Business development of the Deka Group
as at 30 June 2023

Frankfurt/Main, 25 August 2023

Deka Group strategy
Wertpapierhaus of the savings banks

Deka

***Wertpapierhaus* strategy**

Our customers

Savings banks and customers of savings banks in all segments – retail, private banking/wealth/corporate customers – and institutional investors

Our services

High-quality products and services, which we provide via our sales and production platform

Our ambition

Deka as a **customer-focused**, **innovative** and **sustainable *Wertpapierhaus* for savings banks** with the aim of providing optimum and comprehensive support to savings banks and customers to enable them to achieve their securities objectives

Deka Group strategy
Five business divisions with a clearly defined range of services

The business divisions of the *Wertpapierhaus* and their functions

simplified representation

AM Securities
- Mutual and special funds (shares and bonds)
- Multi-asset funds and fund-based AM
- Quant. products and ETFs
- Alternative investments

AM Services
- Depositary
- Custody account business
- Online services for clients who make their own decisions

AM Real Estate
- Open-ended real estate mutual funds
- Open-ended & closed-end special property funds
- Real estate funds of funds
- Credit funds

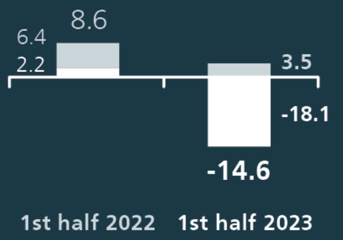
Capital Markets
- Repo/securities lending
- Trading & Structuring
- Issues
- Commission Business unit

Financing
- Financing of savings banks
- Transport financing
- Infrastructure and export financing
- Real estate financing

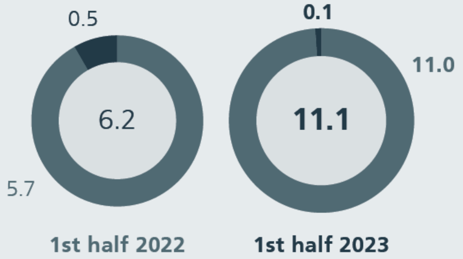
AM = Asset Management

Key indicators at a glance

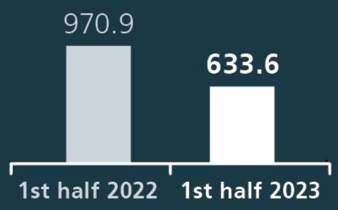
Details on developments shown on the following slides



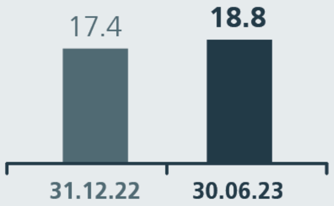
Asset management net sales
(in €bn)
Retail customers,
institutional customers



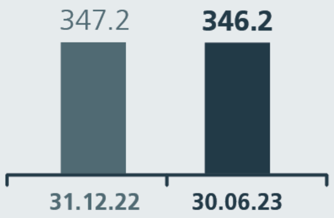
Gross certificate sales
(in €bn)
Retail customers,
institutional customers



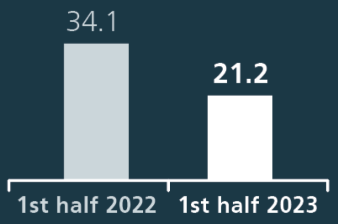
Economic result
(in €m)



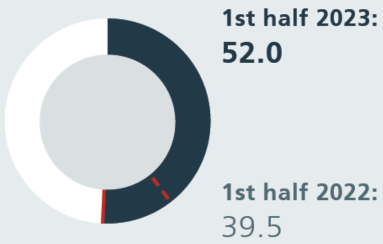
Common equity
Tier 1 capital ratio
(in %)



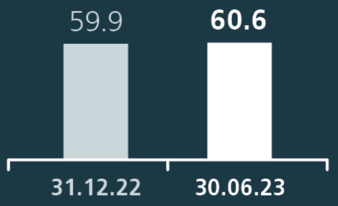
Asset management volume
(in €bn)



Return on equity before tax
(balance sheet)
(in %)



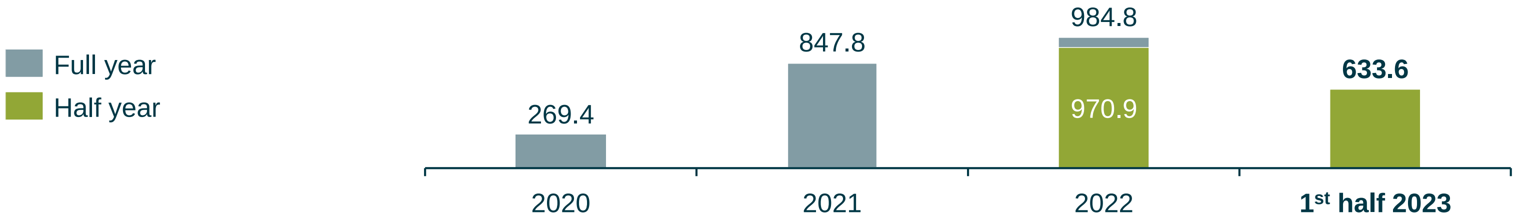
Cost/income ratio
(in %)



Utilisation of risk
appetite
(in %)

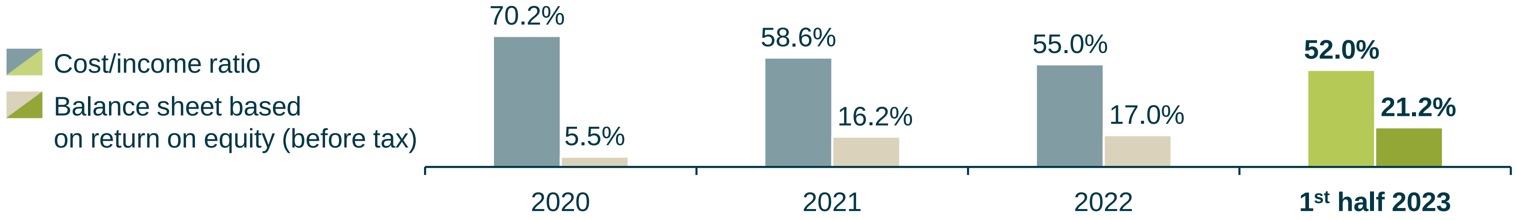
Business development
Economic result exceeded expectations by far

Economic result (in €m)



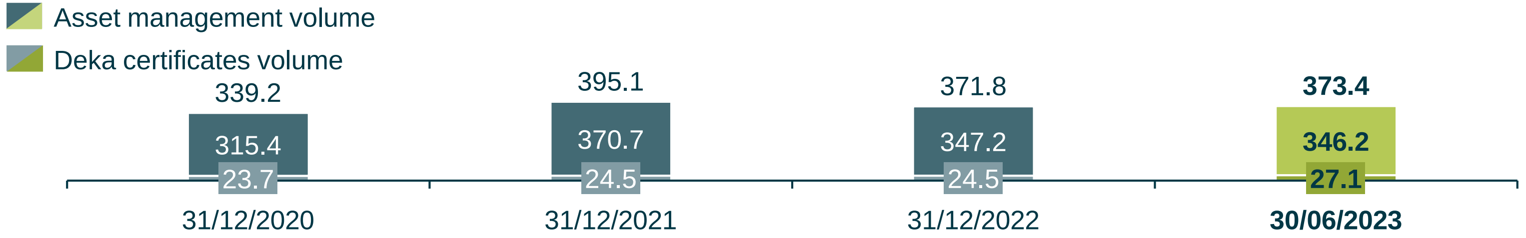
- Business development was significantly better than forecast in the first half of 2023. As expected, however, it was below the prior-year result, which was influenced by significant positive valuation effects.

