

## Interim management report 2017

### At a glance

DekaBank – the *Wertpapierhaus* for the savings banks – remains on a stable footing. In the first half of 2017, the Deka Group generated an economic result of €241.3m, slightly higher than the comparative figure for 2016 (€229.8m). Net commission income in particular exceeded the previous year's figure.

Net sales to both retail and institutional customers in the first six months of the year were significantly higher than in the prior-year period, thanks to sustained positive growth trends in 2017. Both funds and retail certificates exceeded the previous year's figures, helped by strong demand for securities products. This, together with positive performance, meant that total customer assets grew to €270.4bn compared with €256.8bn at year-end 2016.

Investments in Deka's business model and product quality continue to pay off. Initiatives in digital multi-channel management were a priority on the retail side. In institutional business, activities focused on the expansion of fund solutions via the Deka Alternative Investments (DALI) platform, including advisory services based on this system.

The Deka Group safely complied with regulatory requirements during the first six months of the current year. The Common Equity Tier 1 capital ratio (fully loaded) improved to 18.0% (end of 2016: 16.7%). The leverage ratio (fully loaded) of 4.7% was slightly below the level seen at the end of 2016 (5.1%). Liquidity was adequate at all times and the risk position was non-critical throughout.

The Deka Group expects its financial position to remain stable and anticipates an economic result on a par with the previous year for 2017.

### Information about the Deka Group

#### Legal structure and corporate governance

The Deka Group reorganised its divisional structure as of 1 January 2017 in order to implement the adopted strategy effectively for the future. Key aspects of the reorganisation include efforts to strengthen governance and achieve an even clearer separation between banking business and asset management. Activities will henceforward be divided into five business divisions.

The Asset Management Securities business division comprises all the Deka Group's activities relating to capital-market based asset management for private and institutional customers. As well as investment fund solutions and ETFs, the product portfolio also includes advisory, management and asset management mandates as well as asset servicing for institutional customers.

The Asset Management Real Estate business division focuses on providing property investment products for private and institutional investors. This business division also covers the purchase and sale of properties and management of such assets.

The new Asset Management Services business division is focused on providing banking services for asset management. The services range from managing custody accounts for customers to custodial services for investment funds. Especially by providing multi-channel solutions, the sales departments are additionally supported.

The Capital Markets business division is the central product, solution and infrastructure provider, while also providing services in the Deka Group's customer-focused capital markets business. Its role as a securities and risk hub also contributes to the Group's success.

The Financing business division, while providing refinancing services to savings banks, also engages in highly focused financing activities (real estate, infrastructure, transport and export financing).

Business activities that are being discontinued have been pooled in non-core business since 2009.

At divisional level, the comparative figures in the segment reporting for the first half of 2016 have been adjusted to the new divisional structure. They therefore do not correspond to the figures published in the previous year.

### **Deka Group profile and strategy**

As the *Wertpapierhaus* for the savings banks, the Deka Group's strategy and activities are geared to supporting the savings banks on a sustained basis and upholding their vital role in helping German households build up their assets. To achieve this end, the Deka Group continues to develop its comprehensive range of investment and asset management solutions, modelling these on the requirements of the savings banks and their customers.

### **Significant strategic measures during the reporting period**

#### *Support for savings banks in retail business*

In retail business, the Deka Group aims to encourage more people to invest in securities and hence to promote a securities culture in Germany, working in close cooperation with the savings banks and the German Savings Banks Association (DSGV). This also means supporting savings banks in developing their online securities business, allowing helpful integration of branch-based and online sales in securities business. In association with this, the provision of high-quality stock market and securities information was expanded in the reporting period. Mobile services were also developed further. The savings bank apps "Sparkasse" and "Sparkasse+", which are compatible with all major operating systems, enable users to display their custody account, show transactions and buy and sell custody-eligible funds and certificates. Further progress was achieved on the technical integration of S Broker, following the full takeover in the previous year, as well as extending sales cooperation.

#### *Expansion of services in institutional business*

In institutional business, the main focus was on expanding the product platform for asset servicing. Fund solutions for AIFM-regulated alternative asset classes, which are centralised within Deka Alternative Investments (DALI), were extended to include three new maturity funds for the higher-yielding bond segment. The three funds focus on the corporate bonds, high yields and emerging markets bonds asset classes. In addition, a new real estate fund was launched for savings banks' own investments, offering continuous distributions from a Core/Core+ real estate portfolio diversified by region and type of use. Infrastructure services for institutional customers were also enhanced. A revised, more standardised outsourcing model is therefore now available for the market conformity check required by the regulator, which is also attractive for institutions with small business volumes.

#### *Quality campaign and awards*

Quality of products and advice is fundamental to the joint success of the Deka Group and savings banks in securities business, and is key to the Deka Group's positioning as the *Wertpapierhaus* for the savings banks. Various awards testify to the excellence of its products.

In particular, it was named overall winner of the "Capital-Fonds-Kompass 2017" awards for the first time, and received the highest possible rating of five stars for the fifth time in a row. In the category of "fund quality", which accounts for half of the overall verdict, Deka was ranked first among the major German universal providers in 2017. In the ranking produced by Scope Analysis (formerly FERI Eurorating Services) and Tetralog Systems for the prestigious business magazine for 2017, the performance of more than 4,500 funds of the top 100 capital management companies was analysed over one, three and five years.

At the Euro-FundAwards hosted by the publishing company Finanzen Verlag, 13 funds and three ETFs from the Deka Group achieved a total of 32 top ratings across various categories this year. This was a substantial increase compared with the previous year (14 top ratings).

Another major success was Deka Immobilien's award for "Best Asset Manager Global Real Estate Funds for Private Investors" at the Scope European Fund Award 2017. The open-ended property fund Deka-ImmobilienGlobal was named the best globally investing fund for private investors for the seventh time in a row.

In the real estate fund ratings published by Scope in June 2017, the WestInvest InterSelect fund improved by two rating notches to a AIF. Deka-ImmobilienNordamerika was rated for the first time, achieving a rating of (P) a AIF. As in the previous year, the Deka Group's asset management quality in the real estate segment was assigned the very good rating AA+ AMR.

In the "Scope Rating Champions" published by "Fonds professionell" magazine, Deka was the only German asset manager in 2017 among the top ten large companies with at least 25 rated funds. The ranking is based on a regular analysis by the Scope rating agency covering 5,500 investment funds authorised for sale in Germany.

## **Economic report**

### **Economic environment**

The Deka Group's business activities in the first half of 2017 were influenced by the continuing low-interest rate policy of the European Central Bank (ECB) on the one hand, and the positive performance of securities markets on the other hand. In securities-related asset management, the bullish trend on equity markets, which broke new records in June, had a particular impact. At the same time, net inflows into mutual funds increased significantly.

For the financing business and short-term liquidity, on the other hand, the environment remained difficult owing to persistently low capital market interest rates.

### **Macroeconomic conditions**

Global economic growth accelerated slightly in the first months of the current year, initially driven in particular by positive trends in Europe and Asia. After a weak start to the year, the US economy also gathered pace somewhat in the second quarter.

According to estimates by the European statistical authority Eurostat, gross domestic product in the eurozone increased by 0.6% quarter on quarter in the first three months of 2017. Spain recorded particularly dynamic growth. The main sentiment indicators for the eurozone also signalled continuing strong economic momentum. Furthermore, the labour market trend is encouraging. The eurozone's unemployment rate was 9.3% in May, the lowest level since March 2009. Continued British division around Brexit is beginning to make its mark on growth rates and is likely to dampen sentiment for the foreseeable future. However, the effects have not spilled over into other regions so far.