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 the suitability of net income before tax for the purposes of internally managing the business divisions is limited, 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 net income before tax, the economic result includes changes to the revaluation reserve before tax as well as the interest rate and currency-related valuation result from original lending and issuance business. This refers to financial instruments in the loans and receivables, held to maturity and other liabilities categories, which are measured at amortised cost in the consolidated financial statements and whose valuation result is also included in internal reporting. Consequently, the existing economic hedges which do not meet the criteria for hedge accounting under IAS 39 are presented in full for internal management purposes. Furthermore, the economic result takes into account the interest expense on Additional Tier 1 bonds, which is reported directly within equity, as well as effects relevant for management. These effects relate to a provision for potential charges, the future occurrence of which is assessed as possible but which cannot yet be reported under IFRS as they are insufficiently substantiated. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in the reconciliation to Group income before tax in the "reconciliation" column.

In addition to the economic result, total customer assets represent another key ratio for the operating segments. Total customer assets primarily comprise the income-relevant fund assets of the mutual and special funds under management (including ETFs) in the Securities and Real Estate business divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner fund, 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 DekaBank's own portfolios of €1.2bn (31 December 2016: €1.3bn). 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 mapping the guarantees of guarantee funds, as well as the volume of off-balance sheet counterparty risks.

The following segments are essentially based on the business division 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. To strengthen governance and achieve an even clearer separation between banking business and asset management, activities were reorganised into five business divisions with effect from 1 January 2017.

Asset Management Securities

The Securities segment comprises all the Deka Group's activities relating to capital-market based asset management for private and institutional customers. 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 Exchange-Traded Funds (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 with one investment company.

Asset Management Real Estate

The Real Estate 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, as well as property advice for institutional investors. In addition to fund management, fund risk management and development of property (financing)-related products, the segment also covers the purchase and sale of properties and the management of such assets, including all other property-related services (property management).

Asset Management Services

The Asset Management Services 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 supports the sales departments, especially by providing multi-channel solutions. The activities of the Asset Management Services business division complement the asset management services offered by the Asset Management business divisions. As part of the reorganisation of business divisions with effect from 1 January 2017, the business division's services were relocated from the two Asset Management business divisions. This has significantly strengthened governance while achieving a clear separation between business divisions of the capital management companies of the Deka Group and DekaBank.

Capital Markets

The Capital Markets segment 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 segment focuses on the generation of customer-driven business in the triangle of savings banks, the Deka Group and selected counterparties and business partners, which include external asset managers, banks, insurance companies and pension funds. In this environment, the Capital Markets segment offers a carefully coordinated, competitive range of capital market and credit products. Securities investments of the Deka Group not used as a liquidity reserve are also managed by the Capital Markets business division.

Financing

The Financing segment, while providing refinancing services to savings banks, also engages in specialised and property financing business. The Deka Group pursues an asset management approach in financing business. That is to say, parts of the financing are passed on to savings banks and other institutional investors. The remaining parts are retained on DekaBank's balance sheet under a buy-and-hold strategy and form an essential part of the Deka Group's long assets side. The specialised financing business focuses on selected segments. These include infrastructure financing, ship and aircraft financing and ECA-covered export finance. Property financing was transferred from the Real Estate business division to the Financing business division as part of the reorganisation of business divisions with effect from 1 January 2017. Specialised financing positions concluded before the credit risk strategy was changed in 2010 have been pooled in a legacy portfolio.

Other

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

Non-core business

Business activities that are being discontinued have been pooled in non-core business since 2009. The portfolio essentially comprises securitised products (legacy transactions) and the former public-finance positions. All portfolios are being reduced while safeguarding assets. The prior-year figures in the segment reporting have been updated to reflect the new business division structure, and therefore do not correspond to figures published in the previous year.

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 as well as those allocated on the basis of cost and service accounting.

Effects relevant for management relate to a provision for potential charges that are taken into account within corporate management activities as a result of the use of the economic result for management purposes, but which cannot be reported under IFRS at the present time because they are not sufficiently substantiated.

To cover potential risks that could materialise in the coming months, a general provision was recognised for the first time in the 2012 financial year. As at 30 June 2017, the provision for these effects relevant for management stood at €–210.0m (31 December 2016: €–110.0m). The effect on the economic result, amounting to €–100.0m in the reporting period (first half of 2016: €35.0m), was recognised under Other.

	Asset Management Securities		**Asset Management Real Estate**		**Asset Management Services**		**Capital markets**		**Financing**	
	Economic result									
€m	**1st half 2017**	**1st half 2016**	**1st half 2017**	**1st half 2016**	**1st half 2017**	**1st half 2016**	**1st half 2017**	**1st half 2016**	**1st half 2017**	**1st half 2016**
Net interest income	9.2	7.1	2.0	1.9	1.5	–	17.9	21.2	57.6	60.5
Provisions for loan losses	–	–	–	–	–	–	–	0.1	0.7	−74.0
Net commission income	353.7	288.8	91.1	96.3	81.0	70.7	32.5	37.5	15.4	14.3
Net financial income [1]	2.7	−6.7	−0.7	−0.3	0.5	2.6	187.2	189.8	−5.9	−4.6
Other operating income [2]	−4.7	−4.5	0.3	1.0	1.6	37.0	1.0	9.7	0.2	0.3
Total income without contribution of Treasury function	**360.8**	**284.7**	**92.7**	**98.9**	**84.6**	**110.4**	**238.6**	**258.4**	**68.0**	**−3.5**
Administrative expenses (including depreciation)	187.7	185.2	63.9	61.6	73.2	49.9	79.6	82.3	27.2	25.4
Restructuring expenses [2]	−0.6	–	–	–	–	–	–	–	–	–
Total expenses before offsetting against Treasury function	**187.1**	**185.2**	**63.9**	**61.6**	**73.2**	**49.9**	**79.6**	**82.3**	**27.2**	**25.4**
(Economic) result before tax without Treasury function	**173.7**	**99.6**	**28.9**	**37.3**	**11.4**	**60.5**	**159.0**	**176.0**	**40.8**	**−28.9**
Treasury function	−4.9	−3.4	−1.4	−1.2	−0.7	−0.7	−14.3	−9.8	−8.0	−10.0
(Economic) result before tax	**168.8**	**96.1**	**27.4**	**36.1**	**10.6**	**59.8**	**144.6**	**166.2**	**32.8**	**−38.9**
Cost/income ratio [3]	0,52	0,65	0,69	0,62	0,87	0,45	0,33	0,32	0,40	0,36
	30 Jun 2017	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Group risk (value-at-risk) [4]	436	487	79	110	103	115	727	652	392	398
Total customer assets	220,036	209,242	33,687	32,484	–	–	16,714	15,079	–	–
Gross loan volume	6,240	6,368	114	222	777	764	85,271	76,078	20,083	21,700

[1] This includes the results from the trading book portfolio, from the banking book portfolio, from other financial assets as well as from the repurchase of own issues. In addition, this includes the risk provision for securities in the loans and receivable and held to maturity categories in the amount of €+11.8m (first half 2016: €–15.5m).

[2] Restructuring expenses are shown under Other operating income in the consolidated financial statements

[3] Calculation of the cost/income ratio does not take into account the restructuring expenses or the loan loss provision for lending business

In addition, the economic result includes the full interest expense (including accrued interest) in respect of the AT1 bonds in the portfolio, amounting to €–14.1m (first half of 2016: €–14.1m). Distributions made were recorded directly in equity, in accordance with IAS 32.

During the reporting period, the reporting and measurement differences between IFRS net income before tax and internal reporting amounted to €–48.3m (first half of 2016: €–88.1m).

The valuation result not recognised in profit or loss amounted to €–84.4m in the reporting period (previous year: €33.7m). Of this total, €39.5m (first half of 2016: €10.4m) relates to interest rate and currency-related valuation results from original lending and issuance business, €–23.9m (first half of 2016: €–11.7m) is attributable to securities in the held to maturity category, which are offset in IFRS net income before tax by valuation results from the corresponding interest rate swaps, and €–100.0m (first half of 2016: €35.0m) arises from accounting for effects relevant for management.