Cost/income ratio and return on equity (before tax)



- The cost/income ratio was 52.0%. Return on equity before tax (balance sheet) was 21.2%.

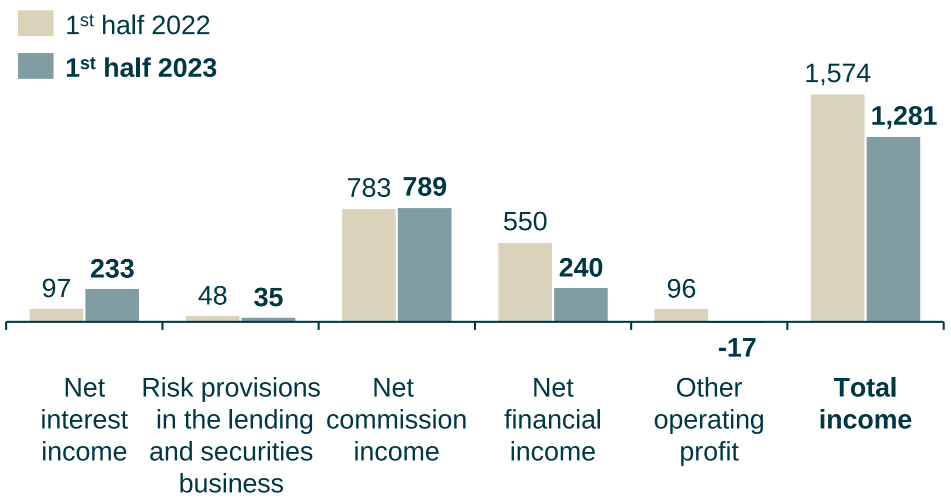
Total of asset management and Deka certificate volume (in €bn)



- The Deka Group manages a total volume of €373.4bn.

Income and expenses
Net commission income remains the main income component

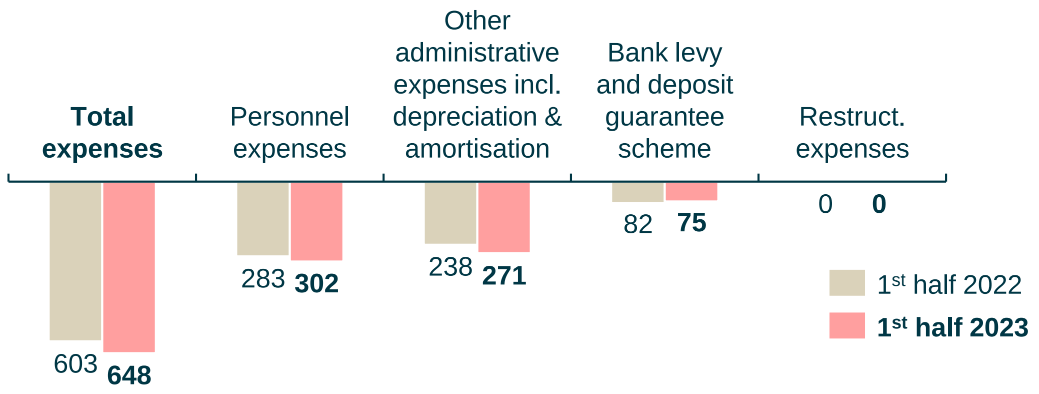
Income (in €m)



Σ €633.6m

(PY: **€970.9m**)

Expenses (in €m)

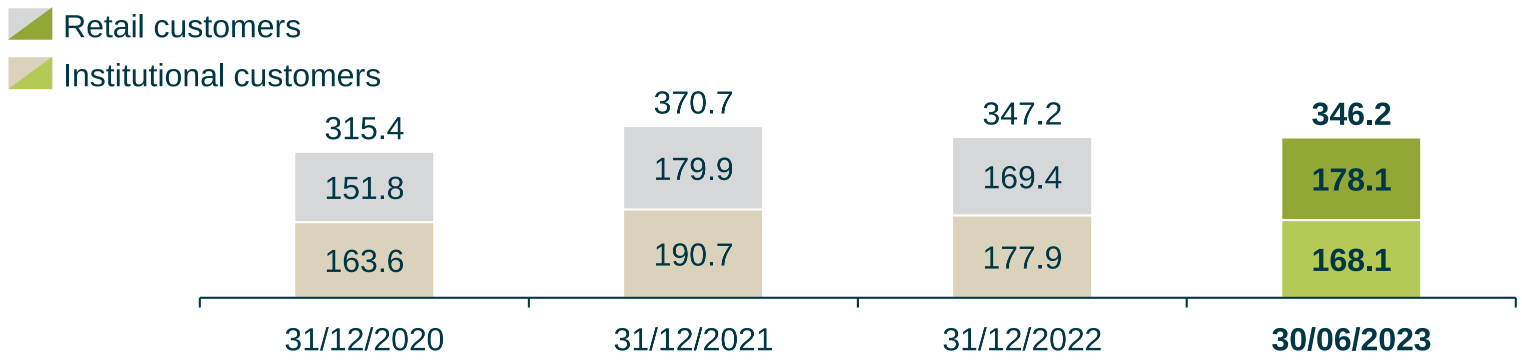


- **Net commission income** remained the main income component.
- As a result of higher interest rates, **net interest income** was significantly up on the prior-year value.
- In the lending and securities business, there was a net reversal of **risk provisions** in the first half of 2023.
- **Net financial income** was significantly below the figure for the first half of 2022. The decline was due to reduced income from active risk management in the capital markets business and lower valuation effects from securities.
- **Other operating profit** was negatively affected by actuarial losses on provisions for pensions. These were partly due to the fall in the actuarial interest rate. This was set against an increase in plan assets due to market conditions.

- **Personnel expenses** increased year-on-year, particularly due to a moderate increase in headcount to take advantage of growth opportunities as well as from wage and salary rises under collective agreements.
- **Other administrative expenses (including depreciation and amortisation)** rose significantly. The increase resulted chiefly from higher investment in the business model and increased expenditure on computer equipment and machinery.
- The drop in the **bank levy and the deposit guarantee scheme** overall was due primarily to a lower annual bank levy contribution, whereas the annual contribution to the deposit protection scheme increased.

