Deka Group
Interim Report as at 30 September 2013

Transformation implies motion

Olympia Partner Deutschland

Finanzgruppe

DekaBank

Deka Group at a glance

Business development indicators		30.09.2013	31.12.2012	Change %
Total assets[1]	€m	118,897	129,770	−8.4
Assets under Management	€m	168,054	162,647	3.3
of which: Securities business division[2]	€m	141,796	137,409	3.2
of which: Real Estate business division	€m	26,258	25,238	4.0
Number of securities accounts	thousand	4,005	4,149	−3.5
		01.01.-30.09.2013	**01.01.-30.09.2012**	
Net sales	€m	4,774	−1,954	(>300)
of which: Securities business division[2]	€m	3,337	−3,345	199.8
of which: Real Estate business division	€m	1,437	1,391	3.3
Performance indicators				
Total income	€m	1,099.0	1,120.5	−1.9
of which: Net interest income	€m	277.3	325.9	−14.9
of which: Net commission income	€m	699.0	691.8	1.0
Total expenses	€m	650.9	675.6	−3.7
of which: Administrative expenses (including depreciation)	€m	628.8	664.8	−5.4
Economic result	€m	448.1	444.9	0.7
Net income before tax[1]	€m	532.1	366.4	45.2
Key ratios				
Return on equity[3]	%	16.7	17.8	−1.1%-points
Cost/income ratio[4]	%	56.2	51.1	5.1%-points
Key regulatory figures		**30.09.2013**	**31.12.2012**	
Capital and reserves	€m	3,938	3,836	2.7
Core capital ratio	%	14.1	14.0	0.1%-points
Core tier 1 capital ratio[5]	%	11.8	11.6	0.2%-points
Equity ratio	%	15.7	16.2	−0.5%-points
Risk ratios				
Total risk-bearing capacity	€m	4,998	5,118	−2.3
Group risk (value-at-risk)[6]	€m	2,292	2,345	−2.3
Utilisation of risk-bearing capacity	%	45.9	45.8	0.1%-points
Non-guaranteed rating (short-term / long-term)				
Moody's		P-1/A1	P-1/A1	
Standard & Poor's		A-1/A	A-1/A	
Key employee figures				
Number of employees		3,975	4,040	−1.6
Number of active employees		3,457	3,506	−1.4

[1] Previous year's figures adjusted due to first-time application of the amended IAS 19 standard.
[2] Previous year's figures adjusted as index-linked funds (ETFs) are reported in Securities business division as of 1 January 2013.
[3] Return on equity (RoE before tax) corresponds to the economic result divided by equity at the start of the financial year, including atypical silent capital contributions (figures annualised).
[4] Cost/income ratio (CIR) corresponds to the ratio resulting from total expenses (excluding restructuring expenses) and total income (before provisions for loan losses).
[5] The core tier 1 capital ratio takes not account of silent capital contributions of €552m.
[6] Confidence level: 99.9%, holding period: one year.

Interim Report as at 30 September 2013

At a glance

DekaBank implemented important measures in the third quarter of 2013 as part of its strategic development to becoming a fully-fledged securities service provider of the savings banks. The ongoing development of the organisational structure provided the basis for further measures. In the period under review, these included the adjustment and optimisation of the sales organisation, strengthening support for Sales and launching the new brand for institutional sales. Agreement was achieved with Landesbank Berlin (LBB) on the key points for acquiring LBB's customer-oriented capital market business and investment fund company LBB-INVEST. The Administrative Board of DekaBank has already approved the transaction. Pooling these activities will further strengthen DekaBank's positioning as the first point of contact for the savings banks in investment and asset management.

The Deka Group's business performance and earnings position was satisfactory and largely in line with forecasts in the third quarter of 2013. After the first nine months of the year, the economic result of €448.1m was slightly up on the figure for the same period in the previous year. Savings achieved by cutting operating costs and project-related expenses as well as a lower requirement for risk provisions compensated for the decrease in net interest income and net financial income. Consistent cost control has created the necessary leeway for DekaBank to implement further planned initiatives in the final quarter of 2013 and beyond as part of the transformation programme for becoming a fully-fledged securities service provider.

The sales trend in investment fund business was muted, especially in September. Overall, net sales of mutual fund units and in fund-linked asset management were just in the negative range for the third quarter of 2013, whereas a funds inflow was recorded in institutional business. For the nine-month period, net fund sales of €4.8bn were satisfactory and primarily based on growth in special funds and mandates as well as open-ended property funds, similar to the situation as at 30 June 2013. Coupled with the pleasing performance of the investment funds, this resulted in a significant increase in assets under management.