Other[5]		Total core business		Non-core business		Deka Group		Reconciliation		Deka Group	
Economic result										IFRS result before tax	
1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016
–11.5	–18.3	76.6	72.4	2.3	2.7	78.9	75.1	–6.6	–0.2	72.3	74.9
0.1	–0.2	0.8	–74.1	–	–	0.8	–74.1	–	–	0.8	–74.1
–0.5	–0.7	573.2	506.9	–	–	573.2	506.9	–0.4	–0.3	572.8	506.6
–110.0[6]	93.8[6]	73.9	274.6	4.8	7.7	78.7	282.3	91.4	–21.5	170.1	260.8
29.8	–121.0	28.2	–77.5	–	–	28.2	–77.5	–36.1	110.1	–7.9	32.6
–92.1	**–46.5**	**752.7**	**702.3**	**7.1**	**10.4**	**759.8**	**712.7**	**48.3**	**88.1**	**808.1**	**800.8**
87.1	78.0	518.8	482.4	0.3	0.5	519.1	482.9	–	–	519.1	482.9
–	–	–0.6	–	–	–	–0.6	–	–	–	–0.6	–
87.1	**78.0**	**518.2**	**482.4**	**0.3**	**0.5**	**518.5**	**482.9**	**–**	**–**	**518.5**	**482.9**
–179.2	**–124.6**	**234.5**	**219.9**	**6.8**	**9.9**	**241.3**	**229.8**	**48.3**	**88.1**	**289.6**	**317.9**
29.4	25.0			–	–						
–149.8	**–99.6**	**234.5**	**219.9**	**6.8**	**9.9**	**241.3**	**229.8**	**48.3**	**88.1**	**289.6**	**317.9**
–	–	0,69	0,62	0,04	0,05	0,68	0,61				
30 Jun 2017	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**				
258	314	1,948	2,013	56	55	1,980	2,039				
–	–	270,438	256,805	–	–	270,438	256,805				
25,117	18,427	137,602	123,560	643	777	138,245	124,336				

[4] Value-at-Risk uses the liquidation approach with a confidence level of 99.9% and a holding period of one year in each case. Due to the diversification within market price risk between the segments (including Other and non-core business) the risk for core business and the risk for the Deka Group are not cumulative.

[5] No cost/income risk data are presented for the segment Other as these are deemed of limited economic informative value.

[6] This includes effects relevant for management purposes of €–100.0m (first half 2016: €+35.0m) 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.

The valuation result not recognised in profit or loss also takes into account the interest expense arising from the AT1 bonds in the amount of €–14.1m (first half of 2016: €–14.1m).

The Bank also hedges future credit margins on fixed-interest and variable-interest foreign currency loans (original position) against currency fluctuations. The accounting and valuation rules for cash flow hedges were applied to economic hedges. Accordingly, the valuation result from hedging instruments amounting to €16.6m (first half of 2016: €11.6m) is reported in the revaluation reserve with no impact on profit or loss and hence forms part of the economic result. Also recorded in the economic result is the change in the revaluation reserve from actuarial gains and losses in the amount of €33.7m (first half of 2016: €–114.8m). Furthermore, an amount of €0.1m was posted within equity in respect of companies accounted for using the equity method (first half of 2016: €–1.0m).

The other amounts shown in the reconciliation column refer to reporting differences between internal reporting and the consolidated financial statements. Of these, €21.3m (first half of 2016: €14.6m) relates to internal transactions, which 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 in other operating income from the different allocation of income effects from the repurchases of own issues amounting to €2.2m (first half of 2016: €19.5m) and the recognition through the income statement of the currency translation reserve from derecognition due to the liquidation of the subsidiary ExFin i.L., Zurich, in the first half of 2016 (€14.8m).

General information

2 Accounting principles

Pursuant to Section 37w of the Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) in conjunction with Section 37y No. 2 of the WpHG, these condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The applicable standards and associated interpretations (SIC/IFRIC) 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 were prepared. In preparing the financial statements, particular attention was paid to the requirements of IAS 34 (Interim Financial Reporting).

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

The present interim report was reviewed by our year-end auditor and should be read in conjunction with our audited 2016 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 report is based on the accounting policies applied in the 2016 consolidated financial statements. 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. Among other factors, estimation uncertainties arise in connection with loan loss provisions as well as provisions and other liabilities. Where material estimates were required, the assumptions made are explained in detail below in the notes on the relevant line items.

4 Accounting standards applied for the first time

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

New standards and interpretations and amendments to standards and interpretations published by the IASB and IFRIC, which have been adopted into European law by the EU and 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

Annual Improvements

In December 2016, the IASB published amendments to three standards as part of its Annual Improvements Project for 2014-2016. The amendments to IFRS 12 apply from 1 January 2017, while the amendments to IFRS 1 and IAS 28 are applicable from 1 January 2018. They had not been adopted by the European Union (EU) into European law at the time the financial statements were prepared. The amendments only involve clarifications. The amendments have no impact on the Deka Group's consolidated financial statements.

IAS 7

In January 2016, as part of a disclosure initiative to improve financial statements, the IASB published amendments to IAS 7 "Statement of Cash Flows". In particular, the new rules contain additional disclosure obligations concerning cash flows related to financing activities. The amended standard applies to financial years beginning on or after 1 January 2017. It had not been adopted by the European Union (EU) into European law at the time the financial statements were prepared. The amendments have no material effect on the consolidated financial statements.

IAS 12

Also in January 2016, the IASB published amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses". The amendments exclusively involve clarifications to the requirements for recognition of deferred tax assets for unrealised losses, accounting for deferred tax assets related to assets measured at fair value and other aspects of accounting for deferred taxes. The amended standard applies to financial years beginning on or after 1 January 2017. It had not been adopted by the EU into European law at the time the financial statements were prepared. The amendments have no impact on the Deka Group's consolidated financial statements.

IFRS 16

The new IFRS 16 standard was published in January 2016 and governs how leases should be accounted for. IFRS 16 will replace IAS 17 "Leases", as well as the associated interpretations IFRIC 4, SIC-15 and SIC-27. Application of the new standard is mandatory for financial years beginning on or after 1 January 2019. Earlier voluntary adoption is permitted, but only in conjunction with IFRS 15. Early adoption is not planned.

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

Furthermore, IFRS 16 includes a number of additional provisions regarding disclosures in the notes to the financial statements and presentation. The impact on the consolidated financial statements is currently being reviewed. In particular, an effect is expected when accounting for leased commercial properties, although the impact on the Deka Group's net assets, financial position and results of operations is likely to be negligible. A minor increase in total assets is expected, while some reclassifications between items in the statement of profit or loss and other comprehensive income will also result.

Standards adopted into European law but not yet applied

IFRS 9

The IASB published the final requirements for IFRS 9 "Financial Instruments" on 24 July 2014. IFRS 9 contains new regulations governing the classification and measurement of financial instruments, the impairment of financial assets and the recognition of hedging relationships. IFRS 9 was adopted into European law by the European Commission in November 2016. As a result, application of IFRS 9 is mandatory for financial years beginning on or after 1 January 2018.

The main effects result from switching the calculation of the loan loss provision to the expected loss model, which will replace the incurred loss model under IAS 39 from 2018 onwards. In order to determine the size of the loan loss provision to be established, assets within the scope of IFRS 9 must be allocated to one of three 'stages', depending on the credit quality of those assets. The stage to which an asset is allocated has an effect on the size of the loan loss provision to be established for the respective asset. Upon initial recognition, a loan loss provision will be recognised through profit or loss in the amount of the expected loss for the next 12 months, and the asset will be allocated to stage one. If the credit risk should increase significantly after initial recognition of the financial instrument, or if there are indications that the financial instrument's creditworthiness has been impaired, the expected loss over the remaining term of the financial instrument ('lifetime ECL') should be recognised through profit or loss, and the asset transferred to stage two. The input parameters 'probability of default' and 'loss given default' for the 12-month and lifetime horizons from the reporting date ('point in time' estimate), as well as the 'exposure at default' calculated on a lifetime basis, play a significant role in this regard. If there are objective indications that a loss event has already occurred, the financial instrument should be allocated to stage three. However, this excludes purchased or originated credit-impaired (POCI) assets, which are an exception to the general model. For these financial instruments, no loan loss provision is booked at the time of initial recognition but changes in the amount of the lifetime ECL will be recognised in subsequent periods.

Furthermore, effects arise from the need to reclassify financial assets and from recording fair value changes attributable to own credit risk for liabilities.

In contrast to IAS 39, the new classification rules under IFRS 9 provide for a classification model for assets that is based on the underlying business model and contractual cash flows. The business model reflects how the Bank manages its financial assets in order to generate cash flows. For the purposes of IFRS 9, there are thus the following business models: 'holding', 'holding and selling' and 'residual'. For financial assets allocated to the 'holding' or 'holding and selling' business models, it is necessary to examine the cash flow criteria. All cash flows of the asset may consist only of the following components: repayment and interest payments on the nominal amount, with interest essentially representing remuneration for the time value of money and the credit risk.

For the present, it is not mandatory to implement hedge accounting, and DekaBank does not therefore plan to do so. DekaBank will continue to apply hedge accounting according to IAS 39.

The new accounting provisions under IFRS 9 will require not only changes to technical accounting workflows and systems, and enhancements to existing data management for the purposes of classifying financial instruments and determining loan loss provisions, but will also lead to the implementation of new processes throughout the Deka Group. In addition, it will be necessary to make changes within DekaBank's systems and to introduce new technical system solutions.

DekaBank carried out a preliminary study of IFRS 9 from September 2015 until the end of April 2016. Subsequent to this, the first implementation phase started, looking at detailed technical specifications, and was completed at the end of 2016. Based on this, the second implementation phase is being conducted in 2017, and predominantly involves the design of IT-related and data processing specifications as well as technical implementation. In parallel to this, new processes are being implemented throughout the Group.