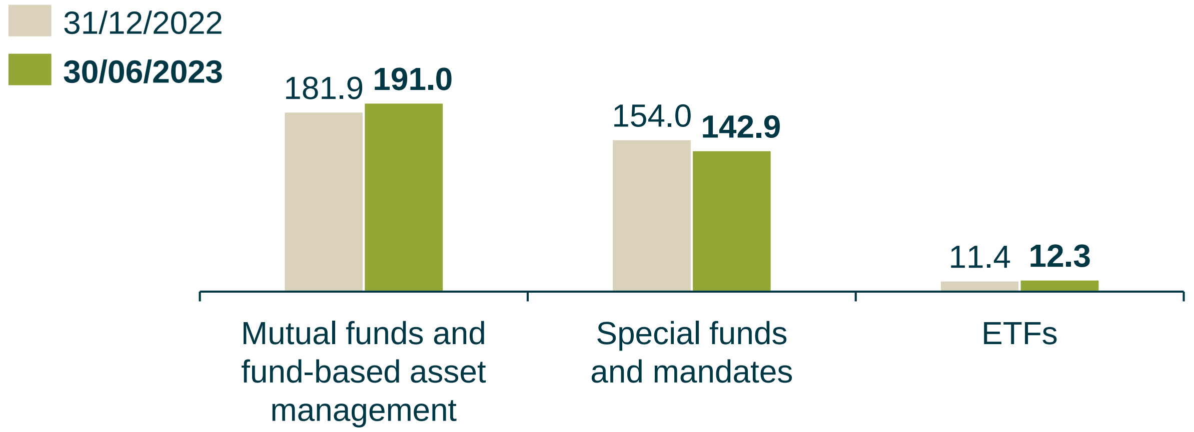
Asset management volume
Market-induced positive performance offset by loss of a major mandate

Asset management volume by customer segment (in €bn)



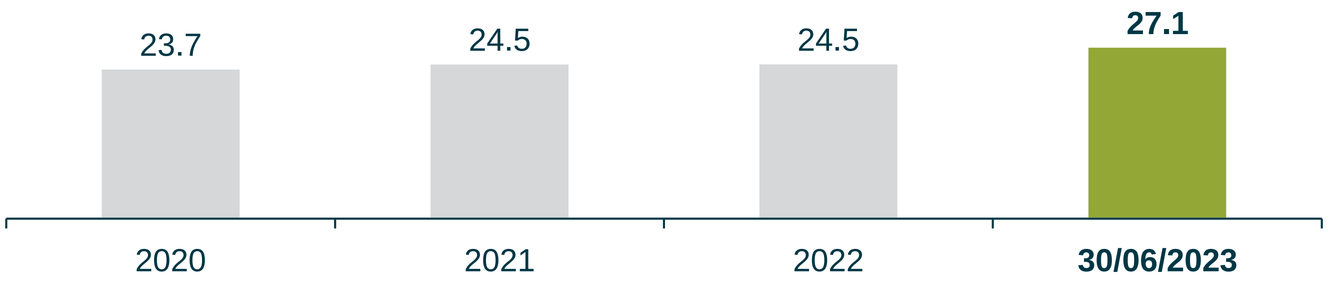
- The asset management volume was almost unchanged from the end of 2022.
- The positive investment performance due to market conditions was offset by negative sales performance following the loss of a major mandate.

Asset management volume by product category (in €bn)



Deka certificate volume
Up on value at the previous year-end

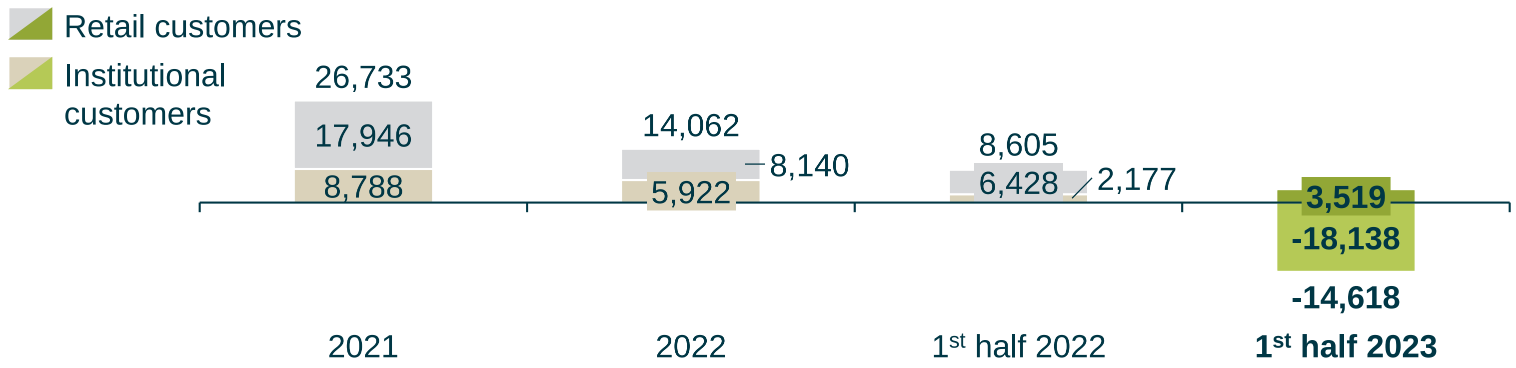
Deka certificate volume (in €bn)



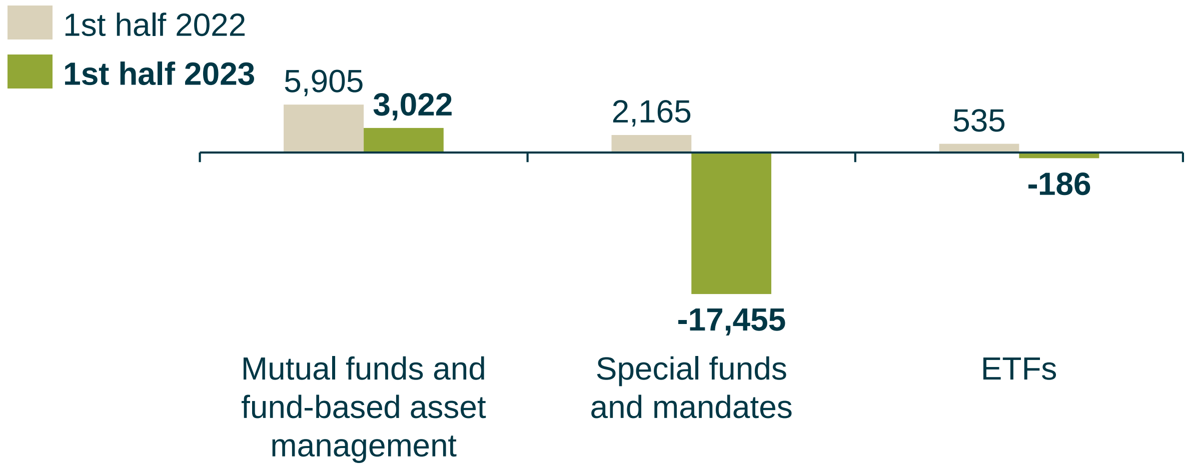
- The Deka certificate volume increased to €27.1bn.

