as from market price providers, such as S&P. The bid-ask spreads from the available price indications for the individual securitisation positions were used to determine a cautious bid-ask spread, which was used as an estimate for price sensitivity. Using this bid-ask spread, a variation range of 0.48 percentage points averaged across the portfolio was obtained. On this basis, the market value of the securitisation positions concerned could have been €0.3m 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 €–4.0m as at 30 June 2018. 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 +1.2%, giving rise to a measurement difference of €+0.1m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty amounts to an equity vega of 1.2, resulting in a value of approximately €4.9m as at 30 June 2018. 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 2018, this results in a value of €0.7m.

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. Following a review of the valuation models in 2017, any equity investments for which there are regular share buyback programmes were measured using the market method based on comparable transaction prices. There is currently no intention to sell these assets.

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

As at 30 June 2018, 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	Total
As at 1 January 2017	**2,495.5**	**–**	**17.1**	**3.4**	**–**	**2,516.0**
Additions through purchase	983.8	–	0.1	13.4	–	997.3
Disposals through sale	1,117.9	–	–	0.1	–	1,118.0
Maturity/repayments	368.5	–	15.8	0.7	–	385.0
Transfers						–
To Level 3	258.7	–	–	0.5	30.6	289.8
From Level 3	257.0	–	0.8	–	–	257.8
Changes arising from measurement/disposal						–
Recognised in profit or loss[1]	–22.5	–	0.6	–2.4	–	–24.3
Recognised in other comprehensive income[2]	–	–	–	–	33.6	33.6
As at 31 December 2017	**1,972.1**	**–**	**1.2**	**14.1**	**64.2**	**2,051.6**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**–34.2**	**–**	**0.6**	**–2.5**	**–**	**–36.1**
As at 1 January 2018	**1,977.9**	**–**	**1.2**	**14.1**	**48.2**	**2,041.4**
Additions through purchase	516.9	0.1	–	0.6	–	517.6
Disposals through sale	345.6	0.1	–	4.0	–	349.7
Maturity/repayments	65.6	–	–	0.1	–	65.7
Transfers						
To Level 3	302.0	–	–	0.8	–	302.8
From Level 3	578.7	–	–	–	–	578.7
Changes arising from measurement/disposal						
Recognised in profit or loss[1]	27.3	–	0.4	18.1	–0.5	45.3
Recognised in other comprehensive income[2]	–	–	–	–	–	–
As at 30 June 2018	**1,834.2**	**–**	**1.6**	**29.5**	**47.7**	**1,913.0**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**24.1**	**–**	**0.4**	**18.1**	**–0.5**	**42.1**

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

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

€m	Interest-rate-related derivatives	Share and other price-related derivatives	Issues	Total
As at 1 January 2017	**123.5**	**1.3**	**705.3**	**830.1**
Additions through purchase	0.3	2.9	17.8	21.0
Disposals through sale	–	0.7	–	0.7
Additions through issues	–	–	516.5	516.5
Maturity/repayments	61.9	–	291.7	353.6
Transfers				
To Level 3	–	0.1	58.2	58.3
From Level 3	10.1	–	79.4	89.5
Changes arising from measurement/disposal				
Recognised in profit or loss[1]	37.3	–3.9	–18.0	15.4
Recognised in other comprehensive income[2]	–	–	–	–
As at 31 December 2017	**14.5**	**7.5**	**944.7**	**966.7**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**37.2**	**–3.9**	**–13.8**	**19.5**
As at 1 January 2018	**22.3**	**7.5**	**947.2**	**977.0**
Additions through purchase	14.3	1.7	17.5	33.5
Disposals through sale	1.0	0.3	–	1.3
Additions through issues	–	–	800.0	800.0
Maturity/repayments	0.4	0.7	152.7	153.8
Transfers				
To Level 3	–	–	0.7	0.7
From Level 3	0.2	–	2.7	2.9
Changes arising from measurement/disposal				
Recognised in profit or loss[1]	–23.1	1.2	76.4	54.5
Recognised in other comprehensive income[2]	–	–	–	–
As at 31 December 2018	**58.1**	**7.0**	**1,533.6**	**1,598.7**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–23.1**	**1.2**	**73.5**	**51.6**

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

During the reporting period, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €578.7m and negative market values of issues amounting to €2.7m were transferred from level 3. Furthermore, positive market values of debt securities, other fixed-interest securities and loan receivables of €302.0m and negative market values of issues of €0.7m were transferred 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 are employed in the valuation process. Adequacy checks are carried out on a regular basis as part of normal operations. The main steps in the process are the provision of market data that is independent of trading activities, parametrisation, performance of the valuation and quality assurance. Each of these steps and processes has a team responsible for design and implementation.

