Notes

Segment reporting

1 Segmentation by operating business divisions

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

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

In addition to the total of profit or loss before tax, the economic result includes the change in the revaluation reserve (before tax) as well as the interest- and currency-related valuation result from financial instruments recognised at amortised cost. This allows economic hedges that do not meet the 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 the total profit or loss before tax (IFRS) 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 assets of the mutual and special funds under management (including ETFs) in the Asset Management Securities and Asset Management Real Estate 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 €1.7bn (31 December 2018: €1.7bn). These mainly relate to start-up financing for newly launched investment funds.

Based on the definition of section 19 (1) of the German Banking Act (*Kreditwesengesetz* – KWG), the gross loan volume includes additional risk positions such as, among other things, underlying risks from equity derivative transactions and transactions for the purposes of 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 transport 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 real estate 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. The segment concentrates 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. In addition, the Capital Markets reporting segment is responsible for the Deka Group's strategic investments, which comprise the securities in the proprietary portfolio that are not held for liquidity management purposes.

Financing

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. Specialised financing positions concluded before the credit risk strategy was changed in 2010 have been pooled in a legacy portfolio, which continues to be wound down while safeguarding assets. 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 and North America.

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. The income and expenses of the Treasury function are allocated to the other segments on a source-specific basis, and are therefore shown in the presentation of the economic result of the respective segments.

	Asset Management Securities		Asset Management Real Estate		Asset Management Services		Capital Markets	
	Economic result							
€m	**1st half 2019**	**1st half 2018**	**1st half 2019**	**1st half 2018**	**1st half 2019**	**1st half 2018**	**1st half 2019**	**1st half 2018**
Net interest income	1.7	3.2	–0.2	0.2	1.7	2.1	32.0	18.8
Risk provisions in the lending and securities business	–	–0.0	–	–	–	–0.1	–0.9	9.2
Net commission income	347.3	326.8	113.9	119.0	88.2	92.6	29.3	11.3
Net financial income[1]	13.6	–2.5	0.8	–1.2	3.6	–2.2	136.1	112.1
Other operating income[3]	–3.0	–4.9	0.1	0.5	2.7	2.0	1.1	1.3
Total income without contributions to earnings from Treasury function	**359.5**	**322.5**	**114.6**	**118.6**	**96.1**	**94.4**	**197.5**	**152.7**
Administrative expenses (including depreciation)	179.5	186.3	68.3	65.8	86.5	81.8	84.5	82.4
Restructuring expenses[3]	2.7	–0.0	–	–	–	–	–	–
Total expenses before allocation of Treasury function	**182.2**	**186.2**	**68.3**	**65.8**	**86.5**	**81.8**	**84.5**	**82.4**
(Economic) result before tax excluding Treasury function	**177.3**	**136.3**	**46.3**	**52.8**	**9.6**	**12.5**	**113.0**	**70.3**
Treasury function	–5.4	–9.9	–1.6	–2.0	–0.8	–1.0	–17.0	–35.8
(Economic) result before tax	**172.0**	**126.3**	**44.7**	**50.8**	**8.8**	**11.6**	**96.0**	**34.5**
Cost/income ratio[4]	0.50	0.58	0.60	0.55	0.90	0.87	0.43	0.57
	30 Jun 2019	**31 Dec 2018**	**30 Jun 2019**	**31 Dec 2018**	**30 Jun 2019**	**31 Dec 2018**	**30 Jun 2019**	**31 Dec 2018**
Group risk (value-at-risk)[6]	820	618	91	89	131	110	1,038	945
Total customer assets	234,849	217,337	40,479	38,099	–	–	22,339	20,443
Gross loan volume[7]	7,117	6,860	186	213	732	619	90,890	91,548

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

[2] This includes effects relevant for management purposes of €+/–0.0m (first half 2018: €+ 30.0m) 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.

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

[4] Calculation of cost/income ratio does not take into account the restructuring expenses or provisions in the lending and securities business.

Financing		Other		Deka Group		Reconciliation		Deka Group	
		Economic result						Total profit or loss before tax (IFRS)	
1st half 2019	**1st half 2018**	**1st half 2019**	**1st half 2018**	**1st half 2019**	**1st half 2018**	**1st half 2019**	**1st half 2018**	**1st half 2019**	**1st half 2018**
64.8	59.1	–2.4	–5.7	97.5	77.6	–21.0	–31.1	76.5	46.5
–10.6	6.2	–	0.0	–11.4	15.4	–	–	–11.4	15.4
13.7	14.2	–1.0	0.1	591.4	563.9	–	–0.1	591.4	563.8
–0.9	2.6	–5.2[2]	–12.5[2]	148.0	96.5	1.8	36.0	149.8	132.5
5.5	0.9	–60.4	–15.4	–54.1	–15.5	55.8	10.7	1.7	–4.8
72.6	**83.1**	**–69.0**	**–33.5**	**771.4**	**737.8**	**36.6**	**15.6**	**808.0**	**753.4**
28.0	27.8	98.8	71.1	545.6	515.1	–	–	545.6	515.1
–	–	–	0.0	2.7	–	–	–	2.7	–
28.0	**27.8**	**98.8**	**71.1**	**548.3**	**515.1**	**–**	**–**	**548.3**	**515.1**
44.6	**55.3**	**–167.8**	**–104.6**	**223.1**	**222.6**	**36.6**	**15.6**	**259.7**	**238.3**
–9.2	–17.6	34.0	66.4	–	–	–	–	–	–
35.4	**37.7**	**–133.9**	**–38.2**	**223.1**	**222.6**	**36.6**	**15.6**	**259.7**	**238.3**
0.34	0.36	–[5]	–[5]	0.70	0.71				
30 Jun 2019	**31 Dec 2018**	**30 Jun 2019**	**31 Dec 2018**	**30 Jun 2019**	**31 Dec 2018**				
468	581	232	237	2,691	2,492				
–	–	–	–	297,667	275,878				
25,180	24,004	28,273	28,045	152,376	151,288				

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

[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] As a result of a refined calculation of over-collateralisation, in the first half of the year, there was a shift between the risk segments. The figures as at 31 December 2018 were adjusted for reasons of comparison.

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

During the reporting period, the reporting and measurement differences between internal reporting and the total profit before tax under IFRS amounted to €–36.6m (first half of 2018: €–15.6m).

The result not recognised in profit or loss was €+16.3m during the reporting period (first half of 2018: €+63.4m). Of this total, €+30.4m (first half of 2018: €+47.5m) was attributable primarily to interest- and currency-related valuation results relating to financial instruments recognised at amortised cost. The result not recognised in profit or loss also includes the total interest expense (including accrued interest) of €–14.1m on the AT1 bonds (first half of 2018: €–14.1m). Distributions made were recorded directly in equity, in accordance with IAS 32. In addition, a general provision to cover potential risks that could materialise in the coming months was recognised for the first time in the 2012 financial year. At the end of the first half of 2019, the provision for these effects in the management accounts was €–170.0m (first half of 2018: €–175.0m). The effect on the economic result in the first half of 2019 in the Other segment was €+/–0.0m (first half of 2018: €+30.0m). The change of €–52.8m in the revaluation reserve before tax (first half of 2018: €–79.0m) 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, €35.1m (first half of 2018: €45.2m) relates to internal transactions that are reported in the economic result. The majority of these are included within net interest income, while the corresponding offsetting income effects are reported under net financial income. There are also reporting differences in net financial income and other operating profit from the different allocation of income effects from the repurchases of own issues.

General information

2 Accounting principles

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

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

The present consolidated interim report has been reviewed by our year-end auditor and should be read in conjunction with our audited 2018 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 2018, with the exception of accounting standards applied for the first time as set out in note [4], “Accounting standards applied for the first time and to be applied in future”. In accordance with IAS 34, the accounting recognition of a transaction is based on an independent evaluation as at the current reporting date and not in anticipation of the consolidated financial statements.