Asset management net sales
Sales in retail business remain positive

Asset management net sales by customer segment (in €m)



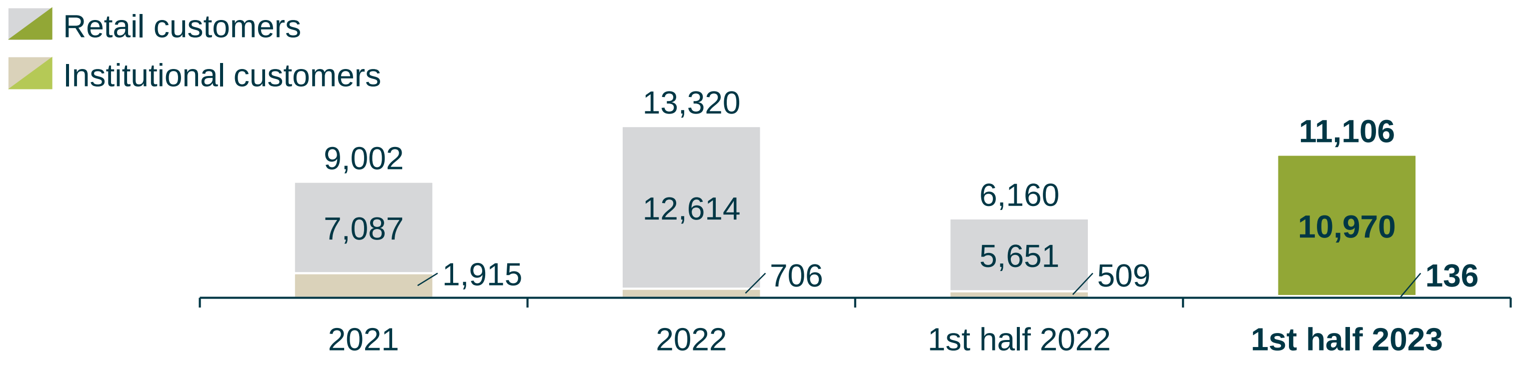
Asset management net sales by product category (in €m)



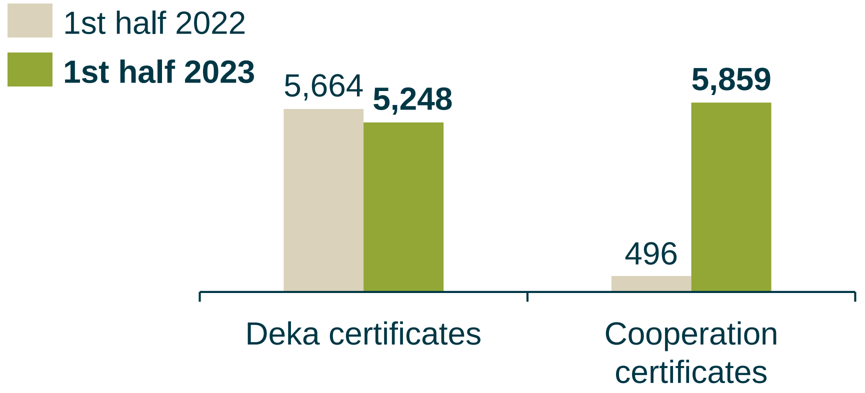
- In the retail customer segment, asset management net sales dropped by €2.9bn year-on-year to €3.5bn. Equity funds (€2.5bn) and real estate funds (€1.0bn) accounted for a particularly significant share of the sales for the first half of 2023.
- Net sales to institutional customers came to €-18.1bn as against €2.2bn in the first six months of 2022. There were outflows of around €19bn due to the loss of a high-volume mandate.
- Investors signed up to around 87 thousand (net figure) new Deka investment savings plans in the first half of 2023. This means that the Deka Group now manages a total of 7.5 million contracts.

Gross certificate sales
Driven partly by the sale of short-dated straight bonds

Gross certificate sales by customer segment (in €m)[1)]



Gross certificate sales by issuer (in €m)



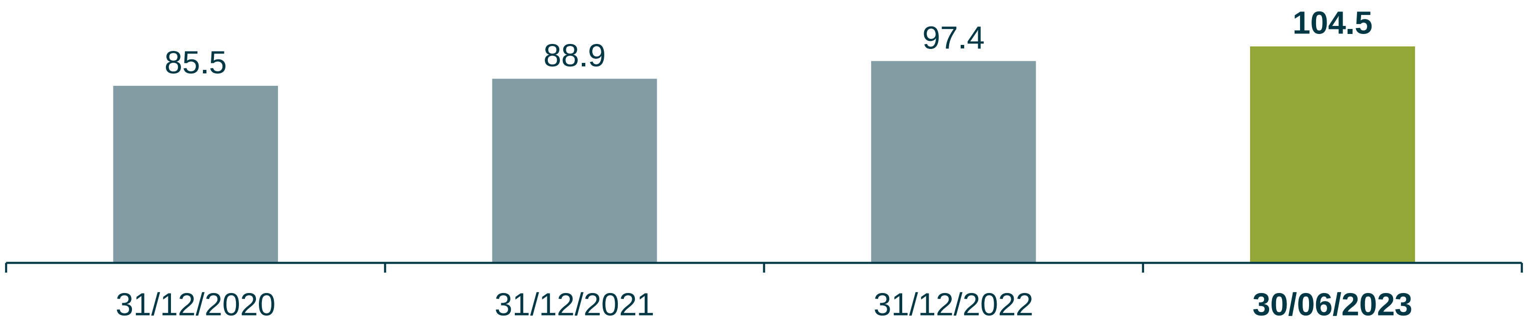
- The gross certificate sales of €11.1bn were a significant increase on the equivalent prior-year figure.
- The majority of these certificate sales (€11.0bn) were to retail customers. Stepped coupon bonds (€5.4bn), money market bonds (€3.3bn) and express certificates (€1.8bn) were in particular demand.
- Certificate sales to institutional customers in the reporting period came to €0.1bn.

- Cooperation certificates, which complement Deka's certificate range, accounted for €5.9bn.

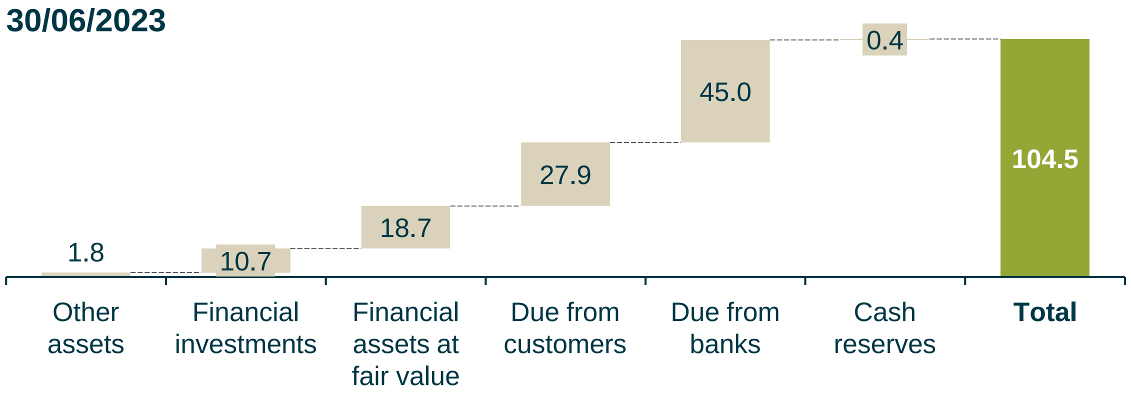
[1)] As of 2022, gross certificate sales include Deka certificates and cooperation certificates. The figures for the first half of 2022 have been adjusted to aid comparison.

