Growing hand in hand

Annual Report 2007
DekaBank Group

Finanzgruppe

DekaBank

DekaBank Group at a glance

Business development indicators		31.12.2007	31.12.2006	Change %
Total assets	€m	106,482	104,928	1.5
Assets under management	€m	165,201	155,387	6.3
of which: Asset Management Capital Markets (AMK)	€m	147,476	136,925	7.7
of which: Asset Management Property (AMI)	€m	17,725	18,462	–4.0
Number of securities accounts	thousand	5,205	5,172	0.6
		1.1.–31.12.2007	**1.1.–31.12.2006**	
Net sales	€m	12,447	5,344	132.9
of which: Asset Management Capital Markets (AMK)	€m	12,434	8,419	47.7
of which: Asset Management Property (AMI)	€m	13	–3,075	100.4
Performance indicators				
Total income	€m	1,213.6	1,139.5	6.5
of which: Net interest income	€m	203.0	255.8	–20.6
of which: Net commission income	€m	984.5	883.2	11.5
Total expenses	€m	699.5	733.8	–4.7
of which: Administrative expenses (incl. depreciation)	€m	692.1	699.9	–1.1
Economic income	€m	514.1	405.7	26.7
Net income before tax	€m	523.8	447.1	17.2
Key ratios				
Return on equity [1]	%	17.4	15.3	2.1%-points
Cost/income ratio [2]	%	58.6	61.5	–2.9%-points
Key regulatory figures		**31.12.2007**	**31.12.2006**	
Liable capital	€m	3,733	3,699	0.9
Core capital ratio [3]	%	8.5	8.1	0.4%-points
Total capital ratio [3]	%	10.5	11.4	–0.9%-points
Total capital ratio before application of the transition rule [3]	%	12.2	–	–
Risk ratios				
Total risk-bearing capacity	€m	5,683	5,271	7.8
Group risk (value-at-risk) [4]	€m	2,392	2,322	3.0
Utilisation of risk-bearing capacity	%	42.1	44.1	–2.0%-points
Non-guaranteed rating (short-term/long-term)				
Moody's		P–1/Aa2	P–1/Aa3	
Standard & Poor's		A–1/A	A–1/A	
Fitch Ratings		F1/A–	F1/A–	
Key employee figures				
Number of employees		3,553	3,453	2.9
Average number of positions occupied		3,089	3,030	1.9

[1] Return on equity (RoE before tax) corresponds to the economic income divided by the equity at the start of the financial year, including atypical silent capital contributions.

[2] Cost/income ratio (CIR) corresponds to the ratio resulting from total expenses (excluding restructuring expenses) and total income (before risk provision).

[3] Calculated starting as at 30 June 2007 in accordance with the German Solvency Regulation (SolvV).

[4] Confidence level: 99.9 %, holding period: 1 year.

Growing hand in hand – First Choice Deka

A considerable rise in sales, prestigious awards for our fund companies and products and innovative fund concepts are the highlights that characterise 2007 for DekaBank. We have consistently advanced our business model and integrated our business divisions even more closely. Our aim is clear: we intend to be the partner of choice across the board for asset management in the German *Sparkassen-Finanzgruppe*. The past year has shown that this concept is the right way forward. We have achieved a great deal working in close cooperation with the savings banks and *Landesbanken* and are on a clear growth course. The motto for this Annual Report is therefore "Growing hand in hand".

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2007 was a year of growth for DekaBank and for setting the course for the Bank's further development. In this interview, the Chairman of the Board of Management, Franz S. Waas, explains the steps achieved on route to becoming "First Choice Deka".

Mr. Waas, how would you describe the financial year 2007?
Franz S. Waas, Ph.D.: 2007 was a year of growth for DekaBank – not just in terms of numbers but also with regard to our position as the central asset manager for the *Sparkassen-Finanzgruppe.* We have achieved a great deal working together with the savings banks and *Landesbanken.* "Growing together" is therefore also a good motto for this Annual Report.

"Central asset manager for the *Sparkassen-Finanzgruppe*" – what exactly does this mean?
It is probably the most concise description of our successful and sustainable business model. This is because asset management has long been more than just selecting the right investments for a fund. Modern asset management means individually implementing the tailored investment strategies desired by customers. For example, this can involve reflecting various market scenarios in product solutions. Nowadays, institutional investors, and indeed an increasing number of private investors as well, are thinking in terms of strategies and are looking for a full service from under one roof. What we offer meets these exact needs.

How is this achieved?
By providing comprehensive solutions. It's no longer enough to position yourself simply as a product provider. We have to go a step further and offer customers precisely-tailored solutions. This represents the decisive added value for customers and forms the basis of our business model. Delivering this service relies on the close integration of our three business divisions, which in turn are linked with the sales units.

What best reflects DekaBank's success in 2007?
There are three points in particular. First of all, at € 12.4bn net, we have posted a considerable rise in sales, outperforming both the previous year and the market. Secondly, the accolades from Standard & Poor's and Scope have significantly highlighted the quality of our products. Thirdly, despite the distortions in the international capital markets, we have achieved our profit target with € 514m.

What is the key to the successful rise in sales?
The very pleasing growth in sales, especially in our public funds, is primarily attributable to the energetic support of our sales partners. The savings banks are outstanding in this regard. They identify with our products and also with our Bank as their central asset manager. Now, more than 85 % of the investment fund units sold by the savings banks are Deka products. We are delighted to have such strong partners at our side. The greatest praise, in my opinion, came from one of our competitors who said: "Deka has an enviable sales partnership with the savings banks."

What were the highlights on the product side in 2007?
The awards for our *Sparkassen-DynamikDepot, Deka-BonusRente* and our property funds have strengthened our image as a quality provider. Moreover, we have launched various new products in the market which investors can use to cover entire strategies in one instrument. We see great potential for funds with bonus and discount structures, for example, which enable customers to invest successfully even when markets are tending to move sideways.

A year ago you announced you were going to make Deka the first choice partner for savings banks and *Landesbanken* again. Where does "First Choice Deka" stand today?
We have made good progress. The accolades already mentioned demonstrate that we have further enhanced our product quality. We have also improved in terms of speed and innovation. I would like to particularly highlight the fact that we have again further intensified contact with our sales partners, the savings banks, as a result of close cooperation on the development and launch of new products, dialogue-oriented information on current topics and a stronger local presence. However, this progress doesn't mean we should rest on our laurels. "First Choice Deka" is an ongoing task that affects us all.

What are DekaBank's aims for 2008?
We intend to achieve further growth – naturally hand in hand with savings banks and *Landesbanken.* We have the potential, creativity and products to set our sights on market leadership. Our sales partners have local offices throughout Germany and they know their customers inside out. If we all work together, there is nothing to prevent us from being the number one in Germany by 2009 at the latest.

Nothing helps us grow faster than our own objectives.

Who wouldn't want to try a successful product on for size? Even as a longer-term investment, Deka investment funds enable customers to comfortably build up and optimise their asset portfolios. As the central asset manager for the *Sparkassen-Finanzgruppe,* we have set ourselves the objective of offering the savings banks and their customers comprehensive solutions with top-performing products and a first-class service. We intend to grow faster than the market average.

The closer you are to people, the better you know their needs and wishes.

Closeness plays a significant role when it comes to trust and reliability, and this applies to all areas of life. The most important factor in our success is therefore our sustained relationship of trust with our customers and partners in the *Sparkassen-Finanzgruppe*. We know their needs and wishes. By combining customer proximity and expertise we have created the ideal preconditions for achieving growth together.