The Deka Group's risk position only changed marginally compared with the 2013 mid-year status. Risk limits were complied with at all times. As at 30 September 2013, the core tier 1 capital ratio was 11.8% and slightly higher than the figure as at 31 December 2012 (11.6%). In view of the more stringent future regulatory requirements following the application of the Basel III regulations, pressure on capital ratios is expected in the coming years. Consequently, the Bank's capital base will need to be further strengthened.

Strategy, structure and range of products and services of the Deka Group

Structure and corporate governance

On 19 September 2013, DekaBank's Administrative Board approved the transaction for taking over both the customer-oriented capital market business of LBB and LBB-INVEST. The aim is to complete the transaction at the end of 2013/beginning of 2014. In parallel, work to prepare the integration of these activities has commenced. This will ensure prompt transfer on the same date. Employees from LBB's trading and sales units will transfer to DekaBank. LBB-INVEST will initially continue as an independent company located in Berlin.

The merger of ETFlab Investment GmbH with Deka Investment GmbH was concluded in July, with retroactive effect from 1 January 2013. This also completed the functional assignment of ETF business to the Securities business division in legal terms. Deka Investment has taken on the employees of ETFlab. The Munich location will be retained.

New brand strategy

In line with its positioning as a fully-fledged securities service provider of the savings banks, DekaBank has further developed its brand strategy for retail and institutional business. The wide range of securities-based solutions for the savings banks' private customers will be pooled under the Deka Investments umbrella brand in future. Based on a spectrum of products ranging from pension provisioning and asset management to investment funds and certificates, DekaBank has positioned itself as the leading securities expert and partner of choice for the savings banks when it comes to investments and asset management. Following the merger of ETFlab Investment GmbH with Deka Investment GmbH, the Bank's exchange traded funds (ETFs) are now also clearly identified as Deka products.

The range of products and services for institutional investors has been pooled under the Deka Institutionell brand since the beginning of September 2013. Services include asset management, liquidity management as well as credit and risk management. Additional services provided comprise the fulfilment of the role of joint venture fund manager (Master-KVG) and custodian bank. The objective of the new brand strategy is to expand existing services which are tailored to institutional investors by making them available to companies, insurance companies, foundations and different types of pension funds outside the *Sparkassen-Finanzgruppe*.

Economic environment

Overall assessment of the economic environment

The economic environment is gradually brightening. In particular, the eurozone's return to growth earlier than expected and the stabilisation of the Chinese economy contributed to a perceptible improvement in sentiment on the financial markets during the third quarter of 2013. In view of the persistently low interest rate level, a greater number of private investors opted for investing in funds in the first nine months of this year, given the absence of any high-yield alternatives. Consequently, general conditions for the Deka Group's securities business are somewhat more favourable. Capital market business in the third quarter of 2013 was once again supported by the comprehensive supply of the markets with central bank money.

National debt crisis in the eurozone

The most difficult phase of the national debt crisis in Europe seems to have been overcome. Consolidation in the crisis countries is progressing, and the economic situation continued to stabilise in the third quarter of the year. Although the end of recession in the eurozone is primarily attributable to positive developments in Germany and France, the rate of slowdown in economic activity has at least started to decelerate noticeably in Spain and Italy.

Despite the stabilisation in the financial markets, potential setbacks will remain a threat over the coming months. Many of the structural problems at the root of the European national debt crisis have yet to be resolved politically.

Overall economic trends

The end of the recession in the eurozone and the stabilisation of the Chinese economy contributed to brightening the mood somewhat in the third quarter of 2013. Conversely, the signals coming from the USA continue to be heterogeneous.

In view of the high level of debt and an only gradual economic recovery in the industrialised countries, impetus for global economic growth is primarily originating in the emerging markets.

Against this backdrop, the central banks' expansionary monetary policy once again provided decisive momentum for the global financial markets in the third quarter of the year. The announcement by the Fed, the US central bank, about the planned tapering of its programme of quantitative easing (QE3) has largely been digested by the markets. The European Central Bank (ECB) continued its unlimited supply of liquidity to the markets, expressly preparing investors for a prolonged phase of low key interest rates in the third quarter of this year. At the same time, the ECB emphasised that it would be supplying the markets with a high level of liquidity for a long time yet. Nevertheless, investors in Europe are also gradually adapting to the idea of a "soft turnaround in interest rates" and the end of quantitative easing.

With economic growth remaining modest and a restrained trend in commodities prices as well as restricted lending by banks, especially in southern Europe, rates of inflation rose only marginally in the third quarter of 2013. However, the risk of asset erosion as a result of a negative real interest rate is increasing in view of the persistently low interest rate levels. This provides a significant growth opportunity for the investment fund sector, as an increasing number of investors in Germany will be aiming to cushion against this risk by opting for high-yield investment alternatives.