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

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* – risk provisions in the lending and securities business, the impairment test for goodwill, fair value measurement of financial instruments, and provisions and other liabilities. Where discretionary management decisions have a material impact on items or scenarios, the assumptions made are explained in detail in the notes to the relevant items.

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

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

IFRS 16

As at 1 January 2019, the Deka Group implemented IFRS 16 “Leases”, in accordance with the transitional provisions set out in IFRS 16.C5(b), using the modified retrospective method. This means that comparative figures for the previous year have not been restated. IFRS 16 replaced IAS 17 “Leases”, as well as the associated interpretations IFRIC 4, SIC-15 and SIC-27.

Under IFRS 16, leases are recognised in the lessee’s balance sheet as a lease liability and a right-of-use asset at the time at which the underlying asset is made available to the lessee. In accordance with IFRS 16, the categorisation of leases as finance and operating leases that was previously required under IAS 17 is also no longer necessary.

Lease liabilities are recognised at the present value of future lease payments. Discounting is based on the interest rate implicit in the lease, if this can be determined; otherwise, discounting is based on the lessee’s incremental borrowing rate. The term of the lease is determined by the non-cancellable period of the lease as defined in the contract, taking into account extension options or termination rights that are to be included in the assessment. Purchase options also have to be taken into account. This means that, for accounting purposes, the term of a contract is to be taken into account beyond the non-cancellable term if it is reasonably certain that an extension option will be exercised or that a termination or purchase option will not be exercised.

Compared with the previous regulations under IAS 17, IFRS 16 also requires variable lease payments that depend on an index or (interest) rate to be taken into account in particular. The amounts expected to be payable by the lessee under residual value guarantees also have to be estimated. Previously, the amount to be recognised corresponded to the maximum possible amount payable under residual value guarantees.

At the commencement of the lease, the right-of-use asset essentially corresponds to the lease liability. Recognition of the right-of-use asset must take into account directly attributable initial costs and lease payments made prior to the provision of the underlying asset; any lease incentives received must be deducted.

During the term of the lease, the lease liability is calculated as at each reporting date by discounting the outstanding lease payments, and the resulting interest expense is recognised in profit or loss. For the purposes of subsequent measurement within the Deka Group, the right-of-use asset is measured at amortised cost and is depreciated, through profit or loss, over the shorter of the useful life or the contractual lease term.

The right-of-use assets are shown in the balance sheet under property, plant and equipment and the lease liabilities are shown under other liabilities. Within the Deka Group, the interest expense resulting from the lease liability is shown under other operating profit and the depreciation expenses resulting from the right-of-use asset are shown under administrative expenses.

In the case of short-term leases or leases of low-value assets, the lessee can opt not to recognise the right-of-use asset and the corresponding lease liability on the balance sheet. Lease payments for these contracts are recognised as expenses on a straight-line basis over the lease term as a general rule.

The accounting requirements for lessors remain largely unchanged, in particular in terms of the ongoing requirement to classify leases.

Simplifications applied

In accordance with the transitional provisions, the Deka Group has refrained from reassessing whether existing agreements constitute leases and applies the new provisions of IFRS 16 to all leases previously classified as operating leases under IAS 17. Lease payments are divided into their lease and non-lease components (usage-based ancillary costs or service charges). As at the reporting date of 30 June 2019, the Deka Group had rental and lease agreements for office properties, motor vehicles and plant and equipment (e.g. printers). The rental agreements for office properties are generally concluded for fixed terms of five to ten years. The lease term for motor vehicles is three to four years, while plant and equipment are leased for five years on average. The rental conditions are negotiated individually.

Furthermore, the Deka Group has made use of the following simplifications when applying IFRS 16 for the first time:

- The simplification rules for short-term leases were applied to leases that had a remaining life of less than twelve months at the time of initial adoption.
- Initial direct costs were not included in the measurement of right-of-use assets.
- The accounting provisions of IFRS 16 were not applied to leases involving low-value assets.
- A uniform discount rate was applied to portfolios with similar leasing arrangements.
- The term of a lease featuring extension or termination options was determined retrospectively.

Effects of first-time application
In the opening balance sheet as at 1 January 2019, property, plant and equipment increased by €191.3m due to the capitalisation of right-of-use assets. The right-of-use assets recognised are split into the following classes of underlying assets:

€m	30 Jun 2019	1 Jan 2019
Office properties	167.7	185.5
Motor vehicles	4.6	4.6
Plant and equipment	1.0	1.2
Total right-of-use assets for leases	**173.3**	**191.3**

The total amount of other liabilities increased by €196.9m as at 1 January 2019 due to the recognition of lease liabilities. On the other hand, other liabilities from lease incentives received were reduced by €5.6m. The lessee's incremental borrowing rate applied to the lease liability as at 1 January 2019 was up to 1.28%, depending on the lease term. There was no effect on the Deka Group's retained earnings. Other liabilities include lease liabilities of €178.8m as at 30 June 2019.

The presentation of leases in the IFRS financial statements differs from that in the tax balance sheet. After taking the effects from netting into account, there were no effects on either the deferred tax assets or deferred tax liabilities reported as at 1 January 2019. As at 30 June 2019, the deferred tax assets reported were up by €1.6m.

In the first half of 2019, interest expenses from lease liabilities amounting to €0.7m were recognised under other operating profit. Administrative expenses included depreciation expenses resulting from the right-of-use assets in the amount of €19.1m. In addition, expenses totalling €1.4m from leases of low-value assets that are not short-term leases were reported under administrative expenses.

The total cash outflows from leases in the first half of 2019 amounted to €19.9m.

Annual Improvements
As at 1 January 2019, the Deka Group also implemented the amendments to four existing standards from the "Annual Improvements Project 2015-2017" published in December 2017 and endorsed in March 2019 for the first time. With its amendment to IAS 12, the IASB clarified that all income tax consequences of dividends have to be recognised in the same line item as the underlying transactions or events that generated the distributable profits. As a result, the tax benefit of €4.5m recognised for the first half of 2019 was reported for the first time in the income statement under "Income taxes" instead of under retained earnings, as was the case in the past. We also refer to the information provided in Note [43] "Income taxes" of the 2018 Annual Report.

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

Standards and interpretations not yet adopted into European law

IFRS 3

In October 2018, the IASB published amendments to IFRS 3 "Business Combinations". The amendments relate to the definition of a business and include clearer guidance on how to distinguish a business from a group of assets. The amended definition is to be applied to acquisition transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. The amendments have no effect on the consolidated financial statements.

IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendment clarifies the definition of "material" and aligns the definition used in the Conceptual Framework and the standards themselves. The definition is supplemented by explanatory paragraphs in IAS 1. The previous definition of "material" in IAS 8 is replaced by a reference to IAS 1. Application of the new rules is mandatory for financial years beginning on or after 1 January 2020. Voluntary early adoption is permitted. The amendments have no effect on the consolidated financial statements.

5 Changes in the scope of consolidation

In addition to DekaBank as the parent company, the consolidated interim financial statements include a total of 11 (31 December 2018: 11) domestic companies and 6 (31 December 2018: 6) foreign companies in which DekaBank directly or indirectly holds the majority of the voting rights. The scope of consolidation also includes 7 structured entities (31 December 2018: 10).

The changes in the scope of consolidation are due to the deconsolidation of a total of 3 structured entities. The Deka Group no longer controls the structured entities Treasury One UG (haftungsbeschränkt) & Co. KG, Hamburg and Treasury Three Shipping Limited, Majuro (Marshall Islands) within the meaning of IFRS 10, as the business relationship was terminated in the first half of 2019. In addition, the shares in the structured entity Masterfonds S Broker, Frankfurt/Main were redeemed in full.

A total of 11 (31 December 2018: 11) affiliated companies controlled by the Deka Group were not consolidated because they are of minor significance for the presentation of the Group's financial position and financial performance. The interests held in these subsidiaries are reported under financial assets at fair value. Likewise, structured entities are not consolidated if they are of minor significance to the consolidated interim financial statements. Units in unconsolidated investment funds are measured at fair value through profit or loss. These are shown in the statement of financial position under financial assets at fair value.