Total assets
Around €105bn at the mid-year point

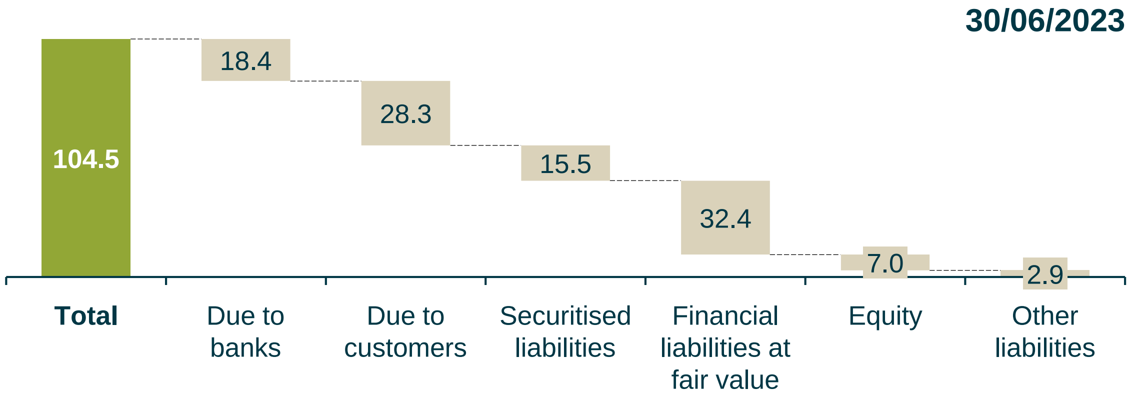
Total assets (in €bn)



Assets (in €bn)

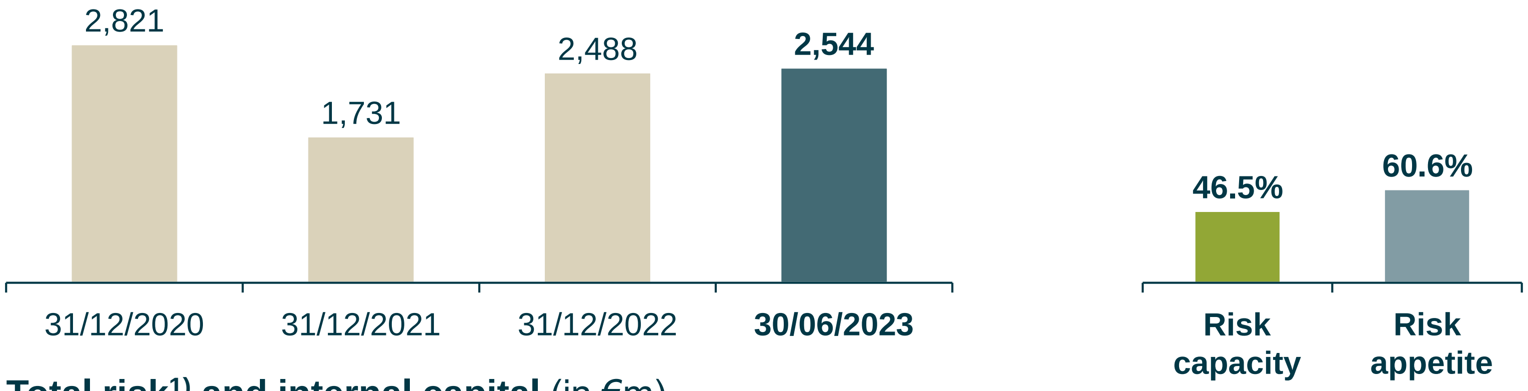


Liabilities (in €bn)

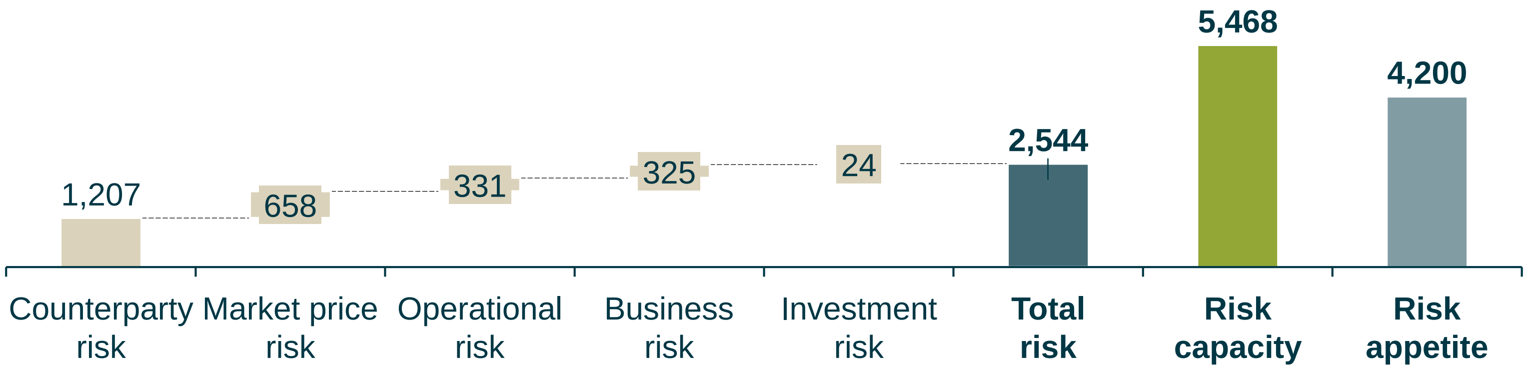


Capital adequacy (1/4)
Economic perspective

Development in total risk[1)] (in €m) **and utilisation ratios as at 30/06/2023**



Total risk[1)] and internal capital (in €m)

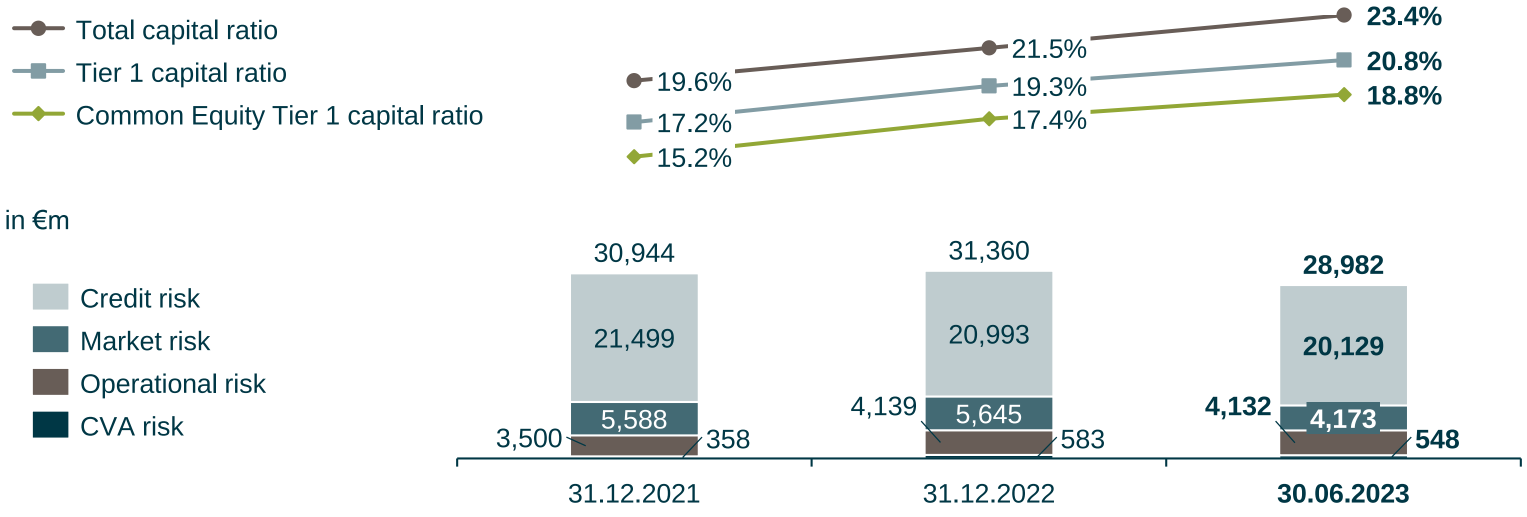


- Economic risk-bearing capacity was at a non-critical level overall at the end of June 2023.
- Utilisation of risk appetite (60.6%) rose marginally versus the end of the previous year (59.9%) due to a slight increase in total risk.
- Utilisation of risk capacity was down slightly as against the end of 2022 (47.6%) to 46.5%, meaning that it remains at a non-critical level.