Trends in capital markets

The performance of the German, US and Japanese equity markets was extraordinarily positive in the third quarter of 2013. In September, the DAX achieved a new record high. Technology stocks and second liners also continued their record-breaking run. Many of the emerging markets saw a considerable downward adjustment in stock exchange prices in the wake of the withdrawal of foreign capital and the associated economic worries.

In the bond markets, yields on low-risk government bonds rose noticeably in the third quarter of the year, in anticipation of the gradually approaching interest rebound. German government bonds with a long maturity were also temporarily affected by this development. When the Fed then announced in September that it would postpone the start of the reduction of its bond buying programme, purchases of US Treasuries and German government bonds increased again. However, as soon as the end of the US central bank's extraordinary support measures will be foreseeable, yields on government bonds are likely to start rising again.

Trends in property markets

The low interest rate environment in the year to date has affected the European property markets. Similar to low interest on the government bonds of countries with strong ratings, investors were also forced to accept very low yields on top properties.

Among the European office markets, London and Luxembourg recorded growth in rents, whereas Milan and Barcelona experienced a decline. Vacancy rates were only modestly up in the first nine months of this year. In Germany, the continuing reduction of surplus supply resulted in a renewed rise in rents for the major locations.

In the USA, the recovery of the office rental markets continued. At the same time, the nine-month trend in the Asian office markets was weaker year-on-year.

Investor attitudes and sector developments

The stabilisation of the financial markets, the green shoots of economic recovery in Europe and the ongoing low interest rate level had a positive overall impact on sales of mutual fund units. The investment statistics published by the *Bundesverband Investment und Asset Management* (BVI) for the third quarter of 2013 indicate net funds inflows of €4.7bn (excluding open-ended property funds), with most of the funds inflow attributable to July. In August and September, equity funds lost ground again in particular, whereas demand for mixed funds remained high. The like-for-like comparison shows that the net funds inflow for the first nine months of 2013 was around €3bn up on the previous year's level. Alongside equity funds, capital protected funds and money market funds also recorded net funds outflows. However, these were lower than in the previous year.

With regard to open-ended mutual property funds, the sector environment remained affected by the temporary closure and imminent liquidation of some competitor investment funds. In addition, interest is waning due to the change in regulatory conditions (see below). The net funds inflow in the third quarter of 2013 (+€0.6bn) was still slightly positive. For the first nine months of 2013, open-ended property funds achieved an increase of €3.6bn, approximately a third of which (€1.2bn) was attributable to DekaBank's open-ended mutual property funds.

At €49.2bn, special funds for institutional investors posted a significantly higher net funds inflow than in the first nine months of the previous year (€43.4bn).

Regulatory provisions

Planned regulatory changes and further regulatory changes that are under discussion will result in more stringent capital requirements and reporting duties. In addition, they may potentially contribute to investor uncertainty in some cases.

In the run-up to the implementation of Basel III at EU level on 1 January 2014, the regulatory authorities have already presented further proposals. Some details of the proposed provisions have yet to be published. Basel III mainly comprises regulations on the composition of equity, capital requirements, large-scale loans and the leverage ratio as well as liquidity supply.

In the third quarter of this year, negotiations continued among the eurozone countries on the intended banking union. The first step will involve the ECB taking over supervision of the approximately 130 banks which have been categorised as too big to fail on 1 November 2014. These banks, among them DekaBank, will be subject to a comprehensive assessment by the ECB in the fourth quarter of 2013. In addition to all major banking risks, balance sheets are to be checked, primarily to assess the quality of material assets and review the assessment of the banks' loan collateral and risk provisions. A future-oriented stress test will form the third element of this review and will be coordinated with the European Banking Authority (EBA). The results are scheduled for publication in November 2014.

No agreement has been achieved to date on the other elements which the European Commission is aiming for with the banking union – a uniform settlement system and a common financial services compensation scheme.

The Investment Tax Act (InvStG) is to be aligned with the amended investment legislation on the basis of the planned Alternative Investment Fund Managers Tax Adjustment Act (AIFM-StAnpG). For example, it provides for product tax regulation that is independent of supervisory law. In the legislative period ended, the draft law failed in the Mediation Committee. However, according to the BVI, there is broadly-based political consensus that the content of the new InvStG should be adopted by the new government, if necessary with retroactive effect. Until an agreement is reached, the existing provisions of the InvStG continue to apply.

Another regulatory project, which may impact on the financial sector and DekaBank's business activities, is the planned introduction of a financial transaction tax (FTT) common to eleven EU member states, including Germany. The FTT is to cover a wide range of financial instruments. At present, no details are available on the exact structure of the FTT and the date on which it will come into force.