Curiosity drives innovation.

Good ideas help you reach the top. Especially when this means you can act swiftly in the market and offer your customers real added value. Standing still and enjoying what you've achieved to date is not enough, which is why there is an element of never being satisfied behind the ability to innovate. We are always bursting with new ideas. This is how we are able to ensure the satisfaction of our sales partners and their customers across the board.

Clarity and transparency create growth that you can see.

Our aims are clear. We intend to achieve visible success with our products and create sustainable added value for our investors. No matter how ambitious this may be in individual cases, the focus is always on the benefit to the customer. The bar is raised high and acts as motivation enough for us to give our best and grow with the demands of our investors. If we can set new benchmarks at the same time – even better!

Efficiency means reaching targets quickly and with minimal effort.

As a leading asset manager in Germany, we aim to be the number one in the German market for public funds. However, we can only maintain pole position in the race for investors' preference on a permanent basis if we are able to keep up the pace and speedily provide the right high quality products and services. Under the new Group structure, the three business divisions, Savings Banks Sales and the Corporate Centres work closely and efficiently together to make the "First Choice Deka" promise a reality.

Our strongest growth is in the belief in ourselves.

2007 has shown that savings banks and Deka are strong together and can achieve great things. Our new business model has already proven itself in the first year. We are therefore firmly convinced we will be able to rise to the challenges of the future as well by working hand in hand with savings banks, *Landesbanken* and other companies in the *Sparkassen-Finanzgruppe.* The strong partnership in the biggest financial grouping in the world provides good ground to cultivate our future growth.

Group management report 2007

At a glance

Strong public fund sales, improved fund performance and a significant increase in the economic income made 2007 a successful financial year for the DekaBank Group. We achieved all our central growth and profit targets and at the same time strengthened our position as central asset manager of the *Sparkassen-Finanzgruppe* (Savings Banks Finance Group) on the basis of the First Choice Deka initiative programme. Together with the savings banks and *Landesbanken*, we have contributed to growth in the fund-based capital investment of the alliance.

With net funds inflow according to BVI (Bundesverband Investment und Asset Management) of €12.7bn for our public securities funds, the Asset Management Capital Markets (AMK) business division achieved an almost fourfold increase on the comparative figure for the previous year (€3.5bn) and is number 2 in the market in terms of fund assets according to BVI. The top spot has now moved into view and should be reached by 2009. Decisive success factors included improved fund performance and the expanded range of products based on tailored solutions for a range of different investment strategies.

In the property fund segment (Asset Management Property business division, AMI), we retained our market leadership and are very well positioned to exploit the current, favourable market conditions. Following significant cash outflows in the previous year, the sales performance in 2007 was virtually balanced. This applies despite the fact that we made a targeted decision to dispense with cash inflows into public funds by adopting quotas, in order to enhance profit opportunities and as part of the liquidity management.

Renowned awards have repeatedly confirmed the high quality of our portfolio and therefore our work of recent months. Our special property funds for institutional investors were also successful. We have expanded property finance in parallel, strengthening our position as a finance partner for professional investors.

In 2007, the newly formed Corporates & Markets business division positioned itself successfully as a provider, product supplier and product innovator as well as a market risk manager for Asset Management. It plays an important role in the expansion of the product range to include new asset classes, for example exchange traded funds (ETFs) and credit derivatives.

In terms of earnings, the DekaBank Group made significant progress with an increase in the economic income by 26.7% to €514.1m. Net commission income, in particular, rose considerably. The sale of the Trianon complex in Frankfurt in spring 2007 also impacted positively on income. However, the dislocations in the credit markets had a negative effect in the second half of the year, with widening credit spreads producing a negative valuation result. Overall however, current capital market conditions offer more opportunities than risks given our significant capital resources and strong liquidity position.

The payments to the alliance partners, i.e. the added value contribution DekaBank generates for its partners in the *Sparkassen-Finanzgruppe*, rose by 9.5% to a record level of €1.13bn. This strengthened the basis for continued joint growth in the alliance.

The structure of three closely integrated business divisions, a strong sales system via the savings banks and *Landesbanken* as well as the Corporate Centres will continue to give DekaBank a decisive competitive advantage in the future. It means that the Bank can provide the optimum instrument for any requested investment strategy from under one roof and offer professional support to investors in every market phase.

We intend to continually channel a growing proportion of financial assets into our Asset Management and consolidate our high-profile market position, while significantly increasing our results and maintaining a stable risk position. In all business divisions, everything is pointing towards continued value-oriented growth in the future.

Profile of the DekaBank Group

DekaBank is the central asset manager of the *Sparkassen-Finanzgruppe*, the world's biggest financial network. As the partner of choice for the savings banks, *Landesbanken* and other companies within the alliance, DekaBank offers tailored products, solutions and services for implementing individual investment strategies in a variety of market scenarios. Our fund products cover all asset classes for private and institutional investors. In addition, our range of services encompasses lending, capital market-related trading and sales activities and Treasury business (asset/liability management, liquidity management and funding). Thanks to the close integration of its core competences in asset, credit and risk management, DekaBank achieves added value for its shareholders, sales partners and customers.

Legal structure

DekaBank is a German institution incorporated under public law with registered offices in Frankfurt/Main and Berlin. It functions as a central institution of the *Sparkassen-Finanzgruppe*. The Deutscher Sparkassen- und Giroverband (DSGV ö.K.) (German Savings Banks and Giro Association) and eight *Landesbanken* are guarantors of DekaBank. DSGV and the *Landesbanken* both hold 50% equity stakes in DekaBank; the shares of the *Landesbanken* are held indirectly by GLB GmbH & Co. OHG (49.17%) and NIEBA GmbH (0.83%).

The corporate governance principles for Group management and supervision define clear and distinct responsibilities for boards and committees and promote rapid decision-making. The Board of Management, which comprises six members, has overall responsibility for managing DekaBank. The members of the Board of Management are supported by management committees of individual business divisions and sales. The objective is to ensure that all activities are closely integrated, which results in efficient investment management. DekaBank also integrates the expertise of the *Sparkassen-Finanzgruppe* into its decision-making via several advisory boards and sales committees.

The close cooperation of the Board of Management and Administrative Board is based on trust. The Administrative Board of DekaBank has 30 members in accordance with the Bank's statutes. These include representatives from the *Sparkassen-Finanzgruppe*, employee representatives and representatives from the Bundesvereinigung der kommunalen Spitzenverbände (German federation of local authority central organisations), the latter in an advisory capacity. In order to increase efficiency, the Administrative Board has formed two expert committees, the General Committee and the Audit Committee.

The German Federal Minister of Finance has overall government responsibility.

The main subsidiaries and shareholdings of DekaBank include capital investment companies based in Germany, Luxembourg and Ireland, banks with registered offices in Luxembourg and Switzerland as well as further shareholdings including land and property management companies. Together with the public sector insurance companies, DekaBank offers consultancy and services relating to company pension schemes via its associated company, S PensionsManagement GmbH (shareholding: 50%). S Broker AG & Co. KG (DekaBank shareholding: 30.6%) is an online broker.

Organisational structure and business divisions

Following completion of the Group restructuring in the first half of 2007, DekaBank's activities have been pooled in three business divisions and a central sales unit. In addition, seven Corporate Centres are responsible for cross-divisional services. The units are closely integrated, which ensures the most immediate proximity to customers possible as well as efficient business processes and the prompt development of new solutions across all asset classes.

