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Deka Group profile and strategy

DekaBank is the *Wertpapierhaus* for the savings banks. The Deka Group is made up of DekaBank and its subsidiaries. Through its asset management and banking activities, it acts as a service provider for the investment, administration and management of assets, supporting savings banks, their customers and institutional investors at every stage in the investment process. It also offers comprehensive advice and solutions both to the savings banks and to institutional customers outside the *Sparkassen-Finanzgruppe* on investing, liquidity and risk management, and financing.

Organisational structure and corporate governance

At 30 June 2019, the fundamental legal and organisational structure and the business model of the Deka Group were essentially as described in the Group Management Report for 2018. Activities are divided into five business divisions:

- Asset Management Securities
- Asset Management Real Estate
- Asset Management Services
- Capital Markets
- Financing

The CEO of DekaBank, Michael Rüdiger, will step down from his post at the end of 2019 at his own request and leave the Bank. The Administrative Board has decided to appoint the deputy CEO, Dr Georg Stocker, as the new CEO with effect from 1 January 2020. The Administrative Board also appointed Daniel Kapffer as member of the Administrative Board effective 1 May 2019.

At the beginning of July 2019, Manuela Better informed the Administrative Board that she would not be extending her contract as an Administrative Board member, which is set to expire at the end of May 2020. She will continue to hold the position of Chief Risk Officer up until this time. The Administrative Board will address succession arrangements in due course.

DekaBank is jointly managed by the Board of Management, which comprises six members as of 1 May 2019. The individual members are assigned the following responsibilities:

- CEO & Asset Management Securities: Michael Rüdiger
- Deputy CEO, Sales: Dr Georg Stocker
- Risk (CRO): Manuela Better
- Finance (CFO) & Asset Management Real Estate: Dr Matthias Danne
- Operations (COO): Daniel Kapffer
- Banking business: Martin K. Müller

Strategic objectives

The Group forged ahead with the DekaPro strategic programme, initiated in 2018 in a quest to increase growth and efficiency through a more customer-centric orientation, in the first six months of 2019. Initiatives have been launched in relation to sales and products and services.

Focal points in the first half of 2019

The Deka Group helps savings banks to achieve their objective of expanding the whole of their securities business and leveraging potential in securities business with retail customers. One key component of this strategy involves promoting regular investment using fund savings plans. The growth in fund savings plans continued in the first half of 2019, with around 200,000 additional savings plans being concluded during this period.

With *Deka-UnternehmerStrategie Europa*, Deka has launched an equity fund focusing on family-run and family-controlled companies. Deka Immobilien is planning new open-ended real estate funds in response to the sustained high demand for real estate products among private investors. Another fund, launched exclusively for Deka by a cooperation partner, is investing in the residential asset class for the first time. The ETF product portfolio is also being developed further in line with an all-round product and sales strategy, including enhancement products, such as ETF funds of funds and ETF asset management in the retail business. The range of certificates has been expanded further to strengthen the universe of products and underlyings.

To boost the institutional business, platform solutions, such as the Deka Easy Access (DEA) analysis, management and trading tool, have been expanded. This involved a number of measures including the expansion of the information, management and trading dashboard for the savings banks' proprietary investments. DEA can now also be used for money market trading and to simulate interest option transactions. Around 200 savings banks were using the platform as of June 2019. Savings banks and other institutional customers can also limit the outlay involved in implementing regulatory requirements by accessing centrally provided services that offer considerable value added, such as the Deka Treasury Kompass (DTK). Further improvements have been achieved thanks to the attractive user interface, continuity in terms of the media used and synergy effects between DTK and DEA.

The digital transformation process is concentrated, firstly, on interfaces with savings banks and retail and institutional customers along with the products and services available for these groups. Deka is also concentrating on digitalising its internal processes and the corresponding digital transformation.

The products and services developed and provided by Deka for the multichannel sale of securities had already been integrated into the "internet branches" of more than 300 savings banks by the middle of the year, depending on the solution used. Ongoing development resulted in additional solutions, such as the integration of bevestor securities accounts into the internet branch financial status or the provision of a securities dashboard.

In order to forge ahead with digital transformation within Deka, the Open Digital Factory (ODF) was launched at the end of 2018 as a cross-divisional driver for digital topics, agile working methods and new key technologies. The technologies on which Deka is focusing include robotic process automation (RPA), artificial intelligence and blockchain applications. A new innovation process was also established in cooperation with bevestor GmbH in the first half of 2019.

A cross-institutional team comprising DekaBank, dwpbank, DZ BANK and Helaba employees succeeded for the first time in issuing a promissory note loan using nothing but digital technology. In a pilot project, the team successfully processed the issue of a promissory note loan via finledger – a newly launched blockchain platform.

At the beginning of the year, DekaBank acquired a 12% stake in Architrave, a platform provider for digital asset management. Architrave's digital offering simplifies document-related processes in the real estate business. This investment is DekaBank's way of supporting Architrave's cooperative approach to establishing an industry-wide data standard for documents and records relating to real estate properties.

The efficiency aspect mainly includes optimisation and consolidation measures to boost efficiency and reduce costs. The Deka Group is using various measures to ensure it performs its services efficiently and thus with lasting competitiveness. Efficiency measures forming part of DekaPro are designed to handle a growing volume of business and to manage challenging regulatory requirements with an appropriate level of expenditure.

Awards and sustainability

During the reporting period, confirmation of the high quality of Deka's asset management came, among other things, in the form of the "Euro Fund Award 2019" and the maximum five-star rating in the 2019 Fonds-Kompass awards organised by the business magazine Capital. What is more, Deka Immobilien was once again awarded the title of best asset manager in the "Retail Real Estate Europe" category of the Scope Alternative Investment Awards. The high quality of the Deka Group's certificates was confirmed with the "Market leader for certificates in Germany" award.



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

The sustainability strategy, which forms part of the overall business strategy, is being developed on an ongoing basis to reflect the EU action plan on financing sustainable growth. Deka once expanded its sustainability reporting for the 2018 reporting year and issued the non-financial statement required under the German CSR Directive Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz*) as part of its detailed Sustainability Report for 2018. 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 2018 sustainability report was published on time at the end of April 2019 on the Deka Group website (<https://www.deka.de/deka-group/sustainability>), where it will remain accessible for at least ten years.

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 rating and ISS-oekom our C+(Prime) rating in spite of new, stricter requirements. As far as the ratings awarded by the rating agency "imug rating" are concerned, Deka was also able to improve its issuer rating and the rating for the public sector *Pfandbriefe* by one notch to BB and BBB respectively.

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Economic environment

Compared with 2018, the economic environment for asset management improved considerably over the reporting period. The first few months of 2019 were characterised by a strong recovery on the global stock markets. This was driven by two factors in the main: first of all, the fears of a trade war and of a marked economic slump in China, which had put the stock markets under pressure at the end of 2018, eased considerably. The postponement of the United Kingdom's planned exit from the EU from the end of March to the end of October also helped to reduce the risk perceived on the financial markets, as concerns that political decisions could lead to a disorderly Brexit were alleviated significantly. Second, the major central banks took a much more moderate stance throughout the first half of 2019.