The effects of applying the standard for the first time will be determined as at 1 January 2018, as part of the IFRS 9 implementation process. The initial application effects result from the new classification requirements and the requirements for determining loan loss provisions. The classification requirements of IFRS 9 mainly affect the measurement of equity investments and loans. A precise quantification of the initial application effects will be carried out in the second half of 2017.

IFRS 15

In May 2014, a new standard was published, IFRS 15 "Revenue from Contracts with Customers", which replaces the previous rules on revenue recognition (IAS 18 "Revenue", IAS 11 "Construction Contracts" and the associated interpretations). The new standard provides a five-step model to be used to determine the amount and timing of revenue recognition. IFRS 15 must be applied to all contracts with customers that cover the sale of goods or the provision of services, with some exceptions, such as financial instruments for which revenue recognition falls within the scope of IFRS 9/IAS 39.

In April 2016, clarifications to IFRS 15 were also published. The clarifications do not contain any changes to the underlying principles of the new standard. They are solely concerned with clarifications and additional transitional relief, which have not yet been adopted into European law, however.

The new standard applies to financial years beginning on or after 1 January 2018. Earlier voluntary adoption is permitted.

The impact on the consolidated financial statements is currently being reviewed. No material impact on the statement of profit or loss and comprehensive income is expected. Changes in balance sheet disclosure may result from the separate presentation of receivables, contract assets and contract liabilities. IFRS 15 contains supplementary disclosures on the nature, amount, timing and uncertainty of proceeds and payment streams resulting from contracts with customers. This gives rise to changes in processes as well as increased documentation requirements.

5 Changes in the scope of consolidation

The consolidated financial statements include – in addition to DekaBank as parent company – a total of 10 (31 December 2016: 10) domestic and 7 (31 December 2016: 7) foreign companies in which DekaBank directly or indirectly holds the majority of voting rights. In addition, 7 structured companies (31 December 2016: 9) are included in the scope of consolidation.

The changes in the first half of 2017 resulted from one merger and one liquidation of structured companies.

A total of 15 (31 December 2016: 15) affiliated companies controlled by the Deka Group were not consolidated because they are of minor significance for the presentation of the net assets, financial position and results of operations of the Group. The shares held in these subsidiaries are reported under financial investments. Likewise, structured entities are not consolidated due to their minor importance to the consolidated financial statements. Units in unconsolidated investment funds are recognised at fair value through profit or loss. These are shown in the balance sheet under financial assets at fair value.

The subsidiaries (affiliated companies and structured entities), joint ventures and associated companies, as well as the companies and equity investments not included in the consolidated financial statements on materiality grounds, are shown in the list of shareholdings (note [37]).

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

6 Net interest income

In addition to interest income and expenses, this item includes pro-rated reversals of premiums and discounts from 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. Under IAS 32, silent capital contributions are classified as debt and the payments to typical silent partners are reported in interest expenses.

€m	1st half 2017	1st half 2016	Change
Interest income from			
Lending and money market transactions	208.8	244.1	–35.3
Interest rate derivatives (economic hedges)	72.7	74.4	–1.7
Fixed-interest securities and debt register claims	73.3	68.9	4.4
Hedge derivatives (hedge accounting)	29.9	30.9	–1.0
Negative interest from liabilities	33.7	17.9	15.8
Current income from			
Shares and other non fixed-interest securities	9.6	7.3	2.3
Equity investments	2.2	2.3	–0.1
Total interest income	**430.2**	**445.8**	–15.6
Interest expenses for			
Interest rate derivatives (economic hedges)	132.2	138.8	–6.6
Liabilities	128.3	141.2	–12.9
Securitised liabilities	34.1	36.6	–2.5
Hedge derivatives (hedge accounting)	14.9	13.4	1.5
Subordinated liabilities and profit participation capital	18.1	18.3	–0.2
Typical silent capital contributions	2.4	4.0	–1.6
Negative interest from money market transactions and fixed-interest securities	27.9	18.6	9.3
Total interest expenses	**357.9**	**370.9**	–13.0
Net interest income	**72.3**	**74.9**	–2.6

7 Provisions for loan losses

The breakdown of provisions for loan losses in the statement of profit or loss and other comprehensive income is as follows:

€m	1st half 2017	1st half 2016	Change
Allocations to provisions for loan losses	–34.0	–93.8	59.8
Reversal of provisions for loan losses	34.4	18.6	15.8
Income on written-down receivables	0.4	1.1	–0.7
Provisions for loan losses	**0.8**	**–74.1**	74.9

The risk provision for securities in the ‘loans and receivables’ and ‘held to maturity’ categories is reported under profit or loss on financial investments (note [11]).

8 Net commission income

€m	1st half 2017	1st half 2016	Change
Commission income from			
Investment fund business	1,025.1	924.9	100.2
Securities business	77.9	62.5	15.4
Lending business	24.1	21.8	2.3
Other	11.7	13.1	–1.4
Total commission income	**1,138.8**	**1,022.3**	116.5
Commission expenses for			
Investment fund business	536.8	497.6	39.2
Securities business	18.5	8.9	9.6
Lending business	8.7	8.1	0.6
Other	2.0	1.1	0.9
Total commission expenses	**566.0**	**515.7**	50.3
Net commission income	**572.8**	**506.6**	66.2

Commission income from investment fund business essentially comprises management fees, front-end loads and sales commission. In addition, performance-related remuneration and income from lump-sum costs are also reported in this figure. Commission expenses for the investment fund business are largely attributable to services provided to sales partners. The vast majority of net commission income stems from trail commission, i.e. recurring commission relating to existing business. Net commission income from investment fund business therefore primarily comprises fees in accordance with IFRS 7.20c (ii).

9 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments in the 'held for trading' sub-category. Net interest income from derivative and non-derivative financial instruments for trading book positions, together with related refinancing expenses, are also reported under this item.

€m	1st half 2017	1st half 2016	Change
Sales and revaluation results	73.1	129.1	–56.0
Net interest income and current income from trading transactions	123.5	45.5	78.0
Commission on trading transactions	–10.4	–9.9	–0.5
Trading profit or loss	**186.2**	**164.7**	21.5

10 Profit or loss on financial instruments designated at fair value

This item includes profit or loss on financial instruments allocated to the 'designated at fair value' subcategory as well as the profit or loss on derivatives in the banking book. Interest and dividend income are reported in net interest income along with refinancing expenses and income from reinvestments.

€m	1st half 2017	1st half 2016	Change
Sales and revaluation results	–31.8	112.8	–144.6
Foreign exchange profit or loss	–4.5	–2.3	–2.2
Commission	–0.1	–	–0.1
Profit or loss on financial instruments designated at fair value	**–36.4**	**110.5**	–146.9

In the reporting period, the valuation result from financial instruments designated at fair value included a net expense of €4.0m, which was attributable to creditworthiness-related changes in value.

11 Profit or loss on financial investments

€m	1st half 2017	1st half 2016	Change
Sales and valuation results from shareholdings	–1.0	–0.6	–0.4
Reversal of/allocation to risk provision for securities	11.8	–15.5	27.3
Write-backs arising from increase in value of equity-accounted companies	–	2.6	–2.6
Net income from investments valued at equity	9.0	0.7	8.3
Net income from financial investments	**19.8**	**–12.8**	32.6

12 Administrative expenses

€m	1st half 2017	1st half 2016	Change
Personnel expenses	261.4	241.7	19.7
Operating expenses	248.9	232.1	16.8
Depreciation of property, plant and equipment and intangible assets	8.8	9.1	–0.3
Administrative expenses	**519.1**	**482.9**	36.2

Operating expenses include the contribution to the European Union's Single Resolution Fund amounting to €35.3m (30 June 2016 or whole-year contribution for 2016: €34.4m).

13 Other operating income

The breakdown of other operating income is as follows:

€m	1st half 2017	1st half 2016	Change
Income from repurchased debt instruments	**–2.3**	**–19.6**	17.3
Other operating profit	6.8	66.1	–59.3
Other operating expenses	11.8	13.9	–2.1
Other operating income	**–7.3**	**32.6**	–39.9

14 Income taxes

Based on the corporation tax and trade tax rates applicable for 2017, the combined tax rate for the companies in the DekaBank fiscal group is unchanged compared with the previous year at 31.9%. In accordance with its articles of incorporation, DekaBank is obliged to refund to shareholders that portion of corporation tax payable by the shareholders (7.21% of 15.825% including solidarity surcharge), as DekaBank is treated for tax purposes as an atypical silent partnership. As in the previous year, this portion of the tax expense is shown as part of income tax expenses.