Asset Management Capital Markets business division (AMK)

Asset Management Capital Markets (AMK) is the largest business division of the DekaBank Group based on contribution to income. AMK focuses on the capital market-driven management of 567 public funds (including 95 funds of funds) as well as 516 special funds and 81 advisory, management and asset management mandates (as at 31 December 2007) and fund-linked asset management. Special fund business activities also cover master capital investment companies (90 mandates), which institutional clients can use to pool their assets under management in one investment company. In addition, the AMK business division provides services concerning custodial management for the Deka investment funds and for the funds of our partners. In total, more than 5 million custody clients in Germany, Luxembourg and Switzerland use the fund-based products and services of our AMK business division.

Asset Management Property business division (AMI)

The Group's property expertise is pooled in the Asset Management Property (AMI) business division. It offers products based on property investments and property finance for private and institutional investors. Within the business division, the newly established company, Deka Immobilien GmbH, is responsible for the acquisition, sale and management of property as well as product development and fund administration. Around 400 major properties are currently under management. The two capital investment companies within AMI, WestInvest Gesellschaft für Investmentfonds mbH and Deka Immobilien Investment GmbH, focus on active fund management. The product range comprises public property funds, special property funds and individual property funds. The business division is the largest provider of open-ended property funds in Germany and one of the leading property asset managers in Europe. The Property Finance sub-division complements the range of services with tailored financing solutions for professional property investors across the globe.

Corporates & Markets business division (C&M)

Since early 2007, the lending, trading and sales activities of the Capital Markets and Treasury business (asset/liability management, liquidity management and funding) have been grouped together in the Corporates & Markets (C&M) business division. The three sub-divisions Credits (generating credit via syndicated and international direct client business), the newly established unit Liquid Credits (active portfolio management of structured capital market products) and Markets (Treasury and trading and sales activities) make C&M the service provider for the Asset Management business divisions. In addition, C&M acts as a partner for institutional investors.

Savings Banks Sales and Corporate Centres

All business divisions work closely with Savings Banks Sales, for which a particular Management Board member is responsible within DekaBank. In addition to the central marketing and sales management, sales are divided into three main regions of Germany (North/East, Mid and South). The Sales unit forms an important interface between DekaBank and its alliance partners and also between production and marketing. The unit is also responsible for various central duties, such as product and brand management and sales controlling.

The business divisions are supported by a total of seven Corporate Centres with clearly defined core competences, business objectives and management targets and indicators *(Fig. 1)*. They function at cross-divisional level and ensure smooth business operations.

Locations

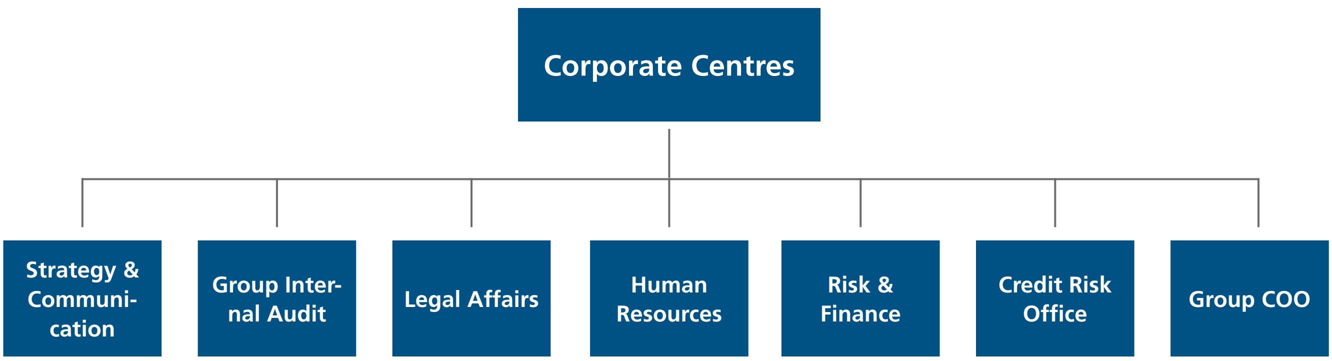
The business operations of DekaBank are managed from the headquarters in Frankfurt. The largest international subsidiary is DekaBank Deutsche Girozentrale Luxembourg S.A. The activities of Deka(Swiss) Privatbank AG in Zurich are based in the Swiss market. Additional capital investment companies are based in Luxembourg and Dublin. DekaBank also maintains representative offices in Milan, Madrid and since May 2007, Vienna. The latter provides services to institutional clients in Austria and Central and Eastern Europe. In these countries, the banking sector offers particularly high growth potential in the lending and deposit business, as this is rapidly being brought into line with Western standards.

Products, services and market position

AMK business division

AMK aims to offer each investor a type of investment, which is precisely suited to his individual risk/reward profile and enables the exact implementation of his chosen investment strategy. In order to achieve this, the services of the business division extend to the basic value creation levels: production, development and institutional sales. In addition to funds and structured investment concepts of the DekaBank Group, the product range also covers product offerings from ten reputable international partners.

With assets under management exceeding €41.6bn, AMK is the market leader for fund-based asset management in Germany by a significant margin. Structured investment concepts comprise funds of funds and fund-linked asset



Corporate Centres *(Fig. 1)*

management with the products *Sparkassen-Dynamik-Depot*, *Schweiz PrivatPortfolio* and *Swiss Vermögens-management*. We expanded and adjusted the range of services in financial year 2007. In addition to fund-based asset management, we offer a broad spectrum of investment funds, including basic products such as DekaFonds and RenditDeka, as well as products that meet specific requirements such as Deka-OptiCash for deposit optimisation for tax purposes. The wide range of DekaBank products relating to private and company retirement pensions, for example the fund-based Deka-BonusRente, is also managed by AMK.

While retail sales of public funds are carried out by the savings banks, direct business with institutional investors is additionally handled by the realigned institutional sales unit. Here, the range of services comprises special funds and Master KAG concepts as well as advisory/management mandates and public funds tailored to the requirements of institutional investors. Examples include institutional money market funds such as Deka-Institutionell OptiFlex, tax-optimised investments such as Deka-Institutionell OptiCash and global currency funds such as Deka-Treasury Corporates. Company retirement pensions are also covered.

AMI business division

The AMI business division offers private and institutional investors property investment products with various risk/reward profiles. In addition, customised property finance is offered to professional property investors. This is often passed on to institutional investors as an investment.

Property Asset Management focuses on the purchase, professional management and sale of commercial property suitable for third party use in liquid markets. In the segment of open-ended property funds, Deka Immobilien Investment and WestInvest are market leaders in Germany with joint fund assets (according to BVI) of approximately €16.0bn, distributed among 297 properties in Germany and abroad.

For institutional investors, we offer eight special property funds and two individual property funds. The individual property funds are not subject to the German Investment Act, are managed in the legal form of a German joint stock company and can therefore be very flexibly designed in terms of investment policy and investment format. An investment volume of more than €450m was allotted to the two currently managed individual property funds as at the 2007 year-end. Another open-ended public property fund, WestInvest ImmoValue, is available for the proprietary investment of the savings banks.

The International Property Finance sub-division was considerably extended in financial year 2007. Here too, commercial and residential property suitable for third party use is financed in liquid property markets. Portions of the relevant loans are then placed externally, currently primarily by means of syndication. The financing activities focus on the same international markets – of which there are more than 20 – as the fund activities.

C&M business division

C&M provides access to primary and secondary markets, creating the basis for a systematic expansion of DekaBank's Asset Management offering.