[1)] Value-at-Risk (VaR): Confidence level of 99.9%, holding period of one year

Capital adequacy (2/4)
Normative perspective

Development of regulatory capital and RWA



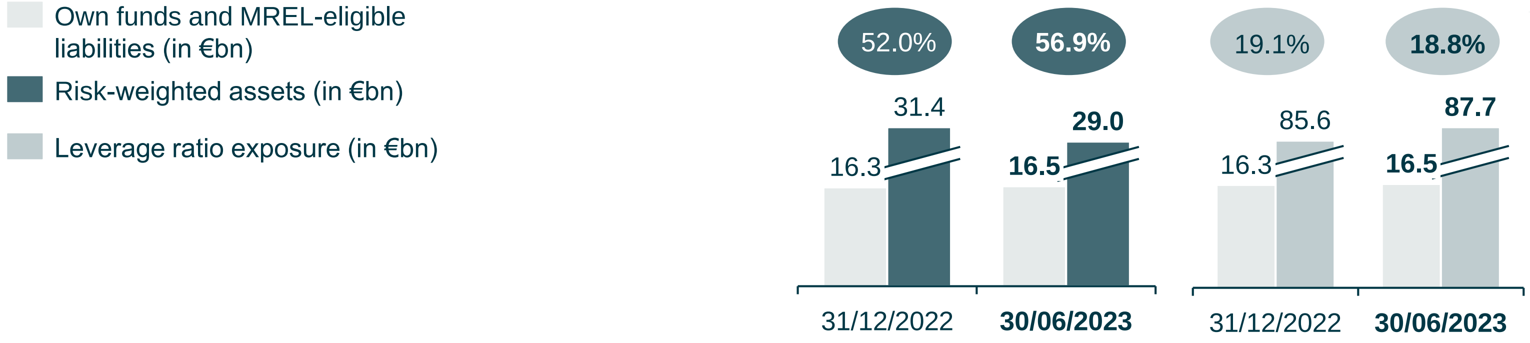
in €m

	31.12.2021	31.12.2022	30.06.2023
Own funds	6,075	6,751	**6,787**
Tier 1 capital	5,314	6,061	**6,034**
Common Equity Tier 1 capital	4,716	5,462	**5,436**

- The Common Equity Tier 1 capital ratio came to 18.8% as at 30 June 2023.
- RWA were down on the 2022 year-end figure to €28,982m. Credit risk fell to €20,129m. Market risk declined to €4,173m. This reduction was mainly attributable to share price risk and interest rate risk. CVA risk and operational risk were slightly lower than at the end of 2022.
- The slight drop in Common Equity Tier 1 capital can also be attributed to an increase in the shortfall of provisions and a drop in retained earnings due to AT1 interest payments.
- The SREP requirements as at 30 June 2023 stood at 8.67% for the Common Equity Tier 1 capital ratio, 10.45% for the Tier 1 capital ratio and 12.83% for the total capital ratio. These requirements were clearly exceeded at all times.

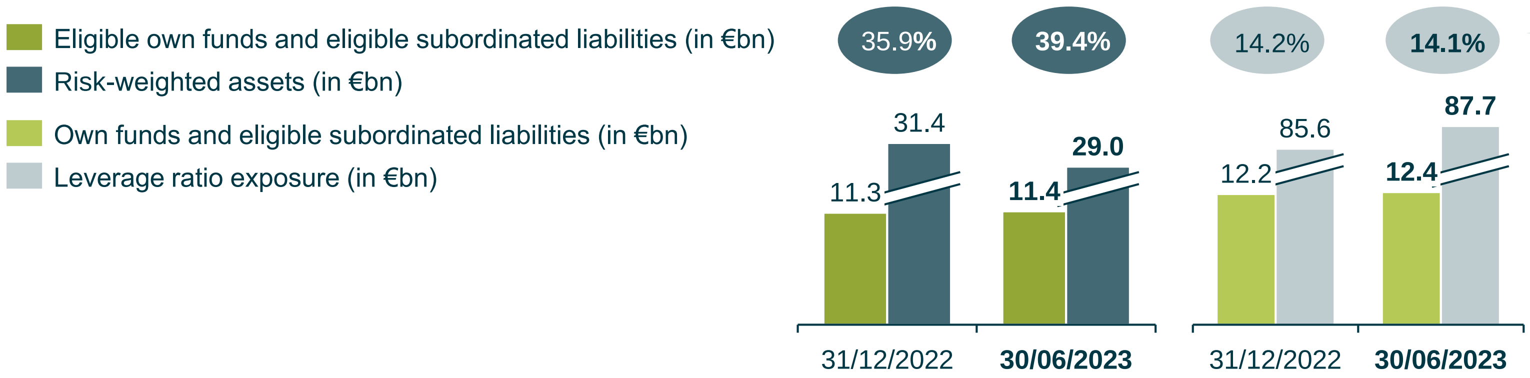
Capital adequacy (3/4)
Normative perspective

MREL ratios (RWA-based/LRE-based)



- Both MREL ratios were well above the applicable minimum ratios.

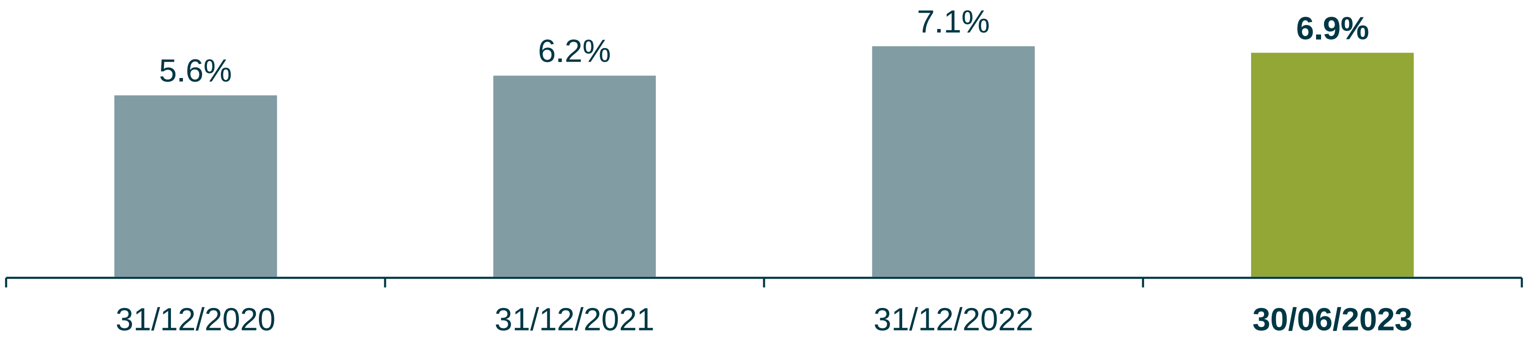
Subordinated MREL requirements (RWA-based/LRE-based)



- Both subordinated MREL requirements were well above the applicable minimum ratios.

