Economic report

Economic environment 11
Business development and profit performance in the Deka Group 17
Business development and profit performance by business division 21
Financial position of the Deka Group 28
Human resources report 29

Economic environment

Macroeconomic conditions

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

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

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

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

Economic environment for asset management

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

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

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

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

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

Economic environment for the banking business

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

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

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

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

Regulatory environment

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

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

Regulatory topics

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

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

DekaBank did not apply the following relief measures:

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

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

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

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

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

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

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

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

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

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

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

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

See also: Disclosures according to SFDR / Disclosure Regulation

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

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

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

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

Product- and service-related regulatory proposals

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

Business development and profit performance in the Deka Group

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

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

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

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

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

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

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

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

Deka Group net sales *in €m (Fig. 1)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Profit performance of the Deka Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Business development and profit performance by business division

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

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

Net sales and total customer assets

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

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

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

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

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

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

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

Profit performance in the Asset Management Securities business division

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

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

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

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

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

Net sales and total customer assets

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

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

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

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

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

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

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

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

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

Profit performance in the Asset Management Real Estate business division

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

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

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

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

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

Business development in the Asset Management Services business division

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

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

Profit performance in the Asset Management Services business division

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

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

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

Business development and profit performance in the Capital Markets business division

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

Business development in the Capital Markets business division

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

Profit performance in the Capital Markets business division

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

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

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

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

Business development and profit performance in the Financing business division

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

Business development in the Financing business division

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

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

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

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

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

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

Profit performance in the Financing business division

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

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

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

Financial position of the Deka Group

Changes in the Deka Group balance sheet

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

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

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

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

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

See also:
Risk report:
page 35 ff.

Capital and liquidity adequacy

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

Ratings

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

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

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

Ratings overview *(Fig. 14)*

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

Human resources report

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