Business development and profit performance in the Deka Group

Overall assessment of economic performance

Development in earnings in the Deka Group was satisfactory in the first nine months of the year. At €448.1m, the economic result was up slightly on the previous year's figure (€444.9m). As was the case in the first half of the year, there was a marginal rise in net commission income, while net interest income declined. In a market characterised by an oversupply of liquidity and lower returns, net financial income was down on the previous year. Decreased contributions from the trading book portfolios were countered by positive valuation effects in the banking book portfolios. Net allocations to provisions for loan losses were significantly lower than in the previous year, which contributed substantially to earnings stability. Rigorous cost control and the focus of current projects on key measures largely offset the moderate decline in earnings overall. In spite of the additional expenditure incurred for implementing the transformation programme to become a fully-fledged securities service provider, operating costs and project-related expenses in the first nine months of 2013 remained below the corresponding figure for the previous year. DekaBank thus has sufficient leeway to drive forward its transformation as planned.

The funds business did not live up to the high expectations raised in the first half of the year. The net sales performance in fund business was slightly negative in the third quarter for mutual funds and fund-based asset management. The gains in institutional business were smaller than in the two preceding quarters. The sales situation and moderate decline in the ratio of intra-alliance business compared with the previous year highlight once again the necessity of helping the securities business attain the appropriate level of significance in the *Sparkassen-Finanzgruppe*. With the measures introduced on the product and sales side, the Deka Group is taking this development into account.

In October, Standard & Poor's affirmed DekaBank's ratings with a stable outlook as part of its regular review. The ratings therefore remain A (long-term) and A-1 (short-term).

At Moody's, as was also the case at mid-year, DekaBank's long-term rating was A1 and the financial strength rating stood at C –, both with a stable outlook. The short-term rating was also unchanged at P-1.

The ratings for DekaBank remain at a strong level compared with other financial institutions in Germany.

Business development and profit performance in the Deka Group

At €448.1m, the economic result achieved in the first nine months approximately matched the respective figure for the previous year of €444.9m (Fig. 1).

Profit performance in the Deka Group *(Fig. 1)*

€m	01.01.-30.09.2013	01.01.-30.09.2012	Change	
Net interest income	277.3	325.9	–48.6	–14.9%
Provisions for loan losses	–18.9	–181.6	162.7	89.6%
Net commission income	699.0	691.8	7.2	1.0%
Net financial income[1]	204.1	295.8	–91.7	–31.0%
Other operating income	–62.5	–11.4	–51.1	(< –300%)
Total income	**1,099.0**	**1,120.5**	–21.5	–1.9%
Administrative expenses (including depreciation)	628.8	664.8	–36.0	–5.4%
Restructuring expenses	22.1	10.8	11.3	104.6%
Total expenses	**650.9**	**675.6**	–24.7	–3.7%
Economic result	**448.1**	**444.9**	3.2	0.7%

[1] Net financial income includes risk provisions for securities in the lar and htm categories of approximately € –1,4m (previous year: €5m).

In core business, the result of €379.9m surpassed the previous year (€348.8m), mainly due to the rise in profit in the Securities and Real Estate business divisions. The largest profit contribution came from the Securities business division with €234.8m (previous year: €226.6m), while the Real Estate business division contributed €126.2m (previous year: €53.5m). As expected, the result for the Capital Markets business division of €119.1m fell short of the previous year's high figure of €236.0m which was dominated by valuation effects. In addition, the current financial year is being adversely affected by extraordinary effects dating back to previous years. The Financing business division was in marginally negative territory at €–2.8m as a result of valuation allowances recognised for older portfolios, but has improved by comparison with the previous year (€–93.8m). At €54.2m, the profit contribution by Treasury, which is an integral part of the overall bank management system, was down on the previous year's figure of €74.6m.

Non-core business contributed €68.2m to the Deka Group's economic result, but with the portfolio continually reducing, did not match the very high figure of €96.1m in 2012. Valuation effects were the main income driver here, although to a lesser extent than in the previous year.

The Deka Group's net interest income amounted to €277.3m at the end of the first nine months, a decline of 14.9% on the previous year (€325.9m). In addition to volume effects, this reflected market-related lower margins in new business. In contrast, development in the margins in existing business was largely stable. The lower profit contribution from the Financing and Capital Markets business divisions was countered by a stable contribution based on fees and commission paid by customers in property finance. Net interest income from Treasury also virtually matched the previous year's level.

Risk provisions totalled €–20.3m and were therefore substantially lower than in the first nine months of 2012 (€–176.7m). Of this figure, €–18.9m (previous year: €–181.6m) was attributable to lending business. In net terms, provisions for loan losses made a positive contribution to profit in the third quarter and the lower allocations to risk provisions for ship financing were more than offset by the reversal of valuation allowances which were no longer required. As in the previous year, risk provisions for securities in the loans and receivables (lar) and held to maturity (htm) categories were not material.