Notes to the consolidated balance sheet

15 Cash reserves

€m	30 Jun 2017	31 Dec 2016	Change
Cash on hand	4.6	4.9	–0.3
Balances with central banks	11,863.8	3,682.7	8,181.1
Total	**11,868.4**	**3,687.6**	8,180.8

16 Due from banks

€m	30 Jun 2017	31 Dec 2016	Change
Domestic borrowers	16,852.0	14,049.0	2,803.0
Foreign borrowers	7,443.1	6,605.1	838.0
Due from banks before risk provision	**24,295.1**	**20,654.1**	3,641.0
Provisions for loan losses	–0.3	–0.2	–0.1
Total	**24,294.8**	**20,653.9**	3,640.9

17 Due from customers

€m	30 Jun 2017	31 Dec 2016	Change
Domestic borrowers	4,231.5	5,230.5	–999.0
Foreign borrowers	19,356.6	17,943.5	1,413.1
Due from customers before risk provision	**23,588.1**	**23,174.0**	414.1
Provisions for loan losses	–153.7	–333.1	179.4
Total	**23,434.4**	**22,840.9**	593.5

18 Provisions for loan losses

Default risks in the lending business are recognised through the creation of specific and collective provisions and through the creation of provisions for off-balance sheet liabilities. The collective provisions for creditworthiness risks reflect the assumptions concerning impairments in the loan portfolio that have already occurred but are not yet known as at the reporting date. Transfer risk is taken into account by recognising collective provisions for country risks.

€m	30 Jun 2017	31 Dec 2016	Change
Provisions for loan losses – due from banks			
Specific valuation allowances	–	–	–
Portfolio valuation allowances for creditworthiness risks	0.3	0.2	0.1
Provisions for loan losses – due from customers			
Specific valuation allowances	134.5	310.6	–176.1
Portfolio valuation allowances for creditworthiness risks	19.2	17.5	1.7
Portfolio valuation allowances for country risks	–	5.0	–5.0
Total	**154.0**	**333.3**	–179.3

The following tables show the movement in provisions for loan losses:

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

€m	Opening balance 1 Jan 2016	Addi-tions	Allo-cation	Utili-sation	Reversal	Disposals	Reclassi-fications	Currency effects	Closing balance 30 Jun 2016
Provisions for loan losses – due from banks									
Specific valuation allowances	2.1	–	–	1.4	0.6	–	–	–0.1	0.0
Portfolio valuation allowances for creditworthiness risks	0.3	–	–	–	0.1	–	–	–	0.2
Sub-total	**2.4**	**–**	**–**	**1.4**	**0.7**	**–**	**–**	**–0.1**	**0.2**
Provisions for loan losses – due from customers									
Specific valuation allowances	185.2	0.3	218.4	95.8	5.9	–	–1.1	9.5	310.6
Portfolio valuation allowances for creditworthiness risks	32.9	–	2.0	–	17.4	–	–	–	17.5
Portfolio valuation allowances for country risks	3.9	–	1.7	–	0.7	–	–	0.1	5.0
Sub-total	**222.0**	**0.3**	**222.1**	**95.8**	**24.0**	**–**	**–1.1**	**9.6**	**333.1**
Provisions for credit risks									
Specific risks	0.4	–	–	0.1	1.0	–	1.1	–0.1	0.3
Portfolio risks	1.4	–	–	–	0.7	–	–	–	0.7
Sub-total	**1.8**	**–**	**–**	**0.1**	**1.7**	**–**	**1.1**	**–0.1**	**1.0**
Total	**226.2**	**0.3**	**222.1**	**97.3**	**26.4**	**–**	**–**	**9.4**	**334.3**

Key ratios for provisions for loan losses:

%	30 Jun 2017	31 Dec 2016
Reversal / allocation ratio as at reporting date[1] (Quotient from net allocation and lending volume)	0.00	–0.76
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.68	0.37
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.57	0.51
Net provisioning ratio as at the reporting date (Quotient from provisions for loan losses and lending volume)	0.64	1.30

[1] Reversal ratio shown without leading sign

The calculations of the above key ratios are based on a lending volume in the balance sheet of €24.5bn (31 December 2016: €25.7bn).

Provisions for loan losses by risk segment:

	Valuation allowances and provisions for loan losses		Utilisation including payments received on written-down receivables[1]		Net allocations to[2] / reversals of valuation allowances and provisions for loan losses	
€m	**30 Jun 2017**	**31 Dec 2016**	**1st half 2017**	**1st half 2016**	**1st half 2017**	**1st half 2016**
Customers						
Transport & export finance	139.2	281.7	134.1	1.0	–3.5	–67.6
Public infrastructure	2.0	40.9	32.1	24.1	2.9	–0.8
Property risks	1.2	1.6	–0.2	–	0.4	0.9
Energy and utility infrastructure	10.2	8.6	–	–	1.9	–7.5
Corporates	1.3	–	–	–	–1.3	–0.1
Other	1.2	1.3	–	–	0.1	–0.1
Total customers	**155.1**	**334.1**	**166.0**	**25.1**	**0.5**	**–75.2**
Banks	**0.3**	**0.2**	**–**	**–**	**–0.1**	**–**
Total	**155.4**	**334.3**	**166.0**	**25.1**	**0.4**	**–75.2**

[1] Payments received on written-down receivables – negative in the column
[2] Negative in the column

19 Financial assets at fair value

In addition to securities and receivables in the categories held for trading and designated at fair value, financial assets at fair value include positive market values from derivative financial instruments in the trading book and derivative financial instruments from economic hedges that do not meet the criteria for hedge accounting under IAS 39.

€m	30 Jun 2017	31 Dec 2016	Change
Held for Trading			
Debt securities and other fixed-interest securities	4,922.2	5,309.9	−387.7
Bonds and debt securities	4,868.4	5,214.8	−346.4
Money market securities	53.8	95.1	−41.3
Shares and other non fixed-interest securities	1,231.8	1,107.2	124.6
Shares	792.5	643.1	149.4
Investment fund units	439.3	464.1	−24.8
Promissory note loans	821.4	1,026.1	−204.7
Positive market values from derivative financial instruments (trading)	5,689.9	7,194.8	−1,504.9
Total – held for trading	**12,665.3**	**14,638.0**	−1,972.7
Designated at Fair Value			
Debt securities and other fixed-interest securities	17,890.5	18,695.4	−804.9
Bonds and debt securities	17,890.5	18,695.4	−804.9
Money market securities	–	–	–
Shares and other non fixed-interest securities	951.5	1,016.4	−64.9
Shares	12.8	15.9	−3.1
Investment fund units	928.5	980.7	−52.2
Other non fixed-interest securities	10.2	19.8	−9.6
Promissory note loans	0.3	297.4	−297.1
Positive market values from derivative financial instruments (economic hedges)	348.1	256.0	92.1
Total – designated at fair value	**19,190.4**	**20,265.2**	−1,074.8
Total	**31,855.7**	**34,903.2**	−3,047.5

20 Financial investments

€m	30 Jun 2017	31 Dec 2016	Change
Loans and receivables			
Debt securities and other fixed-interest securities	793.1	674.3	118.8
Held to maturity			
Debt securities and other fixed-interest securities	3,055.0	2,309.4	745.6
Available for sale			
Debt securities and other fixed-interest securities	–	–	–
Shares and other non fixed-interest securities	–	–	–
Shareholdings			
Equity investments	25.2	30.8	−5.6
Shares in companies valued at equity	15.9	6.9	9.0
Shares in affiliated, non-consolidated companies	1.1	1.1	–
Shares in associated companies not accounted for under the equity period	0.2	0.2	–
Financial investments before risk provisions	**3,890.5**	**3,022.7**	867.8
Risk provision	−42.0	−53.8	11.8
Total	**3,848.5**	**2,968.9**	879.6

21 Intangible assets

€m	30 Jun 2017	31 Dec 2016	Change
Purchased goodwill	**148.1**	**148.1**	–
Software			
Purchased	27.3	29.6	–2.3
Developed in-house	2.8	3.5	–0.7
Total software	**30.1**	**33.1**	–3.0
Other intangible assets	15.5	16.9	–1.4
Total	**193.7**	**198.1**	–4.4

As in the previous period, the 'purchased goodwill' item includes €95.0m from the acquisition of Landesbank Berlin Investment GmbH and €53.1m from the acquisition of WestInvest Gesellschaft für Investmentfonds mbH.

22 Property, plant and equipment

€m	30 Jun 2017	31 Dec 2016	Change
Plant and equipment	18.3	14.7	3.6
Technical equipment and machines	3.6	2.4	1.2
Total	**21.9**	**17.1**	4.8

23 Other assets

€m	30 Jun 2017	31 Dec 2016	Change
Amounts due from investment funds	146.9	125.7	21.2
Amounts due from non-banking business	14.0	22.3	–8.3
Amounts due or refunds from other taxes	0.6	0.7	–0.1
Other miscellaneous assets	135.9	129.1	6.8
Prepaid expenses	35.6	28.9	6.7
Total	**333.0**	**306.7**	26.3

24 Due to banks

€m	30 Jun 2017	31 Dec 2016	Change
Domestic banks	13,461.7	13,150.2	311.5
Foreign banks	6,525.3	4,212.2	2,313.1
Total	**19,987.0**	**17,362.4**	2,624.6
Of which:			
Collateralized registered bonds and promissory notes	200.9	199.1	1.8
Uncollateralized registered bonds and promissory notes	2,757.8	2,797.7	–39.9

25 Due to customers

€m	30 Jun 2017	31 Dec 2016	Change
Domestic banks	17,464.6	16,523.3	941.3
Foreign banks	11,523.7	6,895.8	4,627.9
Total	**28,988.3**	**23,419.1**	5,569.2
Of which:			
Collateralized registered bonds and promissory notes	1,542.2	1,633.3	–91.1
Uncollateralized registered bonds and promissory notes	1,258.1	1,262.8	–4.7

26 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Under IAS 39, own bonds held by the Group with a nominal amount of €0.1bn (31 December 2016: €0.2bn) were deducted from the issued bonds.