The subsidiaries (affiliated companies and structured entities), joint ventures and associated companies, as well as the companies and equity investments not included in the scope of consolidation on materiality grounds are shown in the list of shareholdings (note [35]).

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

6 Net interest income

In addition to interest income and expenses from financial instruments, 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 2019	1st half 2018	Change
Interest income from			
Financial assets measured at amortised cost	**338.6**	**268.0**	70.6
thereof: lending and money market transactions	286.7	234.2	52.5
thereof: fixed-interest securities	51.9	33.8	18.1
Financial assets measured at fair value through other comprehensive income	**10.6**	**13.8**	–3.2
thereof: money market transactions	–	–	–
thereof: fixed-interest securities	10.6	13.8	–3.2
Financial assets measured at fair value through profit or loss	**125.9**	**133.8**	–7.9
Trading portfolio			
thereof: lending and money market transactions	8.4	2.8	5.6
thereof: interest rate derivatives (economic hedges)	68.8	75.5	–6.7
thereof: hedge derivatives (hedge accounting)	12.5	27.5	–15.0
Financial assets mandatorily measured at fair value through profit or loss			
thereof: lending and money market transactions	13.4	7.8	5.6
thereof: fixed-interest securities	19.4	15.6	3.8
thereof: current income from shares and other non-fixed-interest securities	2.5	2.2	0.3
thereof: current income from equity investments	0.9	2.4	–1.5
Negative interest from liabilities	**60.8**	**53.4**	7.4
Total interest income	**535.9**	**469.0**	66.9
Interest expenses for			
Financial liabilities measured at amortised cost	**153.3**	**153.4**	–0.1
thereof: lending and money market transactions	79.1	91.8	–12.7
thereof: securitised liabilities	56.4	43.6	12.8
thereof: subordinated liabilities	17.8	18.0	–0.2
Financial liabilities measured at fair value through profit or loss	**254.5**	**222.7**	31.8
Trading portfolio			
thereof: lending and money market transactions	–7.6	3.1	–10.7
thereof: interest rate derivatives (economic hedges)	202.0	161.4	40.6
thereof: hedge derivatives (hedge accounting)	34.6	24.0	10.6
Financial liabilities designated at fair value			
thereof: lending and money market transactions	22.0	27.7	–5.7
thereof: securitised liabilities	3.5	6.5	–3.0
Negative interest on money-market transactions and fixed-interest securities	**51.6**	**46.4**	5.2
Total interest expenses	**459.4**	**422.5**	36.9
Net interest income	**76.5**	**46.5**	30.0

7 Risk provisions in the lending and securities business

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

€m	1st half 2019	1st half 2018	Change
Allocations to risk provisions	–19.9	–8.8	–11.1
Reversals of risk provisions	9.3	11.6	–2.3
Direct write-downs on receivables	–	–	–
Income on written-down receivables	0.7	3.1	–2.4
Net income from modifications in the lending business (stage 3 or POCI)	–	–	–
Risk provisions in the lending business	**–9.9**	**5.9**	–15.8
Allocations to risk provisions	–1.9	–1.4	–0.5
Reversals of risk provisions	0.4	10.9	–10.5
Direct write-downs on securities	–	–	–
Net income from modifications in the securities business (stage 3 or POCI)	–	–	–
Risk provisions in the securities business	**–1.5**	**9.5**	–11.0
Risk provisions in the lending and securities business	**–11.4**	**15.4**	–26.8

8 Net commission income

Net commission income by type of service is as follows:

€m	1st half 2019	1st half 2018	Change
Commission income from			
Investment fund business	1,106.9	1,081.5	25.4
Securities business	78.9	66.5	12.4
Lending business	14.6	15.5	–0.9
Other	10.5	11.1	–0.6
Total commission income	**1,210.9**	**1,174.6**	36.3
Commission expenses for			
Investment fund business	580.8	587.7	–6.9
Securities business	35.0	19.9	15.1
Lending business	1.1	1.2	–0.1
Other	2.6	2.0	0.6
Total commission expenses	**619.5**	**610.8**	8.7
Net commission income	**591.4**	**563.8**	27.6

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

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

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

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

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

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

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

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

Of the net commission income of €591.4m, €347.3m relates to the Asset Management Securities division, €113.9m to the Asset Management Real Estate division, €88.2m to the Asset Management Services division, €29.3m to the Capital Markets division and €13.7m to the Financing division.

9 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments measured at fair value through profit or loss. Since the second half of 2018, this item has also included the profit/loss from the currency translation of the banking book portfolio, which was still reported under the profit or loss on financial assets mandatorily measured at fair value in the comparison period. Prior-year figures have been adjusted accordingly for better comparability. 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. However, net interest income from economic hedging derivatives is reported under net interest income.

€m	**1st half 2019**	**1st half 2018**	Change
Sale and valuation results	103.7	175.6	–71.9
Net interest income and current income from trading transactions	–49.0	–72.3	23.3
Commission	–6.8	–8.7	1.9
Trading profit or loss	**47.9**	**94.6**	–46.7

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

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

€m	**1st half 2019**	**1st half 2018**	Change
Sale and valuation results	99.2	–36.2	135.4
Commission	0.6	–	0.6
Profit or loss on financial assets mandatorily measured at fair value	**99.8**	**–36.2**	136.0

11 Profit or loss on financial instruments designated at fair value

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

€m	**1st half 2019**	**1st half 2018**	Change
Sale and valuation results	8.7	27.1	–18.4
Commission	–	–0.0	0.0
Profit or loss on financial instruments designated at fair value	**8.7**	**27.1**	–18.4

12 Profit or loss on financial investments

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

€m	1st half 2019	1st half 2018	Change
Sale results	1.7	39.8	–38.1
Commission	–	–	–
Net income from equity-accounted companies	–0.0	–0.1	0.1
Profit or loss on financial investments	**1.7**	**39.7**	–38.0

13 Administrative expenses

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

€m	1st half 2019	1st half 2018	Change
Personnel expenses	269.1	260.3	8.8
Other administrative expenses	250.0	245.6	4.4
Depreciation and amortisation of	26.5	9.2	17.3
Property, plant and equipment	2.1	1.9	0.2
Intangible assets	5.3	7.3	–2.0
Right-of-use assets for leases	19.1	–	19.1
Administrative expenses	**545.6**	**515.1**	30.5

Other administrative expenses include the full-year contribution to the European Union’s Single Resolution Fund of €40.4m (30 June 2018/full-year contribution for 2018: €29.6m) and the standard contribution to the deposit guarantee scheme of the Landesbanken and Girozentralen amounting to €17.2m (30 June 2018: €11.0m).

In connection with the first-time application of IFRS 16 “Leases” as at 1 January 2019, the depreciation expenses resulting from capitalised right-of-use assets are reported under administrative expenses for the first time (see Note [4] “Accounting standards applied for the first time and to be applied in future”). Prior-year figures have not been adjusted.

14 Other operating profit

The breakdown of other operating profit is as follows:

€m	1st half 2019	1st half 2018	Change
Income from repurchased debt instruments	**–1.7**	**–1.6**	–0.1
Other operating income	22.1	9.7	12.4
Other operating expenses	21.4	12.9	8.5
Other operating profit	**–1.0**	**–4.8**	3.8

15 Income taxes

Based on the corporation tax and trade tax rates applicable for 2019, the combined tax rate for the companies in the DekaBank fiscal group is unchanged compared with the previous year at 31.9%. DekaBank is treated for tax purposes as an atypical silent partnership, as a result of which part of its corporation tax liability is directly borne by its shareholders. In accordance with its articles of incorporation, DekaBank is obliged to reimburse shareholders for the portion of corporation tax (45.58% of 15.825% including solidarity surcharge, i.e. a total of 7.21%) that they bear. As in the previous year, this portion is disclosed as an income tax expense.