Net commission income totalled €699.0m and marginally outstripping the previous year's figure (€691.8m). The increase was primarily due to higher portfolio-related commission in the wake of a positive performance as well as increased assets under management. Commission income from banking transactions was down on the previous year as a result of lower contributions from lending in particular.

At €204.1m, net financial income, which comprises the trading book and banking book portfolios as well as risk provisions for securities in the lar and htm categories, was significantly below the previous year's figure (€295.8m). Net financial income from trading book portfolios of €205.5m exceeded the forecast, but as expected fell short of the previous year's very high figure of €284.3m. Among other factors, this was because of the lower profit contribution from repo/securities lending activities, which reflects the changed market environment. Bond trading was also down on the comparative figure for 2012, which was influenced by positive effects in bond holdings as a result of spread tightening. The development in derivatives trading and underwriting business marginally outstripped the previous year's figure. Net financial income from banking book portfolios was at break-even, with Treasury portfolios and non-core business recording significant positive valuation results owing to spread tightening in the year to date.

To cover potential risks that could arise in the coming months, a flat rate provisioning amount of €–135.0m was recognised in the reporting period. Apart from the sum of €–17.6m attributable to the Capital Markets division, this amount is included in the economic result outside the IFRS income statement with no specific allocation to business divisions. The previous year's figure included a flat rate provisioning amount of €–45.0m to cover potential risks in the securities and lending business, which had decreased to €–55.0m by the end of 2012 and was reduced in full in the first half of 2013. In net terms, this led to a negative income effect of €–80.0m in net financial income for the first three quarters of 2013.

As a result of the recognition of provisions in particular, other operating income was negative (€–62.5m) as compared with €–11.4m for the first nine months of the previous year.

At €628.8m, administrative expenses were considerably lower than the previous year's figure of €664.8m. Personnel expenses of €303.2m were slightly above the previous year's figure (€294.2m), in part as a result of increased salaries under collective pay agreements as well as higher allocations to retirement pensions. The total number of staff in the Deka Group amounted to 3,457 (end of 2012: 3,506).

There was a notable decrease in operating expenses, which at €307.4m were down by 11.1% compared with the previous year (€345.9m) when higher IT expenses were recorded in the first nine months. The additional expenditure for the transformation programme to become a fully-fledged securities service provider was offset. At €27.9m, the bank levy was virtually on par with the comparative figure for 2012.

Depreciation and amortisation significantly declined as a result of lower scheduled amortisation of intangible assets compared with the first nine months of 2012. Restructuring expenses were higher than in the previous year due to the process of the transformation into a fully-fledged securities service provider.

The core tier 1 capital ratio stood at 11.8% as at 30 September 2013, slightly up on the end of 2012 (11.6%). This was mainly due to the rise in core tier 1 capital, which more than compensated the increase in risk-weighted assets.

However, regulatory adjustments will put a strain on capital ratios. In addition to the active management of risk-weighted assets, further profit retentions based on good net income levels will be required in particular in order to achieve our target ratio of 12% for core tier 1 capital in 2015.

The total risk of the Deka Group and its overall risk-bearing capacity changed only marginally in the third quarter. Of the total risk, core business accounted for €2,005m and non-core business, which is in the process of being reduced, for €343m. As at year-end 2012, the utilisation of the primary risk cover potential at the quarterly reporting date stood at 60.9%.

Business development in the Securities business division

The Securities business division (formerly Asset Management Capital Markets) reported a slight decline in its net sales performance in the third quarter. Outflows from private-customer-oriented mutual funds were largely recouped through inflows in institutional business. In the nine-month period, net sales were in significantly positive territory at €3.3bn, whereas the figure for the same period in the previous year was €–3.3bn. Assets under management climbed by €4.4bn to €141.8bn (end of 2012: €137.4bn) as a result of successful sales and a positive performance.

Net sales performance and assets under management

In mutual securities funds and fund-based asset management, net sales (including ETF index funds) improved year-on-year from €–3.4bn in 2012 to €–0.6bn (Fig. 2). Target return funds were in greater demand in the third quarter, while equity and bond funds recorded slight outflows. Mixed funds fared best over the nine-month period.