The Credits sub-division generates credit assets via syndicated business and international direct client business. Portions of these loans are placed externally by DekaBank through syndication. Within the core asset classes, a distinction is made between special financing (Structured & Leveraged Finance), financing for transport, export and trade (Transport & Trade Finance) and financing of infrastructure (Public Infrastructure).

The Liquid Credits sub-division focuses on investments in structured and tradeable capital market products as well as securitisation and structuring of credit assets. Liquid Credits is also responsible for the active portfolio management of the credit risk associated with C&M within the Group-wide credit risk strategy.

The Markets sub-division focuses primarily on the management of market risks, which is also associated with other activities of the Bank in Asset Management. Trading activities centre on short term products (money market and securities finance) and the expansion of derivatives business. Product and market-specific trading strategies have been defined for the three risk areas, short term products, debt trading and share trading. The trading unit is rounded off by commission business and new as well as enhanced existing sales activities.

Sustainability and environmental management

DekaBank has responsibilities beyond its core business. The Group has established environmental management procedures with a view to protecting natural resources. The environmental company audit in accordance with the valid standard (ISO-Norm 140001) for financial services providers essentially comprises five core areas: traffic, water, waste, energy and paper. This audit is a prerequisite for certification, as is an annual environmental assessment. The audit also promotes the implementation of a comprehensive sustainability concept.

Social responsibility
As part of society, DekaBank is aware of its responsibility of making a commitment to social interests in general. Our social commitment focuses on promoting contemporary art and science. We work closely with renowned arts and cultural institutions. Our commitment is also aimed at benefiting our partners within the *Sparkassen-Finanzgruppe*.

Value-oriented strategy and management

Strategic focus of the DekaBank Group
With its First Choice Deka initiative programme, the DekaBank Group has strategically refocused and created a Group structure for the future. The service commitment of DekaBank is closely linked to six underlying principles:

- High innovative ability and quickness
- Strict focus on processes
- First-class product quality
- Distinct customer focus
- Clear earnings orientation
- Solution-based and transparent teamwork.

We achieved our aim associated with the initiative programme to anchor the Bank as the asset manager of choice in the *Sparkassen-Finanzgruppe* in financial year 2007. We now need to expand this position by providing excellent services and to establish ourselves as a top partner for the savings banks and *Landesbanken* in the long term.

Strategy of the business divisions
With an optimised range of products, DekaBank intends to build on the leadership of its AMK business division in fund-based asset management to become the provider with the highest volume of fund assets (according to BVI) in Germany by 2009. On the basis of our restructured institutional sales organisation, we also aim to become a leader in business with institutional clients. To achieve this, we are making consistent use of the opportunities offered by the new German Investment Act and the trend towards multi-asset funds.

We will adhere to our principle of quality before quantity. We intend to outperform the market with our product performance and continually improve the fund rating. In the AMI business division, we will continue to sell units in public property funds only if the liquidity ratio of the relevant fund and the expected access to prime profitable property allow this, taking into account the anticipated fund performance. The fund property portfolio and the property loan portfolio are optimised on a continuous basis according to the buy-and-manage approach. Property loans that are suitable for the capital markets are increasingly used as the basis of another property-based asset class for institutional investors. In the segment of open-ended property funds, AMI intends to maintain and expand its market leadership. With regard to special funds and property finance, we aim to increase our market share continually.

The C&M business division, which acts as a service provider and product innovator for the Asset Management divisions, plays a key role in the implementation of our strategic concept. In credit and capital market business, C&M will increasingly focus on asset classes which will translate into attractive products for AMK or AMI. This is associated with the development process from traditional finance provider to credit investor and risk manager, which has already been launched and pursued consistently, as well as the expansion of securities finance and derivatives business in the Markets sub-division.

Intensification of sales
Savings Banks Sales also plays an important part in the Group's comprehensive market presence. It is the intermediary function between Asset Management and the customer advisers in the *Sparkassen-Finanzgruppe*. Based on an in-depth understanding of end customer requirements, the Savings Banks Sales unit supports customer advisers in raising customer awareness of products, some of which are highly complex and require explanation, and the underlying trends. An example of this is the recommended optimisation of customer portfolios in the run-up to implementation of the final withholding tax (*Abgeltungsteuer*). DekaBank identified this issue at a very early stage and implemented products which add value as well as marketing these broadly.

We have stepped up our sales activities in 2007 at international level as well. Following the opening of the Vienna office, a representative office in New York and a subsidiary in Tokyo will follow in 2008. Our presence in different currency zones improves proximity to the markets and enhances risk management at the same time. Plans are also in place for the exchange listing of DekaBank in Poland. We believe that this will primarily result in more cost-effective processing of securities orders.

Risk and profit management at the DekaBank Group

By consistently implementing First Choice Deka, DekaBank intends to pursue value-oriented growth, thereby achieving an appropriate risk/reward ratio on a sustained basis as well as attractive return on equity.

We use non-financial and financial performance indicators to measure our progress in this respect. Comprehensive reporting on the Group management indicates at an early stage whether strategic and operational measures are successful or if changes are required, and whether the risk/reward ratio is within the target range.

Non-financial performance indicators

The non-financial performance indicators relate to the various dimensions of our operations and are an indication of the success of our products in the market and the efficiency of our business processes.

Central control variables in Asset Management (AMK and AMI business divisions) and Savings Banks Sales, are

- net sales as the performance indicator of sales success. This results essentially from the total of direct sales of public and special funds of the DekaBank Group, fund-based asset management, the funds of our partners and the Master KAG, advisory/management and asset management mandates. Sales generated through own investments are not taken into account.

- assets under management (AuM). Key elements comprise the income-related volume of public and special fund products in the Asset Management Capital Markets and Asset Management Property business divisions, direct investments in partner funds, the cooperation partner, third party fund and liquidity portions of fund-based asset management and the advisory/management and asset management mandates. For comparative purposes as part of the BVI statistics, we continue to use the fund assets according to BVI.

- fund performance and fund rating to measure product quality

- the average development period for new products and the share of new products in the sales success to measure innovation and innovation-related efficiency

- the ratio of intra-alliance business (share of our products in the fund sales of the savings banks and *Landesbanken*) to measure our acceptance by the *Sparkassen-Finanzgruppe* and

- the payments to the alliance partners to measure our added value contribution in respect of our partners within the *Sparkassen-Finanzgruppe*.

In the AMI business division, the transaction volume is also monitored on the basis of property purchases and sales. Additional key indicators measure our success in property finance, for example the new business result and the share of the credit volumes converted into investment products via syndication and other instruments.

In the C&M business division, we measure success using standardised key performance indicators that are linked to the relevant target figures. All key indicators that facilitate the measurement of the quality of our risk management are relevant. This involves, in particular, compliance with and utilisation of risk limits, the structure of the credit and market risk portfolio and the achievement of DekaBank's target rating.

For Corporate Centres, control systems have been developed which ensure that exacting service standards towards internal customers are maintained.

Financial performance indicators

The financial performance indicators are influenced by the non-financial performance indicators as a result of various cause and effect mechanisms. All financial targets are established taking account of the risk-bearing capacity.

In financial year 2007, DekaBank applied IFRS 8-Operating Segments for the first time. IFRS 8 replaces IAS 14-Segment Reporting and defines the reporting requirements for the business segments in line with the management approach. The management approach requires that external reporting is based on the management and reporting variables used internally. The consistent application of the management approach is intended to enable external users of the financial statements to assess the company from the management's point of view.