€m	30 Jun 2017	31 Dec 2016	Change
Unsecured bonds issued	7,676.3	8,100.6	−424.3
Covered debt securities issued	230.4	224.8	5.6
Money market securities issued	5,454.5	2,750.7	2,703.8
Total	**13,361.2**	**11,076.1**	2,285.1

27 Financial liabilities at fair value

In addition to trading issues and liabilities in the designated at fair value category, financial liabilities at fair value include negative market values from derivative financial instruments in the trading book as well as economic hedges which do not meet the criteria for hedge accounting in accordance with IAS 39.

€m	30 Jun 2017	31 Dec 2016	Change
Held for Trading			
Trading issues	16,699.7	15,063.5	1,636.2
Securities short portfolios	904.8	772.8	132.0
Negative market values from derivative financial instruments (trading)	6,499.6	7,409.5	−909.9
Total – held for trading	**24,104.1**	**23,245.8**	858.3
Designated at fair value			
Issues	1,817.4	2,116.7	−299.3
Negative market values from derivative financial instruments (economic hedges)	689.3	1,157.0	−467.7
Total – designated at fair value	**2,506.7**	**3,273.7**	−767.0
Total	**26,610.8**	**26,519.5**	91.3

Issues can be broken down by product type as follows:

€m	30 Jun 2017	31 Dec 2016	Change
Held for Trading			
Unsecured trading issues			
Bearer bonds issued	13,228.6	11,601.0	1,627.6
Registered bonds issued	1,113.8	1,094.3	19.5
Promissory note loans raised	2,357.3	2,368.3	−11.0
Total	**16,699.7**	**15,063.5**	1,636.2
Designated at fair value			
Unsecured trading issues			
Bearer bonds issued	328.1	364.7	−36.6
Registered bonds issued	308.1	342.1	−34.0
Promissory note loans raised	259.0	329.0	−70.0
Covered issues	922.2	1,080.9	−158.7
Total	**1,817.4**	**2,116.7**	−299.3

The fair value of issues in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €12.2m (31 December 2016: €8.9m).

28 Provisions

€m	30 Jun 2017	31 Dec 2016	Change
Provisions for pensions and similar commitments	165.8	235.9	–70.1
Provisions for restructuring measures	23.6	27.2	–3.6
Provisions for legal risks	7.4	7.4	–
Provisions for operational risks	0.9	0.6	0.3
Provisions for credit risks	1.4	1.0	0.4
Provisions for human resources	0.4	0.5	–0.1
Provisions in investment fund business	69.8	72.6	–2.8
Sundry other provisions	11.8	12.8	–1.0
Total	**281.1**	**358.0**	–76.9

The actuarial interest rate underlying the calculation of pension provisions stood at 2.20% as at 30 June 2017, 0.25 percentage points above the actuarial interest rate applied at 31 December 2016. Actuarial valuations were used to calculate a revaluation gain of €33.7m (31 December 2016: a revaluation loss of €15.1m), which was recognised in other comprehensive income.

Furthermore, provisions were created for the funds described below with formal guarantees and targeted returns.

The Deka Group's range of products includes investment funds with guarantees of various types. At maturity of the fund or at the end of the investment period, the capital management company guarantees the capital invested less charges, or the unit value at the start of the respective investment period. The amount of the provision is determined from the forecast shortfall at the guarantee date, which represents the difference between the expected and guaranteed unit value. As at the reporting date, €2.2m (31 December 2016: €2.4m) was set aside based on the changes in the respective fund assets. As at the reporting date, the guarantees covered a maximum volume of €3.6bn (31 December 2016: €3.9bn) as at the respective guarantee dates. The market value of the corresponding fund assets totalled €3.9bn (31 December 2016: €4.1bn). These also include the funds described below with a forecast return performance amounting to a volume of €1.8bn (31 December 2016: €2.4bn).

Investment funds, whose return is forecast and published on the basis of current money market interest rates set by the Group, exist in two fund varieties with and 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 €40.8m (31 December 2016: €40.1m) had been established. The underlying total volume of the funds amounted to €6.4bn (31 December 2016: €6.5bn), of which €1.8bn (31 December 2016: €2.4bn) related to funds with a capital guarantee and €4.6bn (31 December 2016: €4.1bn) to funds without a capital guarantee.

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

29 Subordinated capital

€m	30 Jun 2017	31 Dec 2016	Change
Subordinated liabilities	900.5	906.6	–6.1
Capital contributions of typical silent partners	26.9	211.9	–185.0
Total	**927.4**	**1,118.5**	–191.1

Terminated silent capital contributions in the amount of €177.5m were repaid in the reporting period.

30 Equity

€m	30 Jun 2017	31 Dec 2016	Change
Subscribed capital	286.3	286.3	–
Less own shares	94.6	94.6	–
Additional capital components (AT1 bonds)	473.6	473.6	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings	4,269.1	4,293.0	–23.9
Revaluation reserve			
For provisions for pensions	–135.8	–169.5	33.7
For cash flow hedges	–12.5	–29.1	16.6
For financial instruments available for sale	5.1	5.1	–
For equity-accounted companies	–4.4	–4.5	0.1
Applicable deferred taxes	47.2	63.3	–16.1
Total revaluation reserve	**–100.4**	**–134.7**	34.3
Currency translation reserve	1.6	1.8	–0.2
Consolidated profit/loss	164.2	70.7	93.5
Total	**5,190.1**	**5,086.4**	103.7

Other disclosures

31 Fair value data 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 using generally recognised valuation models.

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

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

Furthermore, the Bank takes Credit Value Adjustments (CVAs) or Debit Value Adjustments (DVAs) into consideration when measuring OTC derivatives in order to allow for its own credit risk or that of counterparties, unless these are already included elsewhere in the valuation model. If a netting agreement exists for counterparties, the calculation is performed at the level of the counterparty based on the net position. In other cases, the calculation is performed on the basis of the individual positions. 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 by balance sheet line item and IFRS categories in accordance with IFRS 7. The following table shows the fair values of financial assets and liabilities, classified by balance sheet item or IFRS category, compared to the respective book values.

	30 Jun 2017		31 Dec 2016	
€m	**Fair value**	**Book value**	**Fair value**	**Book value**
Asset items				
Cash reserves	11,868.4	11,868.4	3,687.6	3,687.6
Due from banks	24,434.5	24,294.8	20,835.2	20,653.9
Due from customers	23,674.4	23,434.4	23,122.1	22,840.9
Financial assets at fair value	31,855.7	31,855.7	34,903.2	34,903.2
Positive market values from derivative hedging instruments	23.5	23.5	28.6	28.6
Financial investments	3,876.4	3,848.5	2,983.3	2,968.9
Loans and receivables	761.9	791.7	632.9	672.4
Held to maturity	3,072.2	3,014.5	2,311.4	2,257.5
Available for sale	42.3	42.3	39.0	39.0
Other assets	200.0	200.0	183.9	183.9
Total assets items	**95,932.9**	**95,525.3**	**85,743.9**	**85,267.0**
Liability items				
Due to banks	20,113.4	19,987.0	17,521.7	17,362.4
Due to customers	29,228.5	28,988.3	23,691.8	23,419.1
Securitised liabilities	13,428.4	13,361.2	11,164.2	11,076.1
Financial liabilities at fair value	26,610.8	26,610.8	26,519.5	26,519.5
Negative market values from derivative hedging instruments	17.8	17.8	34.4	34.4
Subordinated capital	1,012.6	927.4	1,217.8	1,118.5
Other liabilities	194.8	194.8	230.7	230.7
Total liabilities items	**90,606.3**	**90,087.3**	**80,380.1**	**79,760.7**

For short-term financial instruments or those due on demand, fair value corresponds to the amount payable as at the reporting date. The carrying value therefore represents a reasonable approximation to the fair value. These include, *inter alia*, the cash reserve, overdraft facilities and demand deposits owed to banks and customers, as well as financial instruments included in the other assets or liabilities items. In the following description of the fair value hierarchy, financial assets amounting to €12,880.8m (31 December 2016: €4,565.5m) and financial liabilities amounting to €10,759.3m (31 December 2016: €10,729.3m) are not allocated to any level of the fair value hierarchy.