Net sales performance in the Securities business division *(Fig. 2)*

€m	01.01.-30.09.2013	01.01.-30.09.2012
Direct sales mutual funds	−527	−2,074
Fund-based asset management	−202	−1,551
Mutual funds and fund-based asset management	**−729**	**−3,625**
ETF index funds	134	234
Special funds and mandates	3,932	46
Net sales Securities business division	**3,337**	**−3,345**
For information purposes:		
Net funds inflow Securities business division (according to BVI)	**2,052**	**−4,375**

There was an improvement in net sales in fund-based asset management to €–0.2bn (previous year: €–1.6bn), in particular as a result of the major contribution made by Deka-Vermögenskonzept (Deka Wealth Concept), where net sales advanced to €0.7bn (previous year: €0.4bn). Funds of funds also performed considerably better in the third quarter than in the previous year, essentially as a result of the success of the Deka-BasisAnlage (Deka Basic Investment).

In special securities funds, master funds and mandates for institutional investors (advisory/management mandates), the net sales performance was once again positive overall in the third quarter. At the end of the first nine months, sales here totalled €3.9bn (previous year: €46m).

The rise in assets under management in the first nine months of 2013 is essentially due to gains in special funds and mandates. The volume in mutual funds and fund-based asset management increased slightly overall. The performance by equity funds more than offset the net outflows (Fig. 3).

Assets under management in the Securities business division *(Fig. 3)*

€m	30.09.2013	31.12.2012	Change	
Mutual funds and fund-based asset management	81,357	80,085	1,272	1.6%
ETF index funds	4,662	4,308	354	8.2%
Special funds and mandates	55,777	53,016	2,761	5.2%
Assets under management Securities business division	**141,796**	**137,409**	4,387	3.2%
For information purposes:				
Fund assets – mutual funds Securities business division (according to BVI)	**94,926**	**94,784**	142	0.1%
Fund assets – special funds Securities business division (according to BVI)	**59,851**	**54,576**	5,275	9.7%

In terms of fund performance, the third quarter of 2013 was satisfactory. As at 30 September, 67.4% of equity funds (end of 2012: 51%) and 78.9% of bond funds (end of 2012: 95%) outperformed their respective benchmarks. Furthermore, 34.4% of the funds (end of 2012: 35%) received an above-average rating from Morningstar over a three to ten-year period.

ETF index funds recorded net sales of €0.1bn in the reporting period. Assets under management increased to €4.7bn also as a result of price gains. The product portfolio was extended in July to include the Deka DAX ex Financials 30 UCITS ETF, which is invested in non-financial DAX and MDAX stocks. It is aimed at simplifying equity investment under Basel III for institutional customers.

Business development in the Real Estate business division

The Real Estate business division (formerly Asset Management Property) continued its stable development in the third quarter despite ongoing strains in the sector. The positive performance for property funds continued, and liquidity levels were comfortable at all times.

Net sales performance and assets under management

At €1.4bn, the net sales performance in the Real Estate business division in the first nine months of 2013 matched the high level of the previous year. Despite full utilisation of the sales quotas in most cases in the first few months of the year, positive net sales were once again achieved in the third quarter with the fund WestInvest InterSelect accounting for a major share of these (Fig. 4).

Net sales performance in the Real Estate business division *(Fig. 4)*

€m	01.01.-30.09.2013	01.01.-30.09.2012
Mutual property funds	1,161	1,195
Property funds of funds	−6	−8
Special funds (including credit funds)	262	137
Individual property funds	20	67
Net sales Real Estate business division	**1,437**	**1,391**
of which to institutional investors	287	282
For information purposes:		
Net funds inflow Real Estate business division (according to BVI)	**1,454**	**1,128**

Through continued conservative management of liquidity and returns, open-ended mutual property funds generated an average annualised volume-weighted yield of 1.9%. Due to the sales success and performance of the funds, at €26.3bn, assets under management in the Real Estate business division were up 4.0% compared with the figure at year-end 2012 (€25.2bn). The Deka Group remains the market leader in open-ended mutual property funds in Germany and one of the ten largest real estate asset managers in Europe. Worldwide, the Real Estate business division is thus one of the top 15 businesses in the sector.

Once again in the third quarter, the funds utilised a series of acquisition and disposal opportunities in the real estate markets for their investors. The total transaction volume in the past nine months amounted to €1.7bn, with around 65% attributable to property acquisitions.

The DekaBank credit funds managed by the Real Estate business division increased their assets under management in the reporting period by €0.1bn to €0.7bn. Savings banks and other institutional investors are increasingly turning to credit funds as a low-volatility investment in the present interest rate environment (Fig. 5).

Assets under management in the Real Estate business division *(Fig. 5)*

€m	30.09.2013	31.12.2012	Change	
Mutual property funds	22,164	21,361	803	3.8%
Property funds of funds	70	76	−6	−7.9%
Special funds (including credit funds)	3,275	2,985	290	9.7%
Individual property funds	749	816	−67	−8.2%
Assets under management Real Estate business division	**26,258**	**25,238**	1,020	4.0%
For information purposes:				
Fund assets Real Estate business division (according to BVI)	**24,879**	**23,788**	1,091	4.6%

Real estate lending

In real estate lending, DekaBank continued to focus on loans with capital market viability in the countries that are also of key importance for the property funds.