DekaBank's enterprise value is set to rise due to a sustained increase in earnings. Given the mixed model approach, net income under IFRS is impacted by the different principles used for the valuation of the various assets and liabilities. As a result, not all income components that are required to assess the profit situation of a company are taken into account. Our central control variable is therefore the economic income, which together with the economic risk forms the basis of the DekaBank Group's risk and profit management. In addition to income before tax under IFRS, the economic income includes the relevant valuation result for financial instruments recognised directly in equity with no impact on profit and loss.

Other key indicators used are return on equity and the cost/income ratio. In addition, the core capital ratio and the default risks in accordance with the Solvency Regulation (SolvV) as well as the utilisation of the risk-bearing capacity are particularly important.

Business development and profit performance

Economic environment

The start to financial year 2007 was promising for the DekaBank Group's activities. The economic upturn gained momentum and depth, which was reflected in more favourable stock markets and cash inflows into near-money market products. However, in the summer, the international financial markets experienced a major loss of confidence in the wake of the difficulties associated with the subprime segment of the US housing market. In times of low interest rates, property loans had been extended on a large scale to borrowers with a poor credit history. As a result of rising interest rates, numerous loans failed to perform causing a comprehensive need for valuation allowances. The latter also affected capital market products issued on the basis of the collateralised loans, with substantial valuation losses for some private and public sector banks. The resultant loss of confidence and general market uncertainty produced liquidity bottlenecks in the money markets and put considerable pressure on the credit markets. The crisis impacted negatively on all financial markets throughout the rest of the year and increased volatility.

While equity markets appeared fundamentally well hedged, the credit markets experienced a significant widening in credit spreads, which resulted in the relevant valuation adjustments that also affected DekaBank. At the same time, the Bank was able to benefit from favourable prices in its new commitments and also profited from an easing of the market in the property segment. In the future, the capital market situation following the subprime crisis will offer more opportunities than risks. We believe that the financial sector is sufficiently robust to avoid any fundamental threat to the financial system as a whole.

Overall economic trends

The global economy maintained the fast growth pace of the previous three years in 2007. It expanded once again by around 5%, which represents extraordinarily strong growth. The cause of this is the momentum of the third wave of globalisation. The national economies of the emerging markets are driving the current upswing, in particular, and making it resilient to risk factors such as the credit market crisis, higher interest rates and the continued marked rise in commodity prices.

Despite the uncertainty resulting from the above risk factors, 2007 also proved to be a good year for the economy in the eurozone and Germany in particular. Economic growth of 2.6% (eurozone) and 2.5% (Germany) exceeded the respective potential growth figures. Decisive factors included the further reduction in unemployment and rise in employment in the wake of the upswing. In addition to demand for investments, the continued high export levels, despite the revaluation of the euro, was also a growth driver last year. The impact of the 3 percentage points VAT increase implemented at the beginning of the year and the associated increase in price of products and services for end consumers were not as marked as expected. However, the favourable consumer sentiment was increasingly dampened in the fourth quarter by the emerging inflation debate, which resulted from higher energy and food prices. The perception that real incomes would develop negatively was widespread. Although the price increase in real terms was significantly lower than the perceived inflation, at

2.2%, it was considerably higher than in the previous year in Germany.

With reference to the rate of inflation, which is considerably above target, the European Central Bank (ECB) departed from its earlier expansive policy and raised the key lending rate by 50 basis points in two steps by mid-2007 to the largely neutral interest rate level of 4.0%. Despite the persisting inflation risks, the ECB retained the interest rate at this level in order to prevent a worsening of the credit crisis. However, at the same time, the ECB confirmed its willingness to implement higher key lending rates. In the USA, the Fed left the key lending rate unchanged at 5.25% initially, but then embarked on a trend reversal in its monetary policy, cutting the US key lending rate in three steps by a total of 100 basis points to 4.25%. This move was clearly induced by fears of an imminent recession in the wake of the credit market crisis. In fundamental terms, the central banks have little margin to ease their monetary policy because the risk of inflation continues in the industrialised countries.

Trends in capital markets

With global economic growth strong again in 2007 and companies enjoying higher earnings, the stock markets were buoyant in the first six months of the year. The DAX climbed to a new historical record level of 8,151 points in July. The S&P 500 in the USA also developed positively. However, in the second half of the year volatility increased considerably following the subprime crisis. Above all, bank securities came under pressure repeatedly and dragged down the overall indices. The DAX was one of the most valuable markets worldwide on the strength of its favourable sector structure, a significantly improved economic environment and advantageous special factors, including the VW takeover by Porsche for example. At the year-end, the DAX closed with 8,067 points, which is 22.3% higher than at the end of 2006. Taking into account exchange rate trends in particular, this gave the index a clear lead over the major equity markets in the USA, UK and Japan and it also climbed to the top spot in Europe.

The other major winners of the ongoing wave of globalisation are the stock exchanges of the emerging markets. Here, growth was driven by exports of commodities and the rapid expansion of domestic markets. The emerging sales markets also offer significant sales and profit increases for European, US and Japanese companies with a well-established presence in these markets. This supports the continued moderate valuation of the equity markets. The sector comparison highlights that commodity, energy and utility shares recorded the best performance, followed by shares in the basic consumer, technology and telecommunications sectors. In addition to the poorly performing financials, shares in cyclical consumer products and pharmaceutical companies lost considerable ground.

Based on Federal bonds with a residual maturity of ten years, the bond market recorded a moderate increase in yields of 40 basis points over the year as a whole. Excellent economic prospects and the restrictive ECB interest rate policy pushed yields in Euroland to a five-year high by the middle of the year, although the bond markets recovered somewhat by the year-end. The uncertainty in the credit and liquidity markets started a "flight into security" in the second half of the year, which substantially boosted demand for safe government bonds. However, the bond markets overall also remained relatively volatile as a result of the uncertainty regarding future economic developments. All risk-bearing asset classes were affected by the dislocations in the money and capital markets following the subprime crisis. This included, for example, bonds with low ratings such as high-interest corporate bonds and subordinated bonds of financial institutions. Government bonds from emerging markets fared relatively well. Investments in international bonds were also affected significantly by exchange rate developments. The euro exchange rate gained strength against all other major currencies, in some cases considerably so. As a result, investors from the euro area suffered exchange losses of significant proportions in some cases on any unhedged exposures to international bonds.

Trends in currency and money markets

Triggered by the turmoil in the US mortgage market, the interbank market suffered a liquidity squeeze which necessitated repeated intervention by the central banks. As the decisive money market rate, three month EURIBOR generally tends to be a few basis points above the European key lending rate in calm market phases, but following the dislocations in the markets, it rose significantly. Even when the markets stabilised in the fourth quarter, the year-end rate was 4.68%, which is 68 basis points above the key lending rate. The interest rate cuts implemented by the Fed had already been priced in previously.

The weakness of the dollar in 2007 mirrored the weaker US economy in the wake of the property crisis. This once again changed the interest rate gap significantly in favour of the euro. The Fed's change in its monetary policy since mid-August accelerated this trend in particular.

Two key factors dominated the development of the currencies of the emerging markets (EM currencies) in 2007. First, high commodity prices and the associated export proceeds of the major emerging markets supported the EM currencies. Second, marked interest rate gaps which made the emerging markets attractive targets for portfolio investments, provided a further boost. Compared with the US dollar, the major EM currencies have seen a significant revaluation, with only few exceptions. Stronger revaluation in the emerging markets was halted by the relevant countries intervening, in order to prevent a loss of competitiveness. The South American and Asian currencies, which are largely guided by the US dollar, were unable to compensate for the US dollar devaluation.