Capital adequacy (4/4)
Normative perspective and statements for both perspectives

Leverage ratio (fully loaded)



- The leverage ratio was 6.9% at the reporting date.
- The minimum leverage ratio of 3.0% was thus significantly exceeded at all times.

Statements on capital adequacy for both perspectives

- The Deka Group held adequate capital throughout the reporting period.
- In particular, the Common Equity Tier 1 capital ratio and utilisation of risk capacity and of the risk appetite remained at non-critical levels throughout.

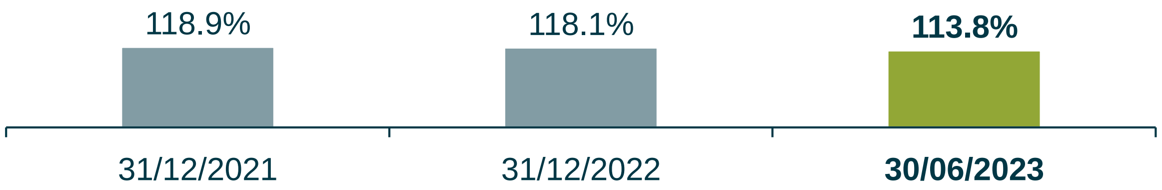
Liquidity adequacy

Normative perspective and statements for both perspectives

Liquidity Coverage Ratio (LCR)

- The LCR at the mid-year point was 149.9%, putting it well above the minimum requirement of 100%.

Net Stable Funding Ratio (NSFR)



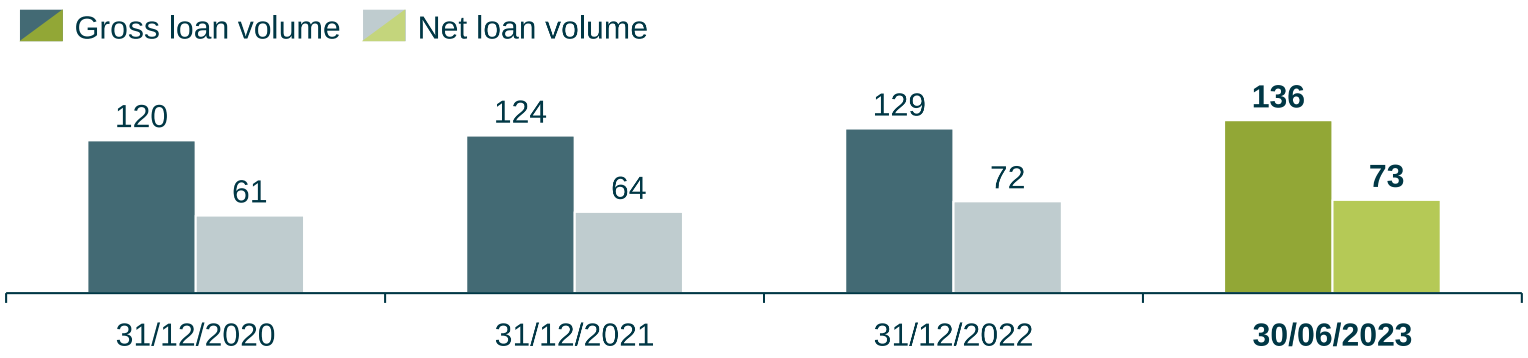
- The NSFR was 113.8%, above the minimum requirement of 100%.

Statements on liquidity adequacy for both perspectives

- The Deka Group had sufficient liquidity, measured using the liquidity balances and normative indicators, throughout the first half of 2023.
- There were no breaches of the internal limits and emergency triggers or the external minimum LCR and NSFR at any time.

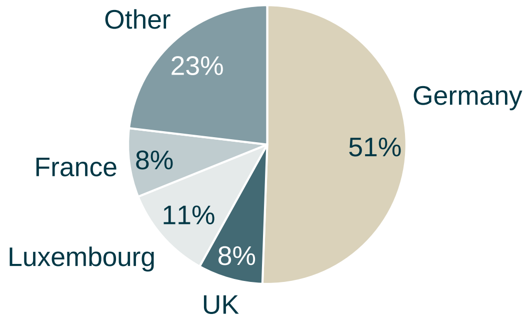
Gross and net loan volume
Difference between gross and net loan volume shows degree of collateralisation

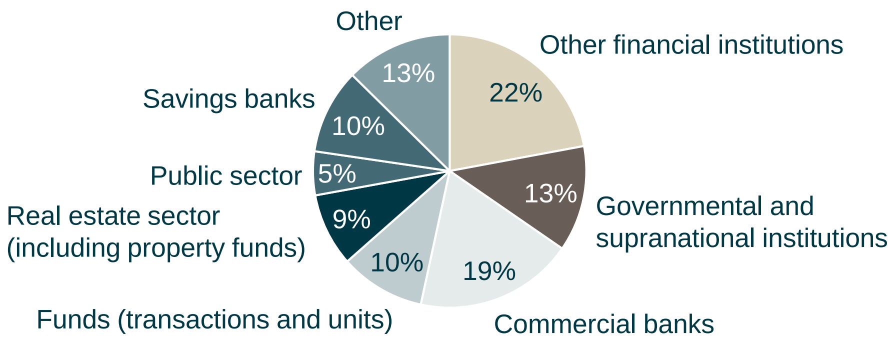
Development of gross and net loan volume (in €bn)



- The average rating for the gross loan volume remains at 4 on the DSGV master scale (corresponds to “BBB-” on the S&P scale).

Gross loan volume by country and risk segment (as at 30/06/2023)





- The eurozone accounted for 78.4% of the gross loan volume.
- The gross loan volume for counterparties in Russia came to €39m. The net loan volume attributable to Russia was significantly lower than the gross loan volume at around €2m. There was once again no gross loan volume and no country limit for counterparties in Ukraine and Belarus.

Capital market ratings
Ratings remain good

Issuance ratings	Standard & Poor's	Moody's
Preferred Senior Unsecured Debt	**A** Senior Unsecured Debt	**Aa2** (stable) Senior Unsecured Debt
Non-Preferred Senior Unsecured Debt	A- Senior Subordinated Debt	A2 Junior Senior Unsecured Debt
Public Sector & Mortgage Covered Bonds	N/A	Aaa Public Sector Covered Bonds and Mortgage Covered Bonds
Bank ratings		
Issuer rating	A (stable) Issuer credit rating	Aa2 (stable) Issuer rating
Counterparty rating	N/A	Aa2 Counterparty risk rating
Deposit rating	N/A	Aa2 Bank deposits
Own financial strength	bbb Stand-alone credit profile	baa2 Baseline credit assessment
Short-term Rating	A-1 Short-term rating	P-1 Short-term rating

As at: 25 August 2023
The issuer has received ratings from the rating agencies Moody's Deutschland GmbH ("Moody's") and S&P Global Ratings Europe Limited, Dublin ("S&P").
For current rating reports, see: https://www.deka.de/deka-group/investor-relations-en/ratings-1