Notes to the consolidated statement of financial position

16 Cash reserves

€m	30 Jun 2019	31 Dec 2018	Change
Cash on hand	0.0	0.0	–0.0
Balances with central banks	16,120.3	15,302.5	817.8
Total	**16,120.3**	**15,302.5**	817.8

17 Due from banks

€m	30 Jun 2019	31 Dec 2018	Change
Domestic banks	11,959.7	12,428.4	–468.7
Foreign banks	13,148.7	11,544.4	1,604.3
Due from banks before risk provisions	**25,108.4**	**23,972.8**	1,135.6
Risk provisions for loan losses	–0.2	–0.2	0.0
Total	**25,108.2**	**23,972.6**	1,135.6

18 Due from customers

€m	30 Jun 2019	31 Dec 2018	Change
Domestic borrowers	5,825.4	5,811.2	14.2
Foreign borrowers	19,306.7	18,692.7	614.0
Due from customers before risk provisions	**25,132.1**	**24,503.9**	628.2
Risk provisions for loan losses	–93.2	–84.0	9.2
Total	**25,038.9**	**24,419.9**	619.0

19 Risk provisions in the lending and securities business

Default risks in lending and securities business are recognised through provisions, including provisions for off-balance sheet commitments. The accumulated provisions for debt instruments in the AC measurement category are offset against the gross carrying amounts on the asset side. For debt instruments in the FVOCI measurement category, the provisions are reported on the liabilities side in other comprehensive income (OCI). Risk provisions for credit risks from off-balance sheet commitments are reported on the liabilities side under provisions. The risk provisions set up in the first half of 2019 were as follows:

€m	30 Jun 2019	31 Dec 2018	Change
Risk provisions in the lending business	**94.8**	**86.0**	8.8
Risk provisions for loan losses – due from banks	0.2	0.2	0.0
Risk provisions for loan losses – due from customers	93.2	84.0	9.2
Provisions for credit risks from off-balance sheet commitments	1.4	1.8	–0.4
Risk provisions in the securities business	**8.5**	**6.9**	1.6
Risk provisions for securities[1)]	8.5	6.9	1.6
Total	**103.3**	**92.9**	10.4

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

Movements in risk provisions set up in the first half of 2019 were as follows:

Risk provisions for assets measured at amortised cost

€m	Stage 1	Stage 2	Stage 3	Total
Due from banks				
Position as at 1 January 2019	**0.2**	**0.0**	**–**	**0.2**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	–0.0	–0.0	–	–0.0
Allocation	0.0	–	–	0.0
Reversal	–0.0	–0.0	–	–0.0
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.0	–	–	0.0
Position as at 30 June 2019	**0.2**	**0.0**	**–**	**0.2**
Due from customers				
Position as at 1 January 2019	**8.7**	**12.0**	**63.3**	**84.0**
Transfer to other stages	–1.3	–0.3	–	–1.6
Transfer from other stages	0.3	1.3	0.0	1.6
Change in position including new business	1.6	–0.1	–1.4	0.1
Allocation	1.0	11.6	6.4	19.0
Reversal	–1.9	–5.8	–0.4	–8.1
Utilisation	–	–	–1.8	–1.8
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Changes in the scope of consolidation	–	–	–	–
Exchange rate-related and other changes	0.0	0.1	–0.1	0.0
Position as at 30 June 2019	**8.4**	**18.8**	**66.0**	**93.2**
Financial investments				
Position as at 1 January 2019	**2.5**	**3.4**	**–**	**5.9**
Transfer to other stages	–0.0	–0.0	–	–0.0
Transfer from other stages	0.0	0.0	–	0.0
Change in position including new business	0.1	–0.0	–	0.1
Allocation	0.4	1.2	–	1.6
Reversal	–0.1	–0.1	–	–0.2
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.1	–	–	0.1
Position as at 30 June 2019	**3.0**	**4.5**	**–**	**7.5**

€m	Stage 1	Stage 2	Stage 3	Total
Due from banks				
Position as at 1 January 2018	**0.2**	**0.0**	**–**	**0.2**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	–0.0	–	–	–0.0
Allocation	–	–	–	–
Reversal	–0.0	–0.0	–	–0.0
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–	–	–	–
Position as at 30 June 2018	**0.2**	**0.0**	**–**	**0.2**
Due from customers				
Position as at 1 January 2018	**8.0**	**19.0**	**95.4**	**122.4**
Transfer to other stages	–0.0	–0.2	–0.1	–0.3
Transfer from other stages	0.2	0.1	–	0.3
Change in position including new business	0.5	–0.5	–1.1	–1.1
Allocation	0.8	0.1	1.6	2.5
Reversal	–0.8	–5.1	–3.8	–9.7
Utilisation	–	–	–14.9	–14.9
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Changes in the scope of consolidation	–	–	–	–
Exchange rate-related and other changes	0.1	0.2	2.1	2.4
Position as at 30 June 2018	**8.8**	**13.6**	**79.2**	**101.6**
Financial investments				
Position as at 1 January 2018	**1.2**	**4.4**	**36.6**	**42.2**
Transfer to other stages	–	–	–	–
Transfer from other stages	0.0	–	–	0.0
Change in position including new business	0.3	–1.3	–8.3	–9.3
Allocation	0.0	0.2	–	0.2
Reversal	–0.1	–0.3	–	–0.4
Utilisation	–	–	–28.3	–28.3
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–	–	–0.0	–0.0
Position as at 30 June 2018	**1.4**	**3.0**	**–**	**4.4**

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

€m	Stage 1	Stage 2	Stage 3	Total
Financial investments				
Position as at 1 January 2019	**1.0**	**–**	**–**	**1.0**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	–0.1	–	–	–0.1
Allocation	0.2	–	–	0.2
Reversal	–0.1	–	–	–0.1
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–	–	–	–
Position as at 30 June 2019	**1.0**	**–**	**–**	**1.0**

€m	Stage 1	Stage 2	Stage 3	Total
Financial investments				
Position as at 1 January 2018	**1.0**	**–**	**–**	**1.0**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	–0.0	–	–	–0.0
Allocation	0.0	–	–	0.0
Reversal	0.0	–	–	0.0
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**	**–**	**–**	**1.0**

Provisions for credit risks from off-balance sheet commitments

€m	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts				
Position as at 1 January 2019	**0.9**	**0.9**	**0.0**	**1.8**
Transfer to other stages	–0.0	–0.1	–	–0.1
Transfer from other stages	0.1	0.0	–	0.1
Change in position including new business	0.1	–	–0.0	0.1
Allocation	0.4	0.1	0.0	0.5
Reversal	–0.2	–0.8	–	–1.0
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	–0.0	0.0	0.0	0.0
Position as at 30 June 2019	**1.3**	**0.1**	**–**	**1.4**

€m	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts				
Position as at 1 January 2018	**1.7**	**0.1**	**0.3**	**2.1**
Transfer to other stages	–	–	–	–
Transfer from other stages	–	–	–	–
Change in position including new business	0.5	0.2	–	0.7
Allocation	0.0	3.9	1.0	4.9
Reversal	–0.1	–	–	–0.1
Utilisation	–	–	–	–
Changes due to model changes	–	–	–	–
Changes due to non-substantial modifications	–	–	–	–
Exchange rate-related and other changes	0.1	–	0.0	0.1
Position as at 30 June 2018	**2.2**	**4.2**	**1.3**	**7.7**

%	2019	2018
Reversal/allocation ratio as at reporting date[1]		
(Ratio of net allocation/-reversal to gross carrying values relevant for risk provisions)	–0.03	0.05
Default rate as at reporting date		
(Ratio of defaults to gross carrying values relevant for risk provisions)	0.00	0.13
Average default rate		
(Ratio of defaults on a 5-year average to gross carrying values relevant for risk provisions)	0.28	0.31
Net provisioning ratio as at reporting date		
(Ratio of risk provisions to gross carrying values relevant for risk provisions)	0.26	0.24

[1] Reversal ratio shown without negative leading sign

The calculations of the figures above are based on a gross carrying amount relevant for risk provisioning purposes of €39.6bn (31 December 2018: €38.4bn).