Trends in property markets

Property markets worldwide

The major US office building property markets recorded lower net absorption, a decrease in vacant properties and lower completion volumes in city centres compared with the previous year. In the peripheral sub-markets, net absorption also saw a downward trend. However, the new construction volume rose significantly, resulting in an increase in the vacancy rate. Boston, New York's Midtown Manhattan and Washington D.C. had the lowest number of vacant properties and the highest average class A rents in the whole country. On the West Coast, the availability of class A space in Los Angeles, San Francisco and Seattle also decreased and resulted in sustained growth in rents. Demand for commercial property remained unchanged at a high level during the year, although the subprime crisis caused a collapse in transaction volumes in the third quarter. New York maintained its leading position as the location with the highest sales, followed by San Francisco, Boston and Washington D.C. As a result of falling purchase prices, the sustained downward trend in cap rates saw a reversal, with suburban markets responding sooner than their inner city counterparts.

The continued high demand by financial services providers ensured increased turnover of space in Tokyo's office property market. There is still an imbalance in the supply/demand ratio. Vacancies in the five central districts were down to 1.7%, with class A space vacancies as low as 0.9%. New projects are let long before completion and the volume of new builds will remain moderate in the coming years. The top rents rose significantly while yields remained at a very low level. Japan accounts for around 75% of the relevant property market in Asia. In Seoul, the availability of office space diminished further in the course of the year, with vacancies continuing to decrease as a result. No easing of the situation is in sight, since the volume of new builds is insufficient. On the basis of sound market fundamentals, developments in Hong Kong and Singapore were also positive and Hong Kong will see a perceptible increase in the supply of new space over the coming months. The Chinese tier 1 cities (Shanghai, Shenzhen and Beijing), which are far from developed, also performed well in a boom market.

In Europe, the higher level of employment in the service sector had a positive impact on demand for office space. This resulted in a rapid decrease in vacant space. In some locations, the volume of new builds rose again, especially in the City of London. Nevertheless, the British capital recorded strong growth in rents. Top rents increased at an even faster rate in city centre locations in Paris and Madrid. The UK maintained its leadership, but France, the Netherlands, Finland and the Central and Eastern European markets, in particular, posted increases alongside Germany. With regard to the types of use, office space led the way at more than 50%, ahead of retail at 18%. The pressure on yields persisted until the middle of the year. Since then, there has been a trend reversal in some markets as a result of the subprime crisis.

German property market

In the German office property markets, the reduction in vacancies continued. The number of signed lease agreements increased for construction projects and buildings under construction. In the major cities, the new build volume remained clearly below the long-term average in 2007. Top rents in Düsseldorf, Frankfurt and Munich rose, while the difference between nominal and actual rents decreased.

In the retail segment, stronger consumer confidence manifested itself in the form of higher levels of consumption. Textile providers were among the main tenants of space in A1 locations. There is a trend towards premium brands whose presence is based in the corresponding locations. The demand for space also increased among shoe and sports stores with top rents rising substantially in some cases.

The volume of transactions was particularly high in 2007, whereby the composition of the buyer structure changed considerably. Investors who use a high proportion of debt capital to invest in the short term are increasingly being replaced by institutional investors with a long-term focus. Moreover, the proportion of domestic lenders has risen. The sharp decline in yields stopped in the third quarter. More restrictive lending and higher risk premiums resulted in a trend reversal. Yields on office properties in A1 locations rose by 10 basis points and those on commercial properties in excellent city locations by up to 25 basis points.

Trends in the mutual funds sector

In 2007, public securities funds developed positively on the whole. They recorded a net cash inflow of €24.2bn. Despite interim cash outflows as a result of the liquidity bottlenecks in the money markets, money market funds were top of the list, followed by other securities funds and mixed funds. However, investors again removed large sums of money from equity funds. The cash outflow in this segment totalled €14.2bn after €8.2bn in the previous year. Investors also returned units in bond funds on a large scale.

According to BVI, the number of investment fund unit holders rose slightly from 15.8 million to 16.0 million. Despite the cash outflow from equity funds, the number of equity fund unit holders in Germany stabilised in 2007. Deutsches Aktieninstitut (German Equities Institute) recorded a total of 7.9 million equity fund unit holders in the second half of the year, which corresponds approximately to the previous year's figure. By comparison, the number of direct shareholders fell to its lowest level in 15 years.

Open-ended property funds tie up on earlier successes in 2007, recording net cash inflows according to BVI of €6.7bn (previous year: cash outflows of €7.4bn). Following the crisis in early 2006, the funds restructured their portfolios through comprehensive sales and increased returns. This was accompanied by new commitments in Asia and South America.

Open-ended funds experienced a positive side-effect of the subprime crisis. The withdrawal of investors with a focus on debt capital and the rise in property yields combined to create more acquisition opportunities again.

Regulatory environment

The legal conditions for securities services providers have changed, in particular as a result of the Markets in Financial Instruments Directive Implementation Act (Finanzmarktrichtlinie-Umsetzungsgesetz). The Act which came into effect at the start of November 2007 implements the EU Markets in Financial Instruments Directive (MiFID) in German law. The changes focus on enhanced disclosure and information requirements as well as other detailed rules regarding good conduct in client relationships. Securities services providers must advise clients in future of risks and opportunities, in particular, as well as potential conflicts of interest and any kickbacks linked to the service.

In close consultation with its alliance partners, DekaBank prepared for the new rules in good time and has adapted its business processes and customer information documentation in line with the new requirements.

Business development and profit performance in the DekaBank Group

Overall assessment by the Board of Management

In financial year 2007, the performance of the DekaBank Group was satisfactory and all important targets were achieved. The economic income increased once again to total €514.1m (previous year: €405.7m). Return on equity (RoE before tax) rose to 17.4% after 15.3% in the previous year. The turmoil in the markets following the US subprime crisis had a minor impact on our profit in the overall context. The future offers more opportunities than risks thanks to our strong liquidity position, enabling us to take advantage of the situation in the credit markets to enter into promising new commitments.

We have evolved from a provider of fund services to the central asset manager of the *Sparkassen-Finanzgruppe* and have achieved strong growth together with our sales partners in the savings banks and *Landesbanken*. With a net funds inflow for public securities funds according to BVI of €12.7bn, we achieved a significant increase compared with the previous year (€3.5bn). The high ratio of intra-alliance business of over 85% (year-end 2006: around 83%) also reflects that our products are firmly rooted in the customer advisory service of the *Sparkassen-Finanzgruppe*. In terms of structured investment products, we maintained our leadership in the market. DekaBank also remained the unrivalled market leader in open-ended property funds. Total fund assets according to BVI for the Group amounted to €16.0bn (previous year: €16.8bn).

Numerous innovative products across the business divisions have great market potential, coupled with a further improvement in fund performance and ratings reflect the success of "First Choice Deka". At the same time, coveted prizes such as the S&P Fund Award prove that the quality of our products and solutions has market recognition and meets the expectations of investors.

We have successfully completed the restructuring and expansion of the C&M business division. C&M has stepped up its cooperation with the Asset Management business divisions and has developed from a traditional financier into an international credit investor.

With the sale of the Trianon complex, DekaBank completed the disposal of Group-owned properties. This has increased the Bank's options for additional growth in the core business of Asset Management.

The Bank's positive performance was rewarded with a higher rating of Aa2 for long-term unsecured debt from Moody's.