At the end of the third quarter, the volume of new business arranged amounted to €1.1bn and was therefore unable to match the previous year's high figure of €2.1bn. In terms of the level of new business, the volume placed externally was once again pleasing at €0.9bn (previous year: €1.2bn). Around half of these loans were placed externally with the *Sparkassen-Finanzgruppe*. As a result of restraint in new business in particular, as well as redemptions, the gross loan volume reduced to €6.6bn (end of 2012: €7.7bn).

As at 30 September 2013, the average rating for the loan portfolio not secured by collateral according to the DSGV master scale stood at 6 (end of 2012: 7). This corresponds to a rating of BB+ in S&P's external master scale. Including the portfolio secured by collateral, the rating stood at 2 (BBB+).

Business development in the Capital Markets business division

Business in the Capital Markets business division (formerly Markets sub-division in the Corporates & Markets business division) picked up notably in the third quarter of 2013. In a market that is still well-supplied with liquidity, the level achieved in repo/lending business in the first nine months of the year was pleasing, but as expected fell short of the very high level in the previous year. Development in the demand for bonds on the part of institutional customers was also positive against the backdrop of tighter spreads and general stabilisation in the market. In the Structuring & Own Issues unit, the production of retail certificates for the *Sparkassen-Finanzgruppe* successfully started. Derivatives, bond and commission trading also outperformed expectations, although bond and commission trading were both down on the high previous year's figures.

Business development in the Financing business division

In the Financing business division (formerly Credit sub-division in the Corporates & Markets business division) the gross loan volume decreased as expected from €23.3bn at year-end 2012 to €21.6bn as at 30 September 2013. The increase in the volume of new business to €2.3bn (previous year: €1.5bn) was more than compensated by redemptions. New business activities continued to centre on refinancing for the savings banks as well as loans with capital market viability in the infrastructure and transport sectors as well as export finance with (state) ECA cover. New business with savings banks accounted for 93% (previous year: 66%) of the total amount. The volume placed externally amounted to €0.2bn (previous year: €0.3bn). The average rating in the financing portfolio according to the DSGV master scale improved versus year-end 2012 from 6 to 5. This now corresponds to a BBB− in the S&P external rating scale.

Business development in non-core business

In non-core business, DekaBank continued to pursue its strategy of reducing the portfolio whilst safeguarding assets. The gross loan volume of lending business and credit substitute transactions, which do not represent core business, reduced to €3.3bn as at the end of September 2013 (end of 2012: €4.3bn).

As planned, the gross loan volume of the lending portfolio decreased in the third quarter from €2.4bn at the end of 2012 to €1.9bn. The volume of capital market credit products fell to €1.4bn as against €1.9bn at year-end 2012.

Outlook for the remaining months of the year

Future business developments are planned on the basis of assumptions that seem the most probable from today's standpoint. Nevertheless, forecasts regarding economic developments in the remaining weeks of the reporting year are subject to uncertainties. Insofar, it is not possible to extrapolate the results as at the end of September to the full year.

On the back of the positive trend in the first nine months of this year, the Deka Group confirms its target of achieving an economic result for financial year 2013 as a whole that will virtually match the strong level reported in 2012. In subsequent years, the Deka Group aims to continue this strong trend.

The slightly lower income level of the first three quarters of 2013 is also expected to remain below the previous year's level at year-end. It is likely that the decrease in net interest income and net financial income from trading book portfolios will impact in particular. Net commission income will probably once again make the highest income contribution on the basis of the volume of assets under management recorded. The additional expenses for the transformation programme to become a fully-fledged securities service provider are to be offset by savings achieved in other areas.

Trends in regulatory capital and the funding matrix

Capital adequacy is determined in accordance with the Solvency Regulation (SolvV). Up to 30 September 2013, the capital and reserves requirements under banking supervisory law were consistently complied with, both at Bank and Group level. With regard to the trend in the core tier 1 capital ratio, please refer to the information provided on page 7. At 15.7%, the equity ratio was below the 2012 year-end figure (Fig. 6).

Breakdown of equity in the Deka Group *(Fig. 6)*

€m	30.09.2013	31.12.2012	Change
Core capital	3,521	3,301	6.7%
Supplementary capital	417	535	−22.1%
Tier III capital	–	–	n/a
Capital and reserves	**3,938**	**3,836**	2.7%
Default risks	15,588	15,813	−1.4%
Market risk positions	7,763	6,088	27.5%
Operational risks	1,707	1,710	−0.2%
Risk-weighted assets	**25,058**	**23,611**	6.1%
%			Change %-points
Core capital ratio	**14.1**	**14.0**	0.1
Core tier 1 capital ratio (excluding silent capital contributions)[1]	**11.8**	**11.6**	0.2
Equity ratio	**15.7**	**16.2**	−0.5

[1] Excluding potential RWA effects (risk-weighted assets) resulting from Basel III.