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

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

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

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

32 Information on non-performing and forborne exposures

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	Public infras tructure	Corporates	Other	Total 30 Jun 2018	Total 31 Dec 2017
Non-performing exposures[1)]	240.2	65.5	13.1	–	–	1.1	319.9	433.6
Collateral[2)]	125.2	–	–	–	–	–	125.2	171.9
Provision/credit rating-related change in fair value	106.5	12.5	1.2	–	–	0.5	120.7	170.6

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

Exposures with forbearance measures

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

€m	Transport and export finance	Energy and utility infra-structure	Property risks	Public infra-structure	Corporates	Other	Total 30 Jun 2018	Total 31 Dec 2017
Forborne exposures[1)]	241.0	53.7	–	–	11.8	–	306.5	363.7
Thereof: Performing	3.0	–	–	–	11.8	–	14.8	23.2
Thereof: Non-Performing	238.0	53.7	–	–	–	–	291.7	340.5
Collateral[2)]	126.9	–	–	–	11.5	–	138.4	149.9
Provision/credit rating-related change in fair value	106.3	6.3	–	–	0.0	–	112.6	123.0

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

Key ratios for non-performing and forborne exposures:

%	30 Jun 2018	31 Dec 2017
NPE ratio at the reporting date		
(Ratio of non-performing exposures to maximum credit risk)	0.32	0.48
NPE coverage ratio, including collateral, at the reporting date		
(Ratio of risk provisions, including collateral, to non-performing exposures)	76.83	78.99
NPE coverage ratio, excluding collateral, at the reporting date		
(Ratio of risk provisions, excluding collateral, to non-performing exposures)	37.71	39.35
Forborne exposures ratio at the reporting date		
(Ratio of forborne exposures to maximum credit risk)	0.31	0.40

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.35M / IFRS 7.36, using credit risk-bearing financial assets and the corresponding off-balance sheet liabilities. As at the reporting date it amounted to €100.2bn (31 December 2017: €90.5bn).

33 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 2018**	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**
Interest rate risks	714,449.3	576,368.6	10,826.0	10,032.6	10,353.4	9,459.7
Currency risks	28,249.5	27,246.2	603.4	718.9	739.3	751.4
Share and other price risks	39,924.2	38,097.2	680.1	929.5	1,071.2	1,348.1
Total	**782,623.0**	**641,712.0**	**12,109.5**	**11,681.0**	**12,163.9**	**11,559.2**
Net amount disclosed in the statement of financial position			**4,996.9**	**5,512.8**	**5,327.4**	**5,814.9**

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

34 Regulatory capital (own funds)

As at 30 June 2018, regulatory capital and capital adequacy were calculated on the basis of the capital requirements that came into force on 1 January 2014 pursuant to the Regulation on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) and the Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive IV – CRD IV), which are subject to certain transitional provisions.

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

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

	30 Jun 2018		31 Dec 2017	
€m	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Common Equity Tier 1 (CET 1) capital	4,493	4,493	4,145	4,238
Additional Tier 1 (AT 1) capital	474	495	474	437
Tier 1 capital	**4,967**	**4,988**	**4,619**	**4,676**
Tier 2 (T2) capital	815	815	823	817
Own funds	**5,782**	**5,803**	**5,442**	**5,492**

The increase in Tier 1 capital is mainly due to the reinvestment of profits from the 2017 financial year.

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

€m	30 Jun 2018 CRR/CRD IV (without transitional provisions)	30 Jun 2018 CRR/CRD IV (with transitional provisions)	31 Dec 2017 CRR/CRD IV (without transitional provisions)	31 Dec 2017 CRR/CRD IV (with transitional provisions)
Credit risk	16,053	16,053	15,568	15,568
Market risk	4,949	4,949	5,127	5,127
Operational risk	3,399	3,399	3,242	3,242
CVA risk	608	608	950	950
Risk-weighted assets	**25,009**	**25,009**	**24,886**	**24,886**

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

%	30 Jun 2018 CRR/CRD IV (without transitional provisions)	30 Jun 2018 CRR/CRD IV (with transitional provisions)	31 Dec 2017 CRR/CRD IV (without transitional provisions)	31 Dec 2017 CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 capital ratio	18.0	18.0	16.7	17.0
Tier 1 capital ratio	19.9	19.9	18.6	18.8
Total capital ratio	23.1	23.2	21.9	22.1

In these interim financial statements, the composition of regulatory own funds and the above key ratios disregard the effects of adopting IFRS 9 (see Statement of Changes in Equity and Note [5] "Effects of applying IFRS 9"). The effects arising will be taken into account in regulatory own funds and the key ratios for the first time upon the approval of the audited IFRS consolidated financial statements for 2018.