Profit performance in the DekaBank Group

In financial year 2007, DekaBank achieved an economic income totalling €514.1m, representing an increase of 26.7% on the previous year's figure of €405.7m. Net commission income was a key driver of the rise in the result, climbing 11.5% to €984.5m (previous year: €883.2m). Another reason for growth in Group income was the positive income effect from the sale of the Trianon complex amounting to around €143m, which is included in other income. However, the market dislocations resulting from the US mortgage crisis impacted negatively on the economic income.

Income totalled €1,213.6m, which corresponds to an increase of 6.5% on the previous year (€1,139.5m). The cost/income ratio improved year-on-year from 61.5% to 58.6%.

Net interest income of €203.0m was 20.6% down on the previous year's figure of €255.8m. One of the decisive factors for this decrease was the lower distribution on units in the Deka-ImmobilienFonds held by the Group. The interest margin income from customer business, which is a significant element of net interest income in the C&M business division as well as property finance in the AMI business division, was slightly higher than in the previous year. The contribution from the investment of own funds exceeded the previous year's level, in particular as a result of higher interest rates.

DekaBank reported a positive balance of risk provisions of €31.9m (previous year: €2.2m). This resulted from our consistent risk management, which facilitated the reversal of valuation allowances recognised in the income statement that are no longer required.

All three business divisions contributed to growth in net commission income. The most significant profit contribution came once again from the AMK business division with a share of around 75% (previous year: 76.9%). The increase in net commission income compared with the previous year was based on an adjustment of price structures to an average level and a significant rise in average assets under management. However, since growth is largely attributable to near-money market products, for which a comparatively low administrative fee applies, the margin quality of the existing portfolio was reduced overall at the same time. In the C&M business division, the sharp rise in net commission income is primarily accounted for by the expansion of commission business.

Net financial income, which comprises trading and non-trading positions, was clearly negative at €–169.9m (previous year: €–8.1m). The non-trading positions were particularly affected by the market dislocations in the wake of the US mortgage crisis. The substantial widening in credit spreads impacted negatively on interest rate risk positions in the Liquid Credits sub-division. The structured credit capital market products included in the interest rate risk positions are valued in accordance with IAS 39 on a mark-to-market basis respectively on the basis of available observable market data. For the Liquid Credits sub-division, this generated a negative valuation result of €–235.2m. Conversely, we recorded a considerable increase of 23.6% in net trading income

(€94.7m) following successful securities finance transactions and profit contributions from equity derivatives trading.

Administrative expenses including depreciation totalled €692.1m, down 1.1% on the previous year. Of this figure, €329.9m were attributable to personnel expenses, representing an increase of 9.4%. The decisive factor was the rise in the average number of posts filled and the change in the Bank's employee structure as part of its reorganisation. Operating expenses rose moderately by 4.9% to €341.7m, which is partly due to targeted investments by the business divisions as part of the strategic reorganisation and the consolidation of our role as the central asset manager for the *Sparkassen-Finanzgruppe*. Depreciation decreased significantly from €72.7m to €20.5m, since the corresponding figure for 2006 included unscheduled depreciation on property, plant and equipment.

As part of the reorganisation, restructuring expenses totalled €7.4m in 2007. The previous year's figure of €33.9m comprised, in particular, final capital contributions to stabilise the Deka-ImmobilienFonds. These were only partly compensated by the proceeds from the sale of a property *(Fig. 2)*.

Business development and profit performance in the AMK business division

AMK impressively confirmed its strong market position in financial year 2007 with a considerable rise in the sales volume and a significant increase in assets under management. The success is based on a convincing range of products and services for private and institutional investors. In the reporting year, we systematically expanded these while enhancing the performance and ratings of our funds.

Net sales performance and assets under management

Net sales in the AMK business division amounted to €12.4bn, a further substantial increase on the very good figure for the previous year (€8.4bn). Net funds inflow (according to BVI), which is used for market comparisons, amounted to €14.3bn (comparative figure for the previous year: €5.3bn). Almost 53% of net funds inflow in all public securities funds of capital investment companies included in the BVI statistics was attributable to the DekaBank Group.

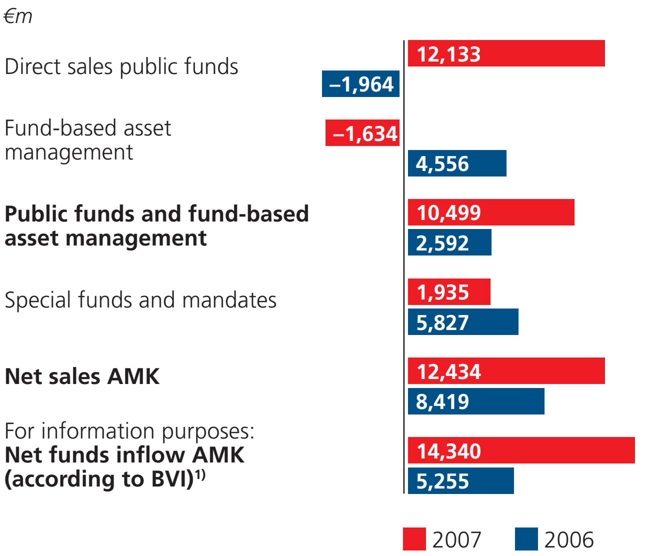
Market-induced cash outflows were recorded from equity and bond funds, which slowed down in the case of equity funds however in the second half of the year. This was countered by very high cash inflows in money market funds, which granted us market leadership in this segment. The sales success was largely attributable to the Deka-OptiCash fund launched in the previous year, which offers an attractive, tax-optimised return in the money market segment. We used the expansion of the tax-optimised fixed-term funds in the Deka-OptiRent series by a new maturity to strictly limit cash outflows from bond

Profit performance in the DekaBank Group *(Fig. 2)*

€m	2007	2006	Change	
Net interest income	203.0	255.8	−52.8	−20.6%
Risk provision	31.9	2.2	29.7	(> 300%)
Net commission income	984.5	883.2	101.3	11.5%
Net financial income	−169.9	−8.1	−161.8	(< −300%)
Other income	164.1	6.4	157.7	(> 300%)
Total income	**1,213.6**	**1,139.5**	**74.1**	**6.5%**
Administrative expenses (incl. depreciation)	692.1	699.9	−7.8	−1.1%
Restructuring expenses	7.4	33.9	−26.5	−78.2%
Total expenses	**699.5**	**733.8**	**−34.3**	**−4.7%**
Economic income	**514.1**	**405.7**	**108.4**	**26.7%**

funds. The sales performance of the capital protected funds (guaranteed funds) was slightly up on the previous year's level *(Fig. 3)*.

AMK sales performance *(Fig. 3)*



[1)] Including funds of funds from 2007; the figures for 2006 have been adjusted accordingly to improve comparability.

Assets under management of owned public funds totalled €94.4bn and have risen by 17.4% within a year. As at 31 December 2007, our public securities funds achieved a market share of 19.8% in terms of fund assets according to BVI (€128.5bn), which puts us in second place.

In the wake of capital market consolidation, we recorded cash outflows of €1.4bn from fund-linked asset management after significant growth in the previous years. However, the volume of assets under management of €20.9bn confirms our continued unrivalled market leadership position, with a share of around two thirds of the total market. By introducing new terms in the reporting year, we have created the conditions for boosting sales in 2008.

With regard to special securities funds, we succeeded in reducing the cash outflows of the previous year (€6.8bn) to €3.3bn in the year under review. These were countered by considerably higher cash inflows of €4.9bn recorded for Master-KAG mandates and €0.3bn for advisory/management mandates. Overall however, DekaBank's business in the institutional sector could not keep pace with market growth in financial year 2007, which was reflected by the movement in volume *(Fig. 4)*.