The Deka Group's liquidity position remains comfortable. As at 30 September 2013, the accumulated balance of the funding matrix in the combined stress scenario, which is primarily considered for management purposes, amounted to €5.2bn in the short-term range (up to one week). It was therefore only slightly down on the year-end 2012 figure (€5.3bn). In the maturity band of up to one month, the funding surplus in this scenario totalled €5.9bn (end of 2012: €3.8bn), while it was €11.0bn in the medium to long-term range (three months) compared with €9.5bn at year-end 2012. In all maturity bands with maturities of up to 20 years, the liquidity balance was clearly positive. This also applies to the alternative stress scenarios considered. The refinancing profile remains very well balanced. As at 30 September 2013, money market products accounted for 68% and capital market products for 32% of total refinancing. As was already the case previously, refinancing was also broadly diversified by investor group (Fig. 7).

Intended holding period funding matrix of Deka Group as at 30 September 2013 *(Fig. 7)*

€m	D1	>D1-1M	>1M-12M	>12M-5Y	>5Y-20Y	>20Y
Liquidity potential (accumulated)	13,295	26,422	6,551	−78	0	0
Net cash flows (accumulated)	−9,322	−20,511	5,841	10,968	5,548	−57
Liquidity balance	**3,973**	**5,911**	**12,391**	**10,890**	**5,547**	**−57**
For informational purposes:						
Net cash flows by legal maturity	−5,881	−21,762	−24,410	−4,413	−2,001	−472

In accordance with the regulatory definition, highly liquid securities cover a potential cash outflow in the combined stress scenario across all maturity bands rather than only the first month as specified in the Minimum Requirements for Risk Management (MaRisk). DekaBank's liquidity position remains very strong under the stress conditions analysed separately. In the short-term maturity band of up to one month, liquidity surpluses were shown in all of the stress scenarios considered.

The regulatory requirements of the Liquidity Directive were substantially surpassed throughout the reporting period. The average liquidity ratio of the first maturity band for the nine-month period, determined on a daily basis, was 1.31 (previous year: 1.45). It ranged from 1.24 to 1.38 in the reporting period. As at 30 September 2013, the ratio stood at 1.34 (end of 2012: 1.27).

Financial calendar

16 April 2014: Annual press conference 2013
Annual Report 2013

August 2014: Interim Report as at 30 June 2014

Publication dates are preliminary and subject to change.

Internet website
The specialist terms used are explained in the interactive online versions of the Annual Report 2012 as well as the Interim Report as at 30 June 2013, which you can view in English or German on our website at www.dekabank.de under "Investor Relations/ Reports". Previously published annual reports and interim reports are also available for download here.

Contact
Corporate Communications
Dr. Markus Weber

Reporting & Rating
Thomas Hanke

Email: investor.relations@deka.de
Phone: +49 (0) 69 71 47-0

This report was prepared in November 2013.

Concept and design
ergo Unternehmenskommunikation GmbH & Co. KG,
Cologne, Frankfurt/Main, Berlin, Munich, Hamburg

Gender clause
In this report, words in the masculine include words in the feminine; in parts of the report, the masculine form has solely been used to make the document easier to read.

Disclaimer
The interim report as at 30 September 2013 contains forward-looking statements as well as expectations and forecasts. These are based on the information available to us at this time, which we have deemed to be reliable after careful consideration. We do not assume an obligation to update based on new information and future events after the publication of this information. We have derived our estimations and conclusions from these forward-looking statements, expectations and forecasts. We expressly point out that all of our future-oriented statements are associated with known or unknown risks or imponderables and are based on conclusions relating to future events, which depend on risks, uncertainties and other factors that are outside of our area of influence. Such developments can result from, among other things, a change in the general economic situation, the competitive situation, the development of the capital markets, changes in the tax law and legal framework as well as from other risks. The events actually occurring in the future may thus turn out to be considerably different from our forward-looking statements, expectations, forecasts and conclusions. We can therefore assume no liability for their correctness and completeness or for the actual occurrence of the information provided. The English translation of the Interim Report is provided for convenience only. The German original is definitive.

DekaBank
Deutsche Girozentrale
Mainzer Landstraße 16
60325 Frankfurt
P.O. Box 11 05 23
60040 Frankfurt

Phone: +49 (0) 69 71 47 - 0
Fax: +49 (0) 69 71 47 - 13 76
www.dekabank.de

Finanzgruppe