Risk provisions by risk segment:

€m	Valuation allowances and provisions in the lending and securities business 30 Jun 2019	31 Dec 2018	Defaults[1] 1st half 2019	1st half 2018	Net allocations to[2]/reversals of valuation allowances and provisions in the lending and securities business 1st half 2019	1st half 2018
Customers						
Transport and export finance	72.0	67.9	–0.5	11.8	–4.5	–0.7
Property risks	12.5	4.8	–0.1	–	–7.7	3.0
Energy and utility infrastructure	8.7	11.9	1.7	–	1.7	0.4
Financial institutions	0.7	0.7	–	–	–0.0	–
Public infrastructure	0.4	0.3	–	–	–0.1	0.2
Other	0.3	0.2	0.0	–0.0	–0.0	–0.1
Total customers	**94.6**	**85.8**	**1.1**	**11.8**	**–10.6**	**2.8**
Banks						
Financial institutions	0.2	0.2	–	–	0.0	0.0
Other	0.0	0.0	–	–	0.0	–
Total banks	**0.2**	**0.2**	**–**	**–**	**0.0**	**0.0**
Securities						
Energy and utility infrastructure	4.0	3.3	–	–	–0.7	0.3
Corporates	3.0	2.2	–	28.3	–0.9	8.2
Financial institutions	1.3	1.2	–	–	–0.0	1.1
Other	0.2	0.2	–	–	0.1	–0.1
Total securities	**8.5**	**6.9**	**–**	**28.3**	**–1.5**	**9.5**
Total	**103.3**	**92.9**	**1.1**	**40.1**	**–12.1**	**12.3**

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

20 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. This item also includes holdings in unconsolidated subsidiaries, joint ventures and associated companies, as well as other equity investments.

€m	30 Jun 2019	31 Dec 2018	Change
Trading portfolio			
Debt securities and other fixed-interest securities	9,832.3	7,477.9	2,354.4
Bonds and debt securities	9,802.3	7,477.9	2,324.4
Money market securities	30.0	–	30.0
Shares and other non fixed-interest securities	2,517.2	1,511.0	1,006.2
Shares	891.1	486.7	404.4
Units in investment funds	1,626.1	1,024.3	601.8
Positive market values of derivative financial instruments	7,421.1	4,982.7	2,438.4
Positive market values of derivative financial instruments (trading)	7,097.6	4,607.3	2,490.3
Positive market values of derivative financial instruments (economic hedging derivatives)	323.5	375.4	−51.9
Loan receivables	824.5	698.2	126.3
Total – trading portfolio	**20,595.1**	**14,669.8**	5,925.3
Financial assets mandatorily measured at fair value through profit or loss			
Debt securities and other fixed-interest securities	7,127.2	7,890.2	−763.0
Bonds and debt securities	7,127.2	7,890.2	−763.0
Shares and other non fixed-interest securities	1,461.1	1,421.2	39.9
Shares	4.2	6.7	−2.5
Units in investment funds	1,456.9	1,414.5	42.4
Loan receivables	798.9	1,016.8	−217.9
Shareholdings	67.7	47.4	20.3
Equity investments	64.8	44.7	20.1
Shares in affiliated companies	0.9	0.9	0.0
Holdings in joint ventures	0.0	0.0	–
Shares in associated companies	2.0	1.8	0.2
Total – financial assets mandatorily measured at fair value through profit or loss	**9,454.9**	**10,375.6**	−920.7
Financial assets designated at fair value			
Debt securities and other fixed-interest securities	–	–	–
Bonds and debt securities	–	–	–
Other non fixed-interest securities	–	–	–
Loan receivables	–	–	–
Total – financial assets designated at fair value	**–**	**–**	–
Total	**30,050.0**	**25,045.4**	5,004.6

21 Financial investments

€m	30 Jun 2019	31 Dec 2018	Change
Financial assets measured at amortised cost			
Debt securities and other fixed-interest securities	5,501.6	5,032.8	468.8
Financial assets measured at fair value through other comprehensive income			
Debt securities and other fixed-interest securities	5,678.0	5,751.7	–73.7
Shareholdings			
Shares in equity-accounted companies	16.4	16.4	–0.0
Financial investments before risk provisions	**11,196.0**	**10,800.9**	395.1
Risk provisions for securities (AC)	–7.5	–5.9	–1.6
Total	**11,188.5**	**10,795.0**	393.5

22 Intangible assets

€m	30 Jun 2019	31 Dec 2018	Change
Purchased goodwill	148.1	148.1	–
Software	25.7	28.0	–2.3
Other intangible assets	10.9	11.5	–0.6
Total	**184.7**	**187.6**	–2.9

Purchased goodwill continues to include goodwill of €95.0m arising from the acquisition of Deka Vermögensmanagement GmbH (formerly: Landesbank Berlin Investment GmbH, Berlin) and €53.1m in goodwill from the acquisition of WestInvest Gesellschaft für Investmentfonds mbH.

23 Property, plant and equipment

€m	30 Jun 2019	31 Dec 2018	Change
Plant and equipment	19.2	20.0	–0.8
Technical equipment and machines	4.8	5.6	–0.8
Right-of-use assets for leases	173.3	–	173.3
Total	**197.3**	**25.6**	171.7

As a result of the first-time application of IFRS 16 "Leases" as at 1 January 2019, property, plant and equipment includes, for the first time, right-of-use assets resulting from leases in the amount of €173.3m (see Note [4] "Accounting standards applied for the first time and to be applied in future"). Prior-year figures have not been adjusted.

24 Due to banks

€m	30 Jun 2019	31 Dec 2018	Change
Domestic banks	13,396.2	13,285.7	110.5
Foreign banks	12,774.6	9,664.1	3,110.5
Total	**26,170.8**	**22,949.8**	3,221.0
Thereof:			
Collateralised registered bonds and promissory note loans	51.5	67.3	– 15.8
Unsecured registered bonds and promissory note loans	2,319.7	2,464.8	– 145.1

25 Due to customers

€m	30 Jun 2019	31 Dec 2018	Change
Domestic customers	22,351.6	19,373.2	2,978.4
Foreign customers	4,557.2	6,350.0	– 1,792.8
Total	**26,908.8**	**25,723.2**	1,185.6
Thereof:			
Collateralised registered bonds and promissory note loans	910.0	1,074.3	– 164.3
Unsecured registered bonds and promissory note loans	1,265.0	1,258.3	6.7

26 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 own bonds with a nominal value of €224.8m (31 December 2018: €208.7m) held within the Deka Group.

€m	30 Jun 2019	31 Dec 2018	Change
Uncovered debt securities issued	4,821.0	4,840.9	– 19.9
Covered debt securities issued	969.2	724.8	244.4
Money market securities issued	10,839.0	9,225.0	1,614.0
Total	**16,629.2**	**14,790.7**	1,838.5

27 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. Securities short positions are also reported in this line item.

€m	30 Jun 2019	31 Dec 2018	Change
Trading portfolio			
Trading issues	21,703.9	20,348.7	1,355.2
Securities short portfolios	1,217.4	1,696.1	–478.7
Negative market values of derivative financial instruments (trading)	6,746.4	5,407.4	1,339.0
Negative market values of derivative financial instruments (economic hedging derivatives)	349.8	375.6	–25.8
Total – trading portfolio	**30,017.5**	**27,827.8**	2,189.7
Financial liabilities designated at fair value			
Issues	1,149.4	1,479.1	–329.7
Total – financial liabilities designated at fair value	**1,149.4**	**1,479.1**	–329.7
Total	**31,166.9**	**29,306.9**	1,860.0

Issues can be broken down by product type as follows:

€m	30 Jun 2019	31 Dec 2018	Change
Trading portfolio			
Uncovered trading issues			
Bearer bonds issued	18,027.5	16,780.2	1,247.3
Registered bonds issued	1,468.8	1,324.2	144.6
Promissory notes raised	2,207.6	2,244.3	–36.7
Total	**21,703.9**	**20,348.7**	1,355.2
Financial liabilities designated at fair value			
Uncovered issues			
Bearer bonds issued	119.5	230.1	–110.6
Registered bonds issued	213.4	262.3	–48.9
Promissory notes raised	143.1	162.6	–19.5
Covered issues	673.4	824.1	–150.7
Total	**1,149.4**	**1,479.1**	–329.7

The fair value of issues designated at fair value includes cumulative creditworthiness-related changes in value of €6.4m (31 December 2018: 8.8 €m).