Shares in affiliated unlisted companies and other equity investments in the amount of €42.3m (31 December 2016: €39.0m) included in financial investments allocated to the available for sale category, for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at cost in accordance with IAS 39.46c. There is currently no intention to sell these assets. These financial instruments are not allocated to any level of the fair value hierarchy in the table below.

Fair value hierarchy

Financial instruments carried at fair value on the balance sheet, as well as financial instruments that are not measured at fair value but whose fair value must be stated, must be allocated to the following three fair value hierarchy levels specified in IFRS 13, depending on the input factors influencing their valuation:

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

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

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

The table below shows the fair values of the financial instruments carried in the balance sheet at fair value and the fair value of the financial instruments not carried in the balance sheet at fair value, allocated to the respective level of the fair value hierarchy.

	Prices on active markets (Level 1)		Valuation method based on observable market data (Level 2)		Valuation method not based on observable market date (Level 3)	
€m	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Financial assets at fair value						
Debt securities, other fixed-interest securities and loan claims	14,858.3	12,942.4	6,686.3	9,884.3	2,089.8	2,502.2
Shares and other non-fixed-interest securities	2,089.3	1,996.3	94.0	127.2	–	–
Derivative financial instruments						
Interest-rate-related derivatives	0.1	0.1	4,647.4	5,705.2	27.1	15.8
Currency-related derivatives	–	–	198.1	225.9	–	–
Share-price and other price-related derivatives	156.2	329.7	1,005.3	1,170.6	3.8	3.5
Positive market values from derivative hedging instruments	–	–	23.5	28.6	–	–
Assets measured at amortised cost						
Due from banks	–	–	19,173.5	14,338.6	4,909.9	6,150.4
Due from customers	–	–	9,045.2	7,770.4	14,167.9	15,003.9
Financial investments	2,007.1	1,254.9	931.2	656.6	895.8	1,032.8
Total	**19,111.0**	**16,523.4**	**41,804.5**	**39,907.4**	**22,094.3**	**24,708.6**
Financial liabilities at fair value						
Securities short portfolios	823.4	647.1	81.4	125.7	–	–
Derivative financial instruments						
Interest-rate-related derivatives	0.1	0.9	4,890.4	5,923.5	44.6	139.9
Currency-related derivatives	–	–	222.4	214.0	–	–
Share-price and other price-related derivatives	497.9	665.8	1,532.7	1,621.0	0.8	1.4
Trading issues/issues	–	–	17,590.3	16,472.4	926.8	707.8
Negative market values from derivative hedging instruments	–	–	17.8	34.4	–	–
Liabilities measured at amortised cost						
Due to banks	–	–	19,653.6	14,008.4	82.0	2,565.2
Due to customers	–	–	18,504.0	12,701.4	537.9	1,439.9
Securitised liabilities	–	–	13,428.4	11,164.2	–	–
Subordinated capital	–	–	88.3	–	924.2	1,217.8
Total	**1,321.4**	**1,313.8**	**76,009.3**	**62,265.0**	**2,516.3**	**6,072.0**

Reclassifications

The following reclassifications between level 1 and level 2 of the fair value hierarchy took place in respect of assets and liabilities measured at fair value and held in the portfolio at the balance sheet date:

	Reclassifications from level 1 to level 2		Reclassifications from level 2 to level 1	
€m	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Financial assets at fair value				
Debt securities, other fixed-interest securities and loan receivables	145.9	3,487.9	2,189.2	925.6
Financial liabilities at fair value				
Securities short portfolios	3.4	68.3	32.0	4.0

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

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

In principle, the redemption price published by the respective investment company is used to determine the fair value of unconsolidated funds.

Fair value hierarchy level 2

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

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

Provided that they are not products traded on the stock market, derivative financial instruments are in principle measured using standard valuation models, such as the Black-Scholes model, the Black-76 model, the SABR model, the Bachelier model, the G1PP model or the local volatility model. The models are always calibrated using observable market data.

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

Interest rate swaps and interest rate/currency swap agreements as well as 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. Discounting is carried out using the respective currency-specific interest rate curve. This is used for bootstrapping the forward yield curve.

Fair values for foreign exchange forward 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. For tranched basket credit swaps, a Gaussian Copula model is used, whose parameters are determined on the basis of iTraxx and CDX index tranche 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 discount rate adjusted for credit risk. The discount rate applied takes into account the collateral criteria agreed at the time of concluding the genuine securities repurchase agreement.

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.

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

The bonds and debt securities in the designated at fair value category and reported under assets at fair value essentially relate to plain vanilla bonds and non-synthetic securitisation positions. Since 2009, the Bank has been winding down the latter whilst safeguarding assets. Determining the fair value of plain vanilla bonds involves the use of credit spreads that are not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the plain vanilla bonds could have been €0.69m higher or lower.

The fair value of non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations or via spreads derived from indicative quotations for comparable bonds. These quotations are obtained from various brokers as well as from market price providers, such as S&P. The bid-ask spreads from the available price indications for the individual securitisation positions were used to determine a cautious bid-ask spread, which was used as an estimate for price sensitivity. Using this bid-ask spread, a variation range of 0.46 percentage points averaged across the portfolio was obtained. On this basis, the market value of the securitisation positions concerned could have been €0.55m higher or lower.

The bonds and debt securities in the held for trading category and reported under assets at fair value are plain vanilla bonds measured using credit spreads not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the market value of the positions concerned could have been €2.6m higher or lower.

The Bank also allocates to level 3 a limited number of equity and interest rate derivatives or issues with embedded equity 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 respective share prices or interest rate fixings, or changes to these. The sensitivity of the equity option positions concerned as at 30 June 2017 was around €–4.6m. 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 +7.0%, giving rise to a measurement difference of €+0.1m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty amounts to an equity vega of 1.25, resulting in a value of approximately €2.4m as at 30 June 2017. 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 2017, this results in a value of €0.6m.

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 2017, 99.8% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.

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

Performance of financial instruments in fair value hierarchy level 3

The movement in financial instruments carried at fair value in the balance sheet in level 3 is shown in the table below. This is based on fair values (excluding accrued interest).

	Financial assets at fair value					Financial liabilities at fair value		
€m	Debt securities, other fixed-interest securities and loan receivables	Shares and other non-fixed-interest securities	Interest-rate-related derivatives	Share-price and other price-related derivatives	Securities short portfolios	Interest-rate-related derivatives	Share price and other price-related derivatives	Trading issues/ issues
As at 1 January 2016	**2,395.1**	**–**	**15.7**	**7.6**	**–**	**32.9**	**8.2**	**528.2**
Additions through purchase	1,084.5	0.1	16.3	0.5		2.2	0.8	23.8
Disposals through sale	620.5	0.1				–	0.1	
Additions through issues								346.7
Maturity/repayments	548.6	–		6.2			7.1	184.5
Transfers								
To level 3	332.0		0.8	1.9		64.1	–	52.7
From level 3	195.6	–	15.7	1.4	–	14.0	0.5	72.2
Changes arising from measurement/disposal								
Recognised in profit or loss	48.6	–		1.0		−38.3	–	−10.7
Recognised in other comprehensive income								
As at 31 Dec 2016	**2,495.5**	**–**	**17.1**	**3.4**	**–**	**123.5**	**1.3**	**705.3**
Additions through purchase	495.4		9.3	0.2		–	0.1	
Disposals through sale	237.0						0.7	
Additions through issues								386.2
Maturity/repayments	375.4			0.3		56.4		154.9
Transfers								
To level 3	362.7		2.8	0.1		2.8	–	31.8
From level 3	650.5		0.8	–	–	10.1	–	48.6
Changes arising from measurement/disposal								
Recognised in profit or loss	−6.1		1.5	0.4		16.0	−0.1	−4.8
Recognised in other comprehensive income	–					–	–	
As at 30 June 2017	**2,084.6**	**–**	**29.9**	**3.8**	**–**	**43.8**	**0.8**	**924.6**

In the first half of the year, positive market values from debt securities, other fixed-interest securities and loan receivables amounting to €650.5m and negative market values from issues/trading issues in the amount of €48.6m were transferred from level 3. Furthermore, negative market values from debt securities, other fixed-interest securities and loan receivables amounting to €362.7m and negative market values from trading issues/issues in the amount of €31.8m were transferred to level 3. This was due to a more detailed analysis of the market data used for valuation.

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

Result for financial instruments in fair value hierarchy level 3 as at the reporting date

	Financial assets at fair value					
	Debt securities, other fixed-interest securities and loan claims		Interest-rate related derivatives		Share-price and other price-related derivatives	
€m	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
All realised profits or losses of the period recognised in the total result:						
Statement of profit or loss and other comprehensive income						
Net interest income	0.5	0.3	–	–	–	–
Trading profit or loss	2.6	–0.6	–	–	–	–
Profit or loss on financial instruments designated at fair value	0.8	5.7	–	–	–	–
All unrealised profits or losses of the period recognised in the total result:						
Net interest income	0.5	1.0	–	–	–	–
Trading profit or loss	–14.9	92.5	1.5	–	0.4	–0.1
Profit or loss on financial instruments designated at fair value	4.3	–4.5	–	–	–	–

Measurement processes for financial instruments in fair value hierarchy level 3

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

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.