Sustainability ratings

Ratings confirm sustainability of our corporate governance

MSCI ESG Ratings	ISS ESG – Corporate ESG Performance Prime	Sustainalytics – a Morningstar company	Moody's ESG Solutions
As of 2022, Deka received an MSCI ESG Rating of **A***	**C+** (prime) **"Industry Leader"**	**16.5** **"Low Risk"****	**55/100** **"Robust"**

MSCI		
2020	2021	**2022**
AA	AA	**A**

ISS ESG		
2018	2019	**2020**
C+	C+	**C+**

Sustainalytics		
2020	2021	**2022**
17.8	17.4	**16.5**

Moody's ESG Solutions	
2020	**2021**
41	**55**

Status of sustainability ratings according to annual ESG ratings reports: MSCI ESG ratings: 10 June 2022; ISS-ESG: 22 June 2020; Sustainalytics: 20 December 2022; Moody‘s ESG Solutions (formerly V.E): May 2021

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Forecast for 2023 from the 2023 Interim Report

Forecast report

"The Deka Group's planning is based on the assumptions about future economic development that appear the most probable from a current standpoint. However, plans and statements about expected developments and the course of business during the second half of 2023 are subject to uncertainty. (…) Also for the second half of 2023, it is likely that, if the war in Ukraine worsens and spreads to other countries in the region, or if other geopolitical tensions escalate, this may be reflected in damage to economic growth and capital markets. The future inflationary trend and its implications for the monetary policy environment set by central banks will be particularly crucial. There is potential for setbacks on the equity and bond markets if the central banks feel forced to go significantly further with monetary tightening than is currently anticipated. Future market developments therefore remain uncertain, and the earnings, risk and capital situation, as well as the corresponding key management indicators, may show less favourable development than that presented."

Excerpt from expected business development and profit performance

"In the context of the geopolitical and economic risks on the one hand and the exceptionally high uncertainty in the planning assumptions for 2023 on the other hand, an economic result slightly above €500m was forecast in the 2022 Group management report for 2023 as a whole. (…) We anticipate an **economic result** of over €800m for 2023 as a whole. This would be significantly above the original forecast. Given the still expected risk provisioning requirements in the second half of the year, however, it is lower than the exceptionally high figure posted at year-end 2022 (€984.8m)."

"In line with the improved profit performance, the Deka Group is aiming for **a return on equity before tax (balance sheet)** of over 10% and a **cost/income ratio** of below 65% for financial year 2023."

"For 2023, the Deka Group still anticipates a slight increase in the **total of asset management and certificates volume** versus year-end 2022 as a result of the current market development."

"The forecast for the **retail customer** business continues to anticipate **sales (total of asset management and certificates)** of between €20bn and €25bn. As was already included in the original forecast, the first half of 2023 saw outflows of around €19bn due to the loss of a customer's high-volume mandate. For business with **institutional customers** in 2023, **sales (total of asset management and certificates)** are still expected to be significantly down on the figure for year-end 2022 as a result."

"To retain sufficient flexibility in the event of unfavourable market developments, the Deka Group aims for a **Common Equity Tier 1 capital ratio** at an appropriate level above the strategic target of 13%."

"In terms of risk-bearing capacity analysis, **risk appetite utilisation** is expected to remain at a non-critical level."

Appendix

Glossary (1/2)

Economic result

- As a key management indicator, together with the risk in the economic and normative perspective, the **economic result** forms the basis for risk/return management at the Deka Group and is, in principle, determined in accordance with accounting and measurement policies of IFRS.

  As well as the total of profit or loss before tax, the economic result also includes:

  - changes in the revaluation reserve before tax,
  - the interest rate- and currency-related valuation result from financial instruments recognised at amortised cost, which are not recognised in the income statement under IFRS but are relevant for assessing financial performance,
  - the interest expense in respect of AT1 bonds (Additional Tier 1 capital), which is recognised directly in equity, and
  - potential future charges that are considered possible in the future but that are not yet permitted to be recognised under IFRS due to the fact that accurate details are not yet available.

The economic result is therefore a control variable on an accrual basis, whose high level of transparency enables recipients of the external financial reporting to consider the company from the management perspective.

Asset management volume

- Key components of the management volume include the income-relevant volume of mutual and special fund products (including ETFs), direct investments in the funds of partner organisations, the portion of fund-based asset management activities attributable to cooperation partners, third-party funds and liquidity, master funds and advisory/management mandates.

Asset management net sales

- Asset management net sales is an indicator of sales performance in asset management. This figure essentially consists of the total direct sales volume of mutual and special funds, fund-based asset management, funds of partner organisations, master funds and advisory/management mandates, and ETFs. Sales generated through proprietary investment activities are not counted.

Gross certificate sales

- Gross certificate sales is an indicator of sales performance when it comes to selling certificates. Redemptions and maturities are not taken into account, since in the certificates business the impact on earnings primarily occurs at the time of issue. Gross certificate sales include both the certificates issued by Deka and the cooperation certificates issued by third-party institutions and distributed using sales support platforms.

Glossary (2/2)

Certificate volume

- The certificate volume only includes those certificates issued by Deka. It does not include cooperation certificates.

Economic perspective

- The economic perspective is one of two approaches on which the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are based: In the context of the ICAAP, the economic perspective is implemented via the concept of risk-bearing capacity. It serves to secure the capital of the Deka Group in the long term, thus making a key contribution to ensuring the institution’s survival. The aim is also to protect creditors against losses from an economic view. In the context of the integrated quantification, management and monitoring of liquidity risk (ILAAP), the key risk measure in the economic perspective is the “combined stress scenario” funding matrix defined by the Board of Management as being relevant for management purposes.

Risk-bearing capacity:

- The aim of the risk-bearing capacity analysis is to ensure the adequacy of capital resources from an economic view. Sufficient assets must be available to cover risk events, even those which materialise extremely rarely. This involves combining all risk types with a holding period of one year and a correspondingly high confidence level of 99.9%. The total risk is then compared with the internal capital derived from the balance sheet and taking into account appropriate deduction items.

Normative perspective

- The normative perspective is one of two approaches on which the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are based: In the context of the ICAAP, the normative perspective includes all internal instruments, regulations, controls and processes aimed at ensuring that regulatory and supervisory capital requirements are met on an ongoing basis, i.e. also prospectively, over the next few years. This means that it directly pursues the objective of ensuring that the institution can continue as a going concern. In the context of the integrated quantification, management and monitoring of liquidity risk (ILAAP), the key risk measure in the normative perspective is the LCR and the NSFR in accordance with the requirements of the CRR.

Gross loan volume

- In accordance with the definition set out in section 19 (1) of the German Banking Act (*Kreditwesengesetz*), the gross loan volume includes debt instruments issued by public authorities and bills of exchange, amounts due from banks and customers, bonds and other fixed-interest securities, shares and other non-fixed-interest securities including fund units, equity investments and shares in affiliated companies, equalisation claims against the public sector, items for which lease agreements have been concluded as the lessor, irrespective of their recognition in the balance sheet, other assets where they are subject to counterparty risk, sureties and guarantees, irrevocable lending commitments as well as market values of derivatives. In addition, the gross loan volume includes underlying risks from derivative transactions, transactions for the purposes of covering guarantee payments on guarantee funds, as well as the volume of off-balance sheet counterparty risk.

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