28 Provisions

€m	30 Jun 2019	31 Dec 2018	Change
Provisions for pensions and similar commitments	287.2	222.2	65.0
Provisions in investment funds business	63.6	66.6	–3.0
Provisions for legal risks	23.2	26.6	–3.4
Provisions for restructuring measures	10.4	18.4	–8.0
Provisions in human resources	1.6	2.7	–1.1
Provisions for credit risks	1.4	1.8	–0.4
Provisions for operational risks	0.0	0.6	–0.6
Sundry other provisions	4.3	9.5	–5.2
Total	**391.7**	**348.4**	43.3

The increase in provisions for pensions and similar commitments is mainly due to a significant increase in actuarial losses. The actuarial interest rate underlying the measurement of pension provisions as at 30 June 2019 was 1.15%, 0.75 percentage points below the actuarial interest rate applied at 31 December 2018. The resulting effect was only partly offset by the increase in plan assets. This means that based on actuarial valuations, a pre-tax revaluation loss of €–57.4m (31 December 2018: a revaluation loss of €–12.2m) was recognised 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, €6.4m (31 December 2018: €2.9m) was set aside based on the changes in the respective fund assets. As at the reporting date, the guarantees covered a maximum volume of €3.0bn (31 December 2018: €3.1bn) as at the respective guarantee dates. The market value of the corresponding fund assets totalled €3.3bn (31 December 2018: €3.2bn). These also include the funds described below with a forecast return performance, which had a volume of €1.3bn (31 December 2018: €1.4bn).

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 €26.4m (31 December 2018: €21.0m) had been created. The underlying total volume of the funds amounted to €2.5bn (31 December 2018: €2.8bn), of which €1.3bn (31 December 2018: €1.4bn) related to funds with a capital guarantee and €1.2bn (31 December 2018: €1.4bn) to funds without a capital guarantee.

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

29 Equity

€m	30 Jun 2019	31 Dec 2018	Change
Subscribed capital	**286.3**	**286.3**	–
Own shares (deduction)	**94.6**	**94.6**	–
Additional capital components (AT1 bonds)	**473.6**	**473.6**	–
Capital reserve	**190.3**	**190.3**	–
Retained earnings	**4,579.1**	**4,614.1**	–35.0
Statutory reserve	6.4	6.4	–
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	4,521.4	4,556.4	–35.0
Revaluation reserve	**–147.8**	**–115.4**	–32.4
For provisions for pensions	–242.2	–184.8	–57.4
For cash flow hedges	–	–	–
For equity-accounted companies	–	–6.6	6.6
For financial assets measured at fair value through other comprehensive income	24.3	28.7	–4.4
For own credit risk of financial liabilities designated at fair value	–6.4	–8.8	2.4
Deferred taxes	76.5	56.1	20.4
Currency translation reserve	**0.0**	**0.0**	0.0
Accumulated profit/loss (consolidated profit)	**152.7**	**63.3**	89.4
Total	**5,439.6**	**5,417.6**	22.0

During the 2019 reporting year, tax benefits relating to interest payments for the AT1 bonds were reported in the income statement for the first time, instead of under "Other reserves from retained earnings", as in the past (see Note [4] "Accounting standards applied for the first time and to be applied in future"). These amounted to €4.5m as at 30 June 2019.

The change in the revaluation reserve for equity-accounted companies is the result of a reclassification to retained earnings, with no effect on profit or loss, due to the derecognition of revaluation losses on defined-benefit pension obligations in accordance with IAS 19 for equity-accounted companies.

Other disclosures

30 Fair value disclosures for financial instruments

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

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

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

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

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

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

	30 Jun 2019		31 Dec 2018	
€m	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Assets				
Financial assets measured at amortised cost				
Cash reserves	16,120.3	16,120.3	15,302.5	15,302.5
Due from banks	25,162.4	25,108.2	24,068.9	23,972.6
Due from customers	25,242.1	25,038.9	24,266.6	24,419.9
Financial investments	5,644.4	5,494.1	4,988.6	5,026.9
Other assets	133.2	133.2	146.3	146.3
Financial assets measured at fair value through other comprehensive income				
Financial investments	5,678.0	5,678.0	5,751.7	5,751.7
Financial assets measured at fair value through profit or loss				
Trading portfolio				
Financial assets at fair value	20,595.1	20,595.1	14,669.8	14,669.8
Financial assets mandatorily measured at fair value through profit or loss				
Financial assets at fair value	9,454.9	9,454.9	10,375.6	10,375.6
Other assets	10.7	10.7	26.9	26.9
Positive market values of derivative hedging instruments	6.5	6.5	13.5	13.5
Total asset items	**108,047.6**	**107,639.9**	**99,610.4**	**99,705.7**
Liabilities				
Financial liabilities measured at amortised cost				
Due to banks	26,303.2	26,170.8	23,056.0	22,949.8
Due to customers	27,154.6	26,908.8	25,903.7	25,723.2
Securitised liabilities	16,732.3	16,629.2	14,848.0	14,790.7
Subordinated capital	1,008.7	904.3	981.6	899.4
Other liabilities	362.4	362.4	174.0	174.0
Financial liabilities measured at fair value through profit or loss				
Trading portfolio				
Financial liabilities at fair value	30,017.5	30,017.5	27,827.8	27,827.8
Other liabilities	4.0	4.0	1.7	1.7
Financial liabilities designated at fair value				
Financial liabilities at fair value	1,149.4	1,149.4	1,479.1	1,479.1
Negative market values of derivative hedging instruments	47.3	47.3	39.3	39.3
Total liability items	**102,779.4**	**102,193.7**	**94,311.2**	**93,885.0**

Fair value hierarchy

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

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

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

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

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

	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
€m	**30 Jun 2019**	**31 Dec 2018**	**30 Jun 2019**	**31 Dec 2018**	**30 Jun 2019**	**31 Dec 2018**
Financial assets measured at fair value through profit or loss						
Debt securities, other fixed-interest securities and loan receivables	9,955.8	6,007.8	5,405.5	6,767.7	3,221.6	4,307.6
Shares and other non fixed-interest securities	3,928.6	2,880.5	49.7	51.7	–	–
Derivative financial instruments	33.1	83.4	7,158.9	4,791.5	229.1	107.8
Interest-rate-related derivatives	0.1	0.1	6,641.1	4,230.1	212.9	61.5
Currency-related derivatives	–	–	80.6	119.7	–	–
Share and other price-related derivatives	33.0	83.3	437.2	441.7	16.2	46.3
Shareholdings	–	–	–	–	67.7	47.4
Positive market values of derivative hedging instruments	**–**	**–**	**6.5**	**13.5**	**–**	**–**
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	3,901.2	2,368.2	1,776.8	3,383.5	–	–
Total	**17,818.7**	**11,339.9**	**14,397.4**	**15,007.9**	**3,518.4**	**4,462.8**

€m	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)	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Financial liabilities measured at fair value through profit or loss						
Securities short portfolios	1,137.2	1,264.3	80.2	431.2	–	0.6
Derivative financial instruments	44.1	190.8	6,610.1	5,403.5	442.0	188.7
Interest-rate-related derivatives	–	–	5,463.5	3,899.8	367.0	159.0
Currency-related derivatives	–	–	81.4	113.9	–	–
Share and other price-related derivatives	44.1	190.8	1,065.2	1,389.8	75.0	29.7
Issues	–	–	19,235.8	19,493.4	3,617.5	2,334.4
Negative market values of derivative hedging instruments	–	–	47.3	39.3	–	–
Total	**1,181.3**	**1,455.1**	**25,973.4**	**25,367.4**	**4,059.5**	**2,523.7**