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

35 Contingent liabilities and other obligations

€m	30 Jun 2018	31 Dec 2017	Change
Irrevocable lending commitments	1,895.7	1,283.8	611.9
Other liabilities	114.1	62.9	51.2
Total	**2,009.8**	**1,346.7**	663.1

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

In a circular dated 17 July 2017, the Federal Ministry of Finance (BMF) presented rules for the tax treatment of share trades around the dividend record date, and noted, inter alia, that certain transaction types may fall under the scope of section 42 of the German Tax Code (Abgabenordnung – AO). It cannot be ruled out that some share trades carried out by DekaBank around the dividend record date in the years concerned will be re-examined by the tax authorities in the light of the said BMF circular. However, DekaBank sees no convincing reason to believe that share trades it transacted around the dividend record date will fall under the scope of section 42 of the German Tax Code and therefore considers it unlikely that a final claim will be made in this regard. Consequently, there are no grounds to create provisions for potential financial burdens arising from the possible refusal by tax authorities to allow relief from capital yields tax (Kapitalertragsteuer).

Since a degree of uncertainty remains as to how the tax authorities and fiscal courts will ultimately assess the share trades concerned, it cannot be wholly ruled out that an adverse financial impact of around €47m may arise in this regard.

36 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 2018
bevestor GmbH, Frankfurt/Main	100.00
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Far East Pte. Ltd., Singapore	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Real Estate Services USA Inc., New York	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
International Fund Management S.A., Luxembourg	100.00
Deka Vermögensmanagement GmbH, Frankfurt/Main (formerly: Landesbank Berlin Investment GmbH, Berlin)	100.00
S Broker Management AG, Wiesbaden	100.00
S Broker AG & Co. KG, Wiesbaden	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74[1)]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

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

Consolidated subsidiaries (structured entities):

Name, registered office	Share in fund assets % 30 Jun 2018
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
S Broker 1 Fonds, Frankfurt/Main	100.00
Masterfonds S Broker, Frankfurt/Main	100.00

Joint ventures and associated companies accounted for under the equity method:

Name, registered office	Share of equity % 30 Jun 2018	Equity €'000 30 Jun 2018[1]	Total of profit or loss €'000 30 Jun 2018[1]
Joint ventures			
S-PensionsManagement GmbH, Cologne	50.00	26,442.6	21,812.4
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00	18,587.0	943.5

[1] Amounts reported in financial statements for the year ended 31 December 2016

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

Name, registered office	Share of equity % 30 Jun 2018
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 2018
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 04 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 05 mbH, Frankfurt/Main	100.00
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 2018	Share of equity/ fund assets % 30 Jun 2018
Deka-BR 45, Frankfurt/Main	6.6	100.00
Deka-MultiFactor Global Corporates, Luxembourg	33.9	100.00
Deka-MultiFactor Global Government, Luxembourg	14.8	100.00
Deka-MultiFactor Global Corporates, Luxembourg	24.5	100.00
Deka-MultiFactor Emerging Markets Corporates, Luxembourg	19.3	100.00
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	77.3	100.00
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	5.0	94.51
Deka-GenerationenPortfolio, Frankfurt/Main	5.4	90.74
Deka-Relax 50, Frankfurt/Main	0.6	85.95
Deka-Relax 30, Frankfurt/Main	0.7	76.39
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	27.3	75.74
Deka Deutsche Boerse EUROGOV® Germany 10+ UCITS ETF, Frankfurt/Main	51.1	75.69
MBS Invest 3, Berlin	13.5	74.03
MBS Invest 2, Berlin	14.2	70.32
Deka Eurozone Rendite Plus 1-10 UCITS ETF, Frankfurt/Main	27.0	66.67
Deka-Relax 70, Frankfurt/Main	0.8	64.24
Deka-BasisStrategie Aktien, Frankfurt/Main	19.7	63.99
Deka MSCI Japan UCITS ETF, Frankfurt/Main	53.4	54.87
Deka-EuroFlex Plus, Luxembourg	143.4	38.71
Deka-Globale Renten High Income, Frankfurt/Main	62.5	38.58
Deka-Liquidität, Frankfurt/Main	1,101.4	25.10
Teilgesellschaftsvermögen Mittelstandskreditfonds I, Frankfurt/Main	73.0	21.49
Deka Deutsche Boerse EUROGOV® Germany 1-3 UCITS ETF, Frankfurt/Main	438.4	20.10