	Financial liabilities at fair value					
	Interest-rate related derivatives		Share-price and other price-related derivatives		Trade issues / issues	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	–	–	–	–	–	–
	–	–	–	–	0.9	3.7
	–	–	–	–	–	
	–	–	–	–	–	–
	16.0	−90.0	−0.1	0.7	−5.8	41.0
	–	–	–	–	–	

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 annually. 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 are modified or expanded if necessary. Valuation processes may be expanded to include new price sources or apply new valuation models. Where new models are introduced, Risk Control checks for model risks as part of the implementation and validation process. If model risks are present, a corresponding model reserve is taken into account.

32 Information on the quality of financial assets

Impaired exposure and provisions for loan losses by risk segment

€m	Financial institu-tions	Trans-port and export finance	Energy and utility infra-structure	Property risks	Public infra-structure	Corpo-rates	Other	Total 30 Jun 2017	Total 31 Dec 2016
Impaired gross loan volume [1]	–	276.8	34.8	–	–	45.5	1.3	358.4	720.4
Collateral [2]	–	69.3	0.0	–	–	–	–	69.3	163.6
Impaired net loan volume [1]	–	207.5	34.8	–	–	45.5	1.3	289.1	556.8
Provisions for loan losses	4.0	139.2	11.4	1.3	2.0	38.6	1.0	197.5	388.1
Specific valuation allowances	–	127.5	6.7	–	–	36.7	0.2	171.1	347.2
Provisions	–	0.1	–	–	–	–	0.2	0.3	0.3
Portfolio valuation allowances for country risks	–	–	–	–	–	–	–	–	5.0
Portfolio valuation allowances for credit-worthiness risk	4.0	11.6	4.7	1.3	2.0	1.9	0.6	26.1	35.6

[1] Gross and net loan volumes impaired by specific and country valuation allowances. The figures shown represent the gross carrying value of the impaired financial assets at the respective balance sheet date.
[2] Recognition of measureable collateral after discounts

In addition to provisions for loan losses of €155.4m (31 December 2016: €334.3m) in the lending business, provisions for loan losses also include provisions for financial investments amounting to €42.1m (31 December 2016: €53.8m).

Non-performing exposures

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corpo-rates	Other	Total 30 Jun 2017	Total 31 Dec 2016
Non-performing exposures [1]	383.2	63.9	–	–	71.4	1.2	519.7	807.3
Collateral [2]	125.8	–	–	–	25.3	–	151.1	213.1
Provisions for loan losses	131.6	8.7	–	–	36.7	0.4	177.4	355.0

[1] The values shown represent the gross carrying value of the credit-risk bearing financial assets classified as non-performing.
[2] Recognition of measureable collateral after discounts

Exposures with forbearance measures

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

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corpo-rates	Other	Total 30 Jun 2017	Total 31 Dec 2016
Forborne exposures[1]	368.9	77.0	–	–	–	–	445.9	798.8
of which performing	3.7	20.1	–	–	–	–	23.8	94.7
of which non-performing	365.2	56.9	–	–	–	–	422.1	704.1
Collateral[2]	115.4	–	–	–	–	–	115.4	196.8
Provisions for loan losses	131.0	5.2	–	–	–	–	136.2	309.6

[1] The values shown represent the gross carrying value of the credit-risk bearing financial assets classified as forborne.
[2] Recognition of measurable collateral after discounts

Key ratios for non-performing and forborne exposures:

%	30 Jun 2017	31 Dec 2016
NPE ratio at the reporting date (Quotient from non-performing exposures and maximum credit risk)	0.55	0.96
NPE coverage ratio, including collateral, at the reporting date (Quotient from provisions for loan losses, including collateral, and non-performing exposures)	63.21	70.37
Forborne exposures ratio at the reporting date (Quotient from forborne exposures and maximum credit risk)	0.47	0.95

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.36a, using credit-risk bearing financial assets and the corresponding off-balance sheet liabilities. As at the reporting date it amounted to €94.7bn (31 December 2016: €84.1bn).

33 Credit exposure in individual European countries

The following table shows the exposure to selected European countries from an accounting perspective. In addition to receivables and securities, this comprises credit linked notes issued by the Bank that are referenced to these states as well as credit default swaps from both the protection buyer and protection seller perspectives.

	30 Jun 2017			31 Dec 2016		
€m	Nominal[1]	Carrying value	Fair value	Nominal[1]	Carrying value	Fair value
Ireland						
Debt securities (held to maturity category)	4.0	4.5	4.5	4.0	4.6	4.5
Debt securities (designated at fair value category)	2.7	3.3	3.3	–	–	–
Credit default swaps (protection seller transaction)	28.0	1.1	1.1	15.0	0.4	0.4
Credit default swaps (protection buyer transaction)	–28.0	–1.1	–1.1	–16.0	–0.4	–0.4
Italy						
Debt securities (held to maturity category)	10.0	11.2	10.9	10.0	11.3	11.2
Debt securities (designated at fair value category)	59.9	60.4	60.4	88.7	89.1	89.1
Security forward contracts	–50.0	0.5	0.5	–	–	–
Credit default swaps (protection seller transaction)	208.2	0.5	0.5	162.1	–0.5	–0.5
Credit default swaps (protection buyer transaction)	–87.0	0.2	0.2	–91.5	0.9	0.9
Credit Linked Notes[2] (held for trading category)	–10.4	–10.5	–10.5	–10.0	–10.1	–10.1
Portugal						
Debt securities (designated at fair value category)	0.3	0.4	0.4	–	–	–
Credit default swaps (protection seller transaction)	17.0	–1.4	–1.4	17.0	–2.3	–2.3
Credit default swaps (protection buyer transaction)	–17.0	1.4	1.4	–17.0	2.3	2.3
Spain						
Debt securities (held to maturity category)	5.0	5.8	5.8	5.0	6.0	6.0
Debt securities (designated at fair value category)	12.9	13.8	13.8	39.2	39.8	39.8
Debt securities (held for trading category)	190.0	233.7	233.7	190.0	239.3	239.3
Security forward contracts	–35.0	–4.7	–4.7	–35.0	–4.9	–4.9
Total return swap (protection buyer transaction)	–155.0	1.2	1.2	–155.0	–4.0	–4.0
Credit default swaps (protection seller transaction)	42.1	0.3	0.3	42.8	0.3	0.3
Credit default swaps (protection buyer transaction)	–16.0	–0.4	–0.4	–16.0	–0.3	–0.3
Credit Linked Notes[2] (held for trading category)	–9.8	–10.0	–10.0	–7.8	–8.1	–8.1
Total	**171.9**	**310.2**	**309.9**	**225.5**	**363.4**	**363.2**

[1] The nominal values of the protection buyer transactions are shown with a negative sign
[2] The figure shown is the fair value of credit linked notes issued by the Bank and relating to a liability of the respective country.

In addition to exposure to the government of Spain, the Bank also has exposure to Spanish banks. This mainly relates to bonds with a nominal value of €375.1m (31 December 2016: €301.2m), including bonds in the held to maturity category, and loans and receivables with a nominal value of €135.0m (31 December 2016: €55.0m). The remaining bonds are measured at fair value through profit or loss. There are also receivables from securities repurchase agreements and collateralised securities lending transactions amounting to €1,500.9m (31 December 2016: €1,151.5m), offset by liabilities from securities repurchase agreements and collateralised securities lending transactions amounting to €253.9m (31 December 2016: €83.2m). The receivables and liabilities were allocated to the loans and receivables and other liabilities categories, respectively.

DekaBank's exposure to Italian banks results primarily from bonds with a nominal value of €174.3m (31 December 2016: €222.5m). This includes bonds in the held to maturity category with a nominal value of €54.0m (31 December 2016: €53.6m). The remaining bonds are measured at fair value through profit or loss. There are also receivables from securities repurchase agreements and collateralised securities lending transactions amounting to €77.7m (31 December 2016: €107.8m), offset by liabilities from securities repurchase agreements and collateralised securities lending transactions amounting to €147.4m (31 December 2016: €134.1m). The receivables and liabilities were allocated to the loans and receivables and other liabilities categories, respectively. In addition to direct exposure, indirect exposures also exist through credit default swaps referencing these counterparties. Protection seller positions with a nominal value of €48.1m (31 December 2016: €48.6m) are offset by protection buyer positions with a nominal value of €163.2m (31 December 2016: €107.6m).

DekaBank also holds loan receivables with a value of €200.8m (31 December 2016: €212.8m) allocated to the loans and receivables category in respect of companies that are majority state-owned by Russia. There is no exposure to Ukraine. As was already the case at the end of the previous year, there was no exposure to borrowers classified under Greek country risk as at the reporting date.