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		Reclassifications from level 2 to level 1	
	2019	2018	2019	2018
Financial assets measured at fair value through profit or loss				
Debt securities, other fixed-interest securities and loan receivables	241.8	2,815.5	4,032.3	188.2
Derivative financial instruments	43.3	114.6	7.9	–
Share and other price-related derivatives	43.3	114.6	7.9	–
Financial liabilities measured at fair value through profit or loss				
Securities short portfolios	1.5	113.9	180.2	32.3
Derivative financial instruments	74.9	584.2	20.2	–
Share and other price-related derivatives	74.9	584.2	20.2	–

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

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

Fair value hierarchy level 1

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

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

Fair value hierarchy level 2
Fair values for insufficiently liquid bearer bonds are determined on the basis of discounted future cash flows. Instrument-specific and issuer-specific interest rates are used for discounting. Discount rates are determined from market prices of similar liquid securities, selected according to criteria in the categories of issuer, sector, rating, rank and maturity.

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

Interest rate and interest rate/currency swaps and unlisted interest rate futures are measured on the basis of the discounted cash flow model using the market interest rates applying to the remainder of the term of the financial instruments. The tenor structures of the individual interest rates are taken into account by means of separate forward 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.

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

The fair value of receivables and liabilities from genuine securities repurchase agreements is calculated by discounting future cash flows using the corresponding credit risk-adjusted discount rate. The discount rate applied takes into account the collateral criteria agreed at the time of concluding the genuine securities repurchase agreement.

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

Fair value hierarchy level 3
Fair values of amounts due from banks or due from customers relating to lending business are determined using the present value method. Future cash flows from receivables are discounted at a risk-adjusted market rate based on the categories of borrower, sector, rating, rank and maturity.

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

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

The fair value of the bonds is calculated either using the discounted cash flow model based on credit spreads that cannot be observed on the market or on the basis of indicative quotations that implicitly result in a valuation spread. The promissory note loans are also measured using the discounted cash flow model based on credit spreads that cannot be observed on the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the bonds and promissory note loans could have been €4.6m higher or lower.

Determining the fair value of loan receivables also involves the use of spreads that are not observable in the market. Assuming an average uncertainty of fifty basis points relating to the credit spreads, the fair value of the loan receivables could have been €4.2m higher or lower.

The fair value of the non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations. 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 bid-ask spread, which was used as an estimate for price sensitivity. Using this bid-ask spread, a variation range of 0.34 percentage points averaged across the portfolio was obtained. On this basis, the market value of the securitisation positions concerned could have been €0.1m 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 €–3.6m as at 30 June 2019. 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 +1.3%, giving rise to a measurement difference of €+0.2m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty as at 30 June 2019 corresponds to an equity vega of 1.4, resulting in a value of approximately €5.6m. 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 2019, this results in a value of €2.5m.

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.

Under subordinated liabilities, DekaBank essentially reports positions of a hybrid capital nature which are allocated to level 3 due to the absence of indications of spreads tradable on the market. They are valued using the discounted cash flow model based on an interest rate which is checked at the relevant reporting date.

As at 30 June 2019, 99.7% 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. This is based on fair values without accrued interest:

€m	Debt securities, other fixed-interest securities and loan receivables	Interest-rate-related derivatives	Share and other price-related derivatives	Shareholdings	Total
As at 1 January 2018	**1,977.9**	**1.2**	**14.1**	**48.2**	**2,041.4**
Additions through purchase	3,623.9	3.6	1.2	–	3,628.7
Disposals through sale	1,207.3	–	3.3	0.5	1,211.1
Maturity/repayments	292.2	–	1.4	–	293.6
Transfers					
To Level 3	461.2	47.0	–	–	508.2
From Level 3	289.9	–	0.5	–	290.4
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	34.0	9.7	36.2	−0.3	79.6
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2018	**4,307.6**	**61.5**	**46.3**	**47.4**	**4,462.8**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**32.8**	**9.7**	**36.2**	**−0.3**	**78.4**
As at 1 January 2019	**4,307.6**	**61.5**	**46.3**	**47.4**	**4,462.8**
Additions through purchase	580.7	10.8	0.1	5.5	597.1
Disposals through sale	871.4	–	0.6	–	872.0
Maturity/repayments	177.9	0.6	22.4	–	200.9
Transfers					
To Level 3	16.3	4.2	0.1	–	20.6
From Level 3	695.1	–	1.0	–	696.1
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	61.4	137.0	−6.3	14.8	206.9
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 30 June 2019	**3,221.6**	**212.9**	**16.2**	**67.7**	**3,518.4**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**56.8**	**137.0**	**−6.3**	**14.8**	**202.3**

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

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

[3] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.

The movement in level 3 liabilities carried at fair value is shown in the table below This is based on fair values without accrued interest.

€m	Securities short portfolios	Interest-rate-related derivatives	Share and other price-related derivatives	Issues	Total
As at 1 January 2018	**–**	**22.3**	**7.5**	**947.2**	**977.0**
Additions through purchase	17.0	49.8	38.2	59.6	164.6
Disposals through sale	16.3	1.0	3.0	–	20.3
Additions through issues	–	–	–	1,715.4	1,715.4
Maturity/repayments	–	0.4	0.1	330.1	330.6
Transfers					
To Level 3	–	45.9	–	286.7	332.6
From Level 3	–	0.2	–	109.0	109.2
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	0.1	–42.6	12.9	235.4	205.8
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2018	**0.6**	**159.0**	**29.7**	**2,334.4**	**2,523.7**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**–42.6**	**12.9**	**227.3**	**197.6**
As at 1 January 2019	**0.6**	**159.0**	**29.7**	**2,334.4**	**2,523.7**
Additions through purchase	1.2	17.0	1.4	10.5	30.1
Disposals through sale	1.5	0.1	0.7	–	2.3
Additions through issues	–	–	–	1,337.1	1,337.1
Maturity/repayments	–	2.9	2.0	176.4	181.3
Transfers					
To Level 3	–	–	3.9	1.3	5.2
From Level 3	0.3	1.1	2.3	20.3	24.0
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	–	–195.1	–45.0	–130.9	–371.0
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 30 June 2019	**–**	**367.0**	**75.0**	**3,617.5**	**4,059.5**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**–195.1**	**–45.0**	**–124.4**	**–364.5**

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

During the reporting period, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €695.1m and negative market values of issues amounting to €20.3m were transferred from level 3. Furthermore, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €16.3m were migrated to level 3. This was due to a more detailed analysis of the market data used for valuation.

Measurement processes for financial instruments in fair value hierarchy level 3

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

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.

31 Information on the quality of financial assets

Non-performing exposures

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

€m	Transport and export finance	Energy and utility infra-structure	Property risks	Public infra-structure	Corporates	Other	Total 30 Jun 2019	Total 31 Dec 2018
Non-performing exposures[1]	150.6	49.2	13.0	–	–	0.3	213.1	216.4
Collateral[2]	80.3	–	–	–	–	–	80.3	85.9
Provisions for loan losses/credit rating-related changes in fair value	67.1	5.6	3.5	–	–	0.0	76.2	70.1

[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 above 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 2019	Total 31 Dec 2018
Forborne exposures[1]	224.1	49.2	–	–	–	–	273.3	275.8
thereof: Performing	80.2	–	–	–	–	–	80.2	77.1
thereof: Non-Performing	143.9	49.2	–	–	–	–	193.1	198.7
Collateral[2]	150.3	–	–	–	–	–	150.3	145.3
Provisions for loan losses/credit rating-related changes in fair value	70.1	5.6	–	–	–	–	75.7	71.0

[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 2019	31 Dec 2018
NPE ratio at the reporting date		
(Ratio of non-performing exposures to maximum credit risk)	0.20	0.21
NPE coverage ratio, including collateral, at the reporting date		
(Ratio of risk provisions, including collateral, to non-performing exposures)	73.46	72.13
NPE coverage ratio, excluding collateral, at the reporting date		
(Ratio of risk provisions, excluding collateral, to non-performing exposures)	35.78	32.42
Forborne exposures ratio at the reporting date		
(Ratio of forborne exposures to maximum credit risk)	0.25	0.27

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.35K(a)/IFRS 7.36(a) using credit risk-bearing financial assets and the corresponding off-balance sheet commitments. As at the reporting date it amounted to €109.1bn (31 December 2018: €101.3bn).