37 Related party disclosure

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 Deka mutual funds and special funds in which the Deka Group's holding exceeds 10% as at the reporting date are shown as subsidiaries, associated companies or other related parties in accordance with the size of the holding.

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

Business dealings with shareholders of DekaBank and unconsolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Asset items				
Due from customers	45,0	45,0	0,6	1,5
Financial assets at fair value	–	–	5,5	5,2
Other assets	–	–	0,3	0,3
Total asset items	**45,0**	**45,0**	**6,4**	**7,0**
Liability items				
Due to customers	110,9	46,0	20,3	32,6
Financial liabilities at fair value	–	–	0,8	1,2
Other liabilities	–	–	–	0,2
Total liability items	**110,9**	**46,0**	**21,1**	**34,0**

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

	Joint ventures/ associated companies		Other related parties	
€m	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Asset items				
Due from customers	–	–	0,0	–
Financial assets at fair value	1,6	–	0,0	2,6
Other assets	0,3	0,5	0,6	0,4
Total asset items	**1,9**	**0,5**	**0,6**	**3,0**
Liability items				
Due to customers	60,3	55,0	143,6	636,9
Financial liabilities at fair value	33,9	33,4	–	0,8
Other liabilities	–	–	0,1	–
Total liability items	**94,2**	**88,4**	**143,7**	**637,7**

38 Additional miscellaneous information

Post balance sheet events

No major developments of particular significance occurred after the reporting date of 30 June 2018.

The consolidated interim financial statements were approved for publication on 10 August 2018 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 am Main, 10 August 2018

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger Dr. Stocker

Better Dr. Danne Müller

Review Report

To DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main

We have reviewed the condensed interim consolidated financial statements – comprising statement of financial position, statement of profit or loss and other comprehensive income, condensed statement of changes in equity, condensed statement of cash flows 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 2018 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/Main, August 13, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski
Wirtschaftsprüfer

Fox
Wirtschaftsprüfer

Administrative Board and Board of Management of DekaBank

(as of 1 June 2018)

Administrative Board

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

Walter Strohmeier
First Deputy Chairman
Chairman of the Management Board of Sparkasse Niederbayern-Mitte
First Deputy Chairman of the General and Nominating Committee
First Deputy Chairman of the Remuneration Supervision 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
former Minister of State
Chairman of the Management Board of Sparkasse Oberlausitz-Niederschlesien, Zittau
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee
Member of the Risk and Credit Committee

Michael Breuer
former Minister of State
President of the Rhineland Savings Banks and Giro Association, Düsseldorf
Chairman of the Audit Committee

Ingo Buchholz
Chairman of the Management Board of Kasseler Sparkasse, Kassel
First Deputy Chairman of the Remuneration Supervision 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 Committee
Member of the Audit Committee

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

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

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

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

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

Dr. Christoph Krämer
Chairman of the Management Board of Sparkasse Iserlohn, Iserlohn
Member of the Risk and Credit Committee

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

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

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

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

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

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

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

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

Employee Representatives appointed by the Staff Committee

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

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

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

Helmut Dedy
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

Roland Schäfer
Mayor of the City of Bergkamen and First Vice President of the German Association of Towns and Municipalities, Berlin
Member of the General and Nominating Committee (advisory)
Member of the Remuneration Supervision Committee (advisory)

Board of Management

Michael Rüdiger
CEO

Dr. Georg Stocker
Deputy CEO

Manuela Better
Member of the Board of Management

Dr. Matthias Danne
Member of the Board of Management

Martin K. Müller
Member of the Board of Management

Executive Manager

Manfred Karg

Internet website

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

Contact

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

This report was finalised in August 2018

Produced in-house with firesys

Concept and design

Edelman.ergo GmbH,
Frankfurt/Main, Berlin, Cologne, Hamburg

Photography/Picture credits

Olaf Hermann, Langen

Translation

BBi (Scotland) Ltd.

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

100 Jahre Deka

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

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

Finanzgruppe