34 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 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Interest rate risks	520,271.8	502,082.5	10,598.8	12,408.1	9,974.0	11,691.1
Currency risks	24,879.9	25,033.9	628.4	590.5	1,003.9	1,540.8
Share price and other price risks	45,871.3	42,220.8	1,217.6	1,516.1	2,142.1	2,344.7
Total	**591,023.0**	**569,337.2**	**12,444.8**	**14,514.7**	**13,120.0**	**15,576.6**
Net amount presented on the balance sheet			**6,061.5**	**7,479.4**	**7,206.7**	**8,600.9**

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

35 Capital and reserves under banking supervisory law

As at 30 June 2017, the capital and reserves under banking supervisory law and the capital ratios have been 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 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:

€m	30 Jun 2017 CRR / CRD IV (without transitional provisions)	30 Jun 2017 CRR / CRD IV (with transitional provisions)	31 Dec 2016 CRR / CRD IV (without transitional provisions)	31 Dec 2016 CRR / CRD IV (with transitional provisions)
Common Equity Tier 1 (CET 1) capital	4,198	4,293	3,978	4,216
Additional Tier 1 (AT 1) capital	474	436	474	348
Tier 1 capital	**4,672**	**4,728**	**4,451**	**4,564**
Tier 2 (T2) capital	**830**	**824**	**838**	**801**
Own funds	**5,502**	**5,553**	**5,289**	**5,366**

The increase in Tier 1 capital is mainly due to the reinvestment of profits from the 2016 financial year.

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

€m	30 Jun 2017 CRR / CRD IV (without transitional provisions)	30 Jun 2017 CRR / CRD IV (with transitional provisions)	31 Dec 2016 CRR / CRD IV (without transitional provisions)	31 Dec 2016 CRR / CRD IV (with transitional provisions)
Credit risk	14,553	14,553	15,038	15,038
Market risk	4,577	4,577	4,478	4,478
Operational risk	2,834	2,834	2,887	2,887
CVA risk	1,314	1,314	1,411	1,411
Risk-weighted assets (Total risk exposure amount)	**23,278**	**23,278**	**23,813**	**23,813**

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

€m	30 Jun 2017 CRR / CRD IV (without transitional provisions)	30 Jun 2017 CRR / CRD IV (with transitional provisions)	31 Dec 2016 CRR / CRD IV (without transitional provisions)	31 Dec 2016 CRR / CRD IV (with transitional provisions)
Common Equity Tier 1 capital ratio	18.0	18.4	16.7	17.7
Tier 1 capital ratio	20.1	20.3	18.7	19.2
Total capital ratio	23.6	23.9	22.2	22.5

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

36 Contingent and other liabilities

€m	30 Jun 2017	31 Dec 2016	Change
Irrevocable lending commitments	1,310.9	702.3	608.6
Other liabilities	102.7	102.7	–
Total	**1,413.6**	**805.0**	608.6

The guarantees provided by DekaBank are deemed to be financial guarantees under IFRS, which are stated net in accordance with IAS 39. The nominal amount of the guarantees in place as at the reporting date remains unchanged at €0.1bn.

In a circular dated 17 July 2017, the Federal Ministry of Finance (BMF) defined rules for the tax treatment of cum/cum transactions, and noted, *inter alia*, that certain cum/cum arrangements are to be regarded as an abuse within the meaning of section 42 of the German Tax Code (*Abgabenordnung* – AO). In light of the said BMF circular, based on a preliminary analysis, it cannot be ruled out that some cum/cum transactions performed by DekaBank in the years concerned will be regarded as unlawful by the tax authorities. However, DekaBank sees no compelling reasons why the share transactions concerned may be viewed as an abuse of legal options for tax planning schemes under tax law and believes there is ultimately little likelihood of action being taken against it in that regard. Consequently, it is not seen as necessary to create provisions for potential financial burdens arising from the possible refusal by tax authorities to allow relief from capital yields tax (*Kapitalertragsteuer*). Since a degree of uncertainty remains as to the final decision by the tax authorities and tax courts on the tax treatment of the share transactions concerned, the possibility of a financial burden in this regard – which is not reliably quantifiable at present – cannot be entirely ruled out.

37 List of shareholdings

The following information on shareholdings is based on the supplementary requirements of German law pursuant to Section 315a of the German Commercial Code. Therefore, no comparative information in respect of the previous period is presented.

The parent company DekaBank Deutsche Girozentrale, Frankfurt/Berlin, is entered in Commercial Register A at the District Court of Frankfurt am Main under number HRA 16068.

Consolidated subsidiaries (affiliated companies):

Name, registered office	Equity share in %
bevestor GmbH, Frankfurt/Main (formerly: Deka Vermögensmanagement GmbH)	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 Lending k.k., Tokyo	100.00
Deka Real Estate Services USA Inc., New York	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
International Fund Management S.A., Luxembourg	100.00
Landesbank Berlin Investment GmbH, Berlin	100.00
S Broker Management AG, Wiesbaden	100.00
S Broker AG & Co. KG, Wiesbaden	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74[1)]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

[1)] 5.1% are held by WIV GmbH & Co. Beteiligungs KG

Consolidated subsidiaries (structured entities):

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

Joint ventures and associated companies consolidated at equity:

Name, registered office	Equity share in %
Joint ventures	
S PensionsManagement GmbH, Cologne	50.00
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00

Joint ventures and associated companies not consolidated at equity:

Name, registered office	Equity share in %
Joint ventures	
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Associated companies	
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	20.00

Unconsolidated subsidiaries (affiliated companies):

Name, registered office	Equity share in %
Datogon S.A., Luxembourg	100.00
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 04 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 05 mbH, Frankfurt/Main	100.00
Europäisches Kommunalinstitut S.à.r.l., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Perfeus S.A., Luxembourg	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 in €m	Share in capital/ fund assets in %
Deka-BR 45, Frankfurt/Main	6.4	100.00
Deka-Relax 30, Frankfurt/Main	0.5	99.54
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	78.8	99.13
Deka-Relax 50, Frankfurt/Main	0.5	97.14
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	9.8	87.70
Deka-Relax 70, Frankfurt/Main	0.6	81.71
Deka Deutsche Boerse EUROGOV® Germany 10+ UCITS ETF, Frankfurt/Main	51.2	73.89
Deka Eurozone Rendite Plus 1-10 UCITS ETF, Frankfurt/Main	25.3	73.47
Deka-BasisStrategie Aktien, Frankfurt/Main	18.2	67.81
Deka PB ManagerMandat, Frankfurt/Main	58.4	66.05
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	50.4	60.64
Deka-Globale Renten High Income, Frankfurt/Main	49.4	58.98
Deka-Multi Asset Ertrag, Luxembourg	36.6	57.67
Deka-EuroFlex Plus, Luxembourg	103.8	53.10
Deka MSCI Japan UCITS ETF, Frankfurt/Main	40.1	49.51
Deka EURO iSTOXX ex Fin Dividend+ UCITS ETF, Frankfurt/Main	215.6	24.49
Deka Oekom Euro Nachhaltigkeit UCITS ETF, Frankfurt/Main	20.2	22.99
Comtesse DTD Ltd., London	–	9.99[1]

[1] Differing voting rights 25.1%

38 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 own mutual funds and special funds where the holding of the Deka Group exceeds 10.0% as at the reporting date are shown as subsidiaries, associated companies or other related parties in accordance with their equity holding.

Transactions with related parties are carried out under normal market terms and conditions as part of the ordinary business activities of the Deka Group. These 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 balances with banks 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:

	Shareholders		Subsidiaries	
€m	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Asset items				
Due from customers	45.0	45.0	5.5	5.5
Financial assets at fair value	–	–	8.6	28.0
Other assets	–	–	0.3	0.5
Total asset items	**45.0**	**45.0**	**14.4**	**34.0**
Liability items				
Due to customers	126.0	39.7	23.6	49.3
Total liability items	**126.0**	**39.7**	**23.6**	**49.3**

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

	Joint ventures / associated companies		Other related parties	
€m	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Asset items				
Due from customers	–	0.3	–	–
Financial assets at fair value	–	–	2.1	2.9
Other assets	0.4	0.2	0.2	0.3
Total asset items	**0.4**	**0.5**	**2.3**	**3.2**
Liability items				
Due to customers	322.2	115.6	21.6	399.7
Financial liabilities af fair value	32.7	33.3	–	0.2
Total liability items	**354.9**	**148.9**	**21.6**	**399.9**

39 Additional miscellaneous information

No major developments of particular significance occurred after the reporting date of 30 June 2017.

The consolidated interim financial statements were approved for publication on 9 August 2017 by Deka-Bank's Board of Management.

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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 net assets, financial position and results of operations of the Group and that the interim management report conveys a true and fair view of the business performance including the business results and position of the Group and suitably presents the material risks and opportunities and likely development of the Group over the remainder of the financial year.

Frankfurt am Main, 9 August 2017

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger

Dr. Stocker

Better

Dr. Danne

Müller