32 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 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Interest rate risks	906,647.9	717,570.9	23,191.3	11,661.3	22,854.3	11,155.5
Currency risks	34,302.3	31,425.6	442.7	601.2	464.6	621.7
Share and other price risks	43,999.7	43,773.5	518.0	661.4	1,219.0	1,626.6
Total	**984,949.9**	**792,770.0**	**24,152.0**	**12,923.9**	**24,537.9**	**13,403.8**
Net amount disclosed in the statement of financial position			**7,427.6**	**4,996.2**	**7,143.5**	**5,822.3**

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

33 Regulatory capital (own funds)

As at 30 June 2019, 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 2019		31 Dec 2018	
€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	4,575	4,575	4,460	4,460
Additional Tier 1 (AT1) capital	474	489	474	495
Tier 1 capital	**5,048**	**5,064**	**4,933**	**4,954**
Tier 2 (T2) capital	789	789	807	807
Own funds	**5,837**	**5,852**	**5,741**	**5,762**

The increase in Tier 1 capital is mainly due to the reinvestment of profits, reduced by the IFRS 9 initial application effects from the 2018 financial year.

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

€m	30 Jun 2019 CRR/CRD IV (without transitional provisions)	30 Jun 2019 CRR/CRD IV (with transitional provisions)	31 Dec 2018 CRR/CRD IV (without transitional provisions)	31 Dec 2018 CRR/CRD IV (with transitional provisions)
Credit risk	19,256	19,256	18,744	18,744
Market risk	7,084	7,084	6,348	6,348
Operational risk	3,245	3,245	3,365	3,365
CVA risk	606	606	565	565
Risk-weighted assets	**30,191**	**30,191**	**29,021**	**29,021**

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

%	30 Jun 2019 CRR/CRD IV (without transitional provisions)	30 Jun 2019 CRR/CRD IV (with transitional provisions)	31 Dec 2018 CRR/CRD IV (without transitional provisions)	31 Dec 2018 CRR/CRD IV (with transitional provisions)
Common Equity Tier 1 capital ratio	15.2	15.2	15.4	15.4
Tier 1 capital ratio	16.7	16.8	17.0	17.1
Total capital ratio	19.3	19.4	19.8	19.9

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.

34 Contingent liabilities and other obligations

€m	30 Jun 2019	31 Dec 2018	Change
Irrevocable lending commitments	2,312.0	2,124.1	187.9
Other liabilities	108.1	86.5	21.6
Total	**2,420.1**	**2,210.6**	209.5

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.

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 capital yields tax (*Kapitalertragsteuer*) on share transactions made around the dividend record date in the years 2013 to 2015. 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. 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 €19m may arise in this regard.

35 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 2019
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 International GmbH, Frankfurt/Main (formerly: Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main)	100.00
Deka Real Estate Services USA Inc., New York	100.00
Deka Vermögensmanagement GmbH, Frankfurt/Main (formerly: Landesbank Berlin Investment GmbH, Berlin)	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
International Fund Management S.A., Luxembourg	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 in % 30 Jun 2019
Investment funds	
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
Lending business	
Treasury Two Shipping Limited, Majuro (Marshall Islands)	

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

Name, registered office	Share of equity % 30 Jun 2019	Equity €'000 30 Jun 2019[1)]	Total of profit or loss €'000 30 Jun 2019[1)]
Joint ventures			
S-PensionsManagement GmbH, Cologne	50.00	26,677.0	234.4
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00	32,011.4	13,424.5

[1)] Amounts reported in financial statements for the year ended 31 December 2017

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

Name, registered office	Share of equity % 30 Jun 2019
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 2019
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka 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 2019	Share of equity/ fund assets % 30 Jun 2019
Deka-Institutionell Absolute Return Defensiv, Frankfurt/Main	50.2	100.00
Deka-Institutionell Absolute Return Dynamisch, Frankfurt/Main	51.2	100.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	58.7	100.00
Deka-Multi Strategie Global PB, Frankfurt/Main	53.0	94.87
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	1.8	94.51
Deka-MultiFactor Global Corporates, Luxembourg	37.7	92.45
Deka-MultiFactor Global Corporates, Luxembourg	33.5	73.68
Deka-MultiFactor Global Government, Luxembourg	22.0	68.29
Deka-MultiFactor Emerging Markets Corporates, Luxembourg	29.2	67.38
Deka Eurozone Rendite Plus 1-10 UCITS ETF, Frankfurt/Main	29.2	62.08
Deka-BasisStrategie Aktien, Frankfurt/Main	20.2	60.59
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	35.5	58.54
Deka MSCI Japan UCITS ETF, Frankfurt/Main	68.3	57.04
Deka-Relax 50, Frankfurt/Main	1.0	53.16
Deka-Institutionell RentSpezial HighYield 9/2025, Frankfurt/Main	64.4	49.09
Deka-Relax 70, Frankfurt/Main	1.1	48.63
Deka-EuroFlex Plus, Luxembourg	122.2	44.84
Deka-Relax 30, Frankfurt/Main	1.2	41.85
Deka-Institutionell RentSpezial EM 9/2025, Frankfurt/Main	94.4	32.81
Merrill Lynch Investments Solutions, Luxembourg		
Merrill Lynch Enhanced Cross-Asset Volatility Premium Fund, Luxembourg	53.9	27.66
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Mittelstandskreditfonds I, Frankfurt/Main	49.5	23.00
Deka-UnternehmerStrategie Europa, Luxembourg	27.7	22.96

36 Related party disclosures

The Deka Group has business dealings with related parties. These include DekaBank's shareholders, subsidiaries that are not consolidated on materiality grounds, joint ventures, associated companies and their respective subsidiaries as well as individuals in key positions and their relatives, and companies controlled by these individuals. Individuals in key positions exclusively comprise the members of the Board of Management and Administrative Board of DekaBank. Non-consolidated 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 relationships with shareholders of DekaBank and unconsolidated subsidiaries:

€m	Shareholders		Subsidiaries	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Asset items				
Due from customers	–	–	5.9	0.1
Financial assets at fair value	–	–	3.7	3.1
Other assets	–	–	0.3	0.3
Total asset items	**–**	**–**	**9.9**	**3.5**
Liability items				
Due to customers	77.3	41.1	32.9	63.6
Financial liabilities at fair value	–	–	0.0	0.3
Other liabilities	–	–	0.0	0.0
Total liability items	**77.3**	**41.1**	**32.9**	**63.9**

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

€m	Joint ventures/ associated companies		Other related parties	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Asset items				
Due from customers	0.4	0.0	–	0.0
Financial assets at fair value	1.6	1.5	0.8	–
Other assets	0.1	0.4	4.8	0.7
Total asset items	**2.1**	**1.9**	**5.6**	**0.7**
Liability items				
Due to customers	12.3	425.5	363.2	313.0
Financial liabilities at fair value	58.2	53.2	0.1	0.0
Total liability items	**70.5**	**478.7**	**363.3**	**313.0**

37 Additional miscellaneous information

Events after the reporting period
No major developments of particular significance occurred after the reporting date of 30 June 2019.

The consolidated interim financial statements were approved for publication on 14 August 2019 by DekaBank's Board of Management.

Assurance of the Board of Management

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

Frankfurt/Main, 14 August 2019

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger Dr. Stocker Better

Dr. Danne Kapffer Müller