Expanded offering

We have expanded the range of asset classes covered by our products, for example with the launch of SDD Alternativ. This extends the proven concept of the Sparkassen-DynamikDepot to alternative investments, such as hedge funds, private equity and commodities. Another example is the new Deka-DeepDiscount Strategie fund, which combines the benefits of an actively managed equities portfolio with the systematic use of discount certificates to generate additional income and build up safety buffers. Deka-HedgeSelect, which invests in different types and managers of single-hedge funds, and Deka-Institutionell OptiFlex, which institutional investors can use to optimise their after-tax yield in the money market segment, are proof of the growing integration of derivative components.

AMK worked closely with C&M to develop these products. Cooperation with AMI has also yielded attractive cross-divisional solutions. Two joint property-related funds have been launched: a mixed fund which combines the stable performance of open-ended property funds with the yield opportunities linked to equity-based property investments and Deka-ImmoflexGlobal, which invests worldwide in real estate investment trusts (REITs).

Risk-aware investors are looking to generate an appropriate return on their portfolios in different market scenarios. Launched in 2007, the Deka-BonusStrategie fund focuses on European blue chips and meets this specific requirement. Through the development of bonus structures, it can achieve a positive performance even when markets show a sideways or slightly downward trend.

Deka-WorldTopGarant is DekaBank's first guaranteed fund without a maturity cap. Once the initial investment period ends, investors can maintain their investment and specify the disbursement amount as the new guaranteed amount for the second period. Guaranteed products can also be used as a long-term investment, for example, as part of private retirement savings.

DekaBank has expanded its services and advisory spectrum in the market for company retirement pensions. To do this, our joint venture with public sector insurers, S Pensions-Management GmbH (SPM), was strategically realigned in 2007. In future, SPM will act as the central consultancy and competence unit for all matters relating to company pensions (bAV) of the *Sparkassen-Finanzgruppe*. In addition, the new Sparkassen PensionsBeratung GmbH, which has been established as part of SPM, strengthens the sales support to savings banks in the segment of medium-sized companies and matters relating to company pensions. To round off its competence in this business division, SPM established an alliance with Heubeck AG as at 1 January 2007. This involved the acquisition of initially 50% of the shares in Heubeck AG by DekaBank. Heubeck AG is a leading company in the field of actuarial valuation of provisioning obligations.

Fund performance and rating

The performance of our funds improved further in financial year 2007. 74% of our equity funds and 40% of bond funds exceeded the relevant benchmarks. At the same time, the number of funds with a top rating increased. At the 2007 year-end, more than 30% (previous year: around 25%) of the funds received a top rating from Morningstar.

Major accolades confirmed the quality of our products in 2007. Deka received the award for best large fund company in Germany over a one-year period at the Standard & Poor's Fund Awards 2007 Germany. The rating agency's selection took account of all funds that are admitted for sale in Germany. The key factors for winning the award was not only outstanding performance, but also consistent outperformance of the peer group funds. Deka-ConvergenceAktien CF, Deka-Stiftungen Balance, Deka-Schweiz and DekaTeam-EM Bond CF were all singled out for awards.

For the first time, Standard & Poor's also issued an AA rating for two bond funds of Deka Investment. Deka-CorporateBond Euro, the flagship fund which invests in European corporate bonds, and Deka-CorporateBond Short Term, which invests in European corporate bonds with a short maturity, were assessed as high-performing by the rating agency.

Deka-BonusRente, which is based on a lifecycle model, won the award for best fund-based Riester pension product from Deutsches Institut für Service-Qualität. The product combines the benefits of a state-subsidised investment with the growth potential of an optimised wealth structure.

AMK assets under management *(Fig. 4)*

€m	2007	2006	Change	
Equity funds	29,723	31,687	–1,964	–6.2%
Capital protected funds	4,374	3,105	1,269	40.9%
Bond funds	28,592	29,353	–761	–2.6%
Money market funds	27,118	13,101	14,017	107.0%
Other public funds	4,616	3,170	1,446	45.6%
Owned public funds	**94,423**	**80,416**	**14,007**	**17.4%**
Partner funds, third party funds/liquidity in fund-based asset management	11,170	11,559	–389	–3.4%
Partner funds from direct sales	2,361	2,140	221	10.3%
Assets under management – public funds and fund-based asset management	**107,954**	**94,115**	**13,839**	**14.7%**
Special securities funds	31,730	35,196	–3,466	–9.8%
Advisory/management mandates	7,792	7,614	178	2.3%
Assets under management – special funds and mandates	**39,522**	**42,810**	**–3,288**	**–7.7%**
Assets under management AMK	**147,476**	**136,925**	**10,551**	**7.7%**
For information purposes:				
Fund assets – public funds AMK (according to BVI)[1]	**128,485**	**111,064**	**17,421**	**15.7%**
Fund assets – special funds AMK (according to BVI)	**46,708**	**45,512**	**1,196**	**2.6%**

[1] Including funds of funds from 2007; the figures for 2006 have been adjusted accordingly to improve comparability.

An accolade was also awarded for our fund-linked asset management. The news channel n-tv voted the Sparkassen-DynamikDepot as top custody account for 2007. The award was presented for best performance on behalf of investors pursuing a cautious investment strategy.

Profit performance in the AMK business division

The €319.5m contribution by the AMK business division to the Group's economic income exceeded the previous year's figure (€282.7m) by 13.0%. Income totalled €718.8m, representing an increase of 8.3%. The rise was essentially attributable to net commission income, which climbed 8.4% to €736.4m compared with the previous year (€679.2m).

The adjustment of the price structure to an average market level at the start of the financial year resulted in a very positive effect. The increase in management fees for equity and bond funds and the higher custodian fee and custodian bank fee on funds of funds produced an increase of approximately one third in the commission income generated. Portfolio-related commission was also up significantly on the previous year as a result of the first-time collection of performance fees on equity funds.

Strong growth in net sales as well as assets under management was only partially reflected in net commission income. The main reason for this development is the low-margin structure compared with 2006 in relation to both new business and assets under management, which was triggered by the higher proportion of money market funds. Conversely, the proportion of comparatively high-margin equity funds reduced largely in line with market developments. At year-end 2007, these accounted for 27.5% of managed public funds (previous year: 33.7%).

Other income amounted to €–17.6m. This negative figure is largely attributable to refinancing expenses for start-up costs of newly launched funds and losses on equity investments. Non-recurring effects from tax refunds, in particular, impacted positively on this item.

Administrative expenses in the AMK business division rose moderately by 5.5% to €397.8m (previous year: €377.0m). As in the previous year, the increase resulted from intensified activities for our sales partners as well as higher expenses associated with making IT systems future-proof *(Fig. 5)*.

Business trend and profit performance in the AMI business division

We successfully completed the realignment of the AMI business division in financial year 2007, creating a convincing basis for a clear growth course in the coming years. This applies to both asset management and property finance.

With a view to reducing the liquidity ratio of the funds and offering investors opportunities for achieving additional returns, we remained very cautious on the sales side and, especially in the second half of the year, acquired a gro-

AMK profit performance *(Fig. 5)*

€m	2007	2006	Change	
Net commission income	736.4	679.2	57.2	8.4%
Other income	–17.6	–15.3	–2.3	–15.0%
Total income	**718.8**	**663.9**	**54.9**	**8.3%**
Administrative expenses (incl. depreciation)	397.8	377.0	20.8	5.5%
Restructuring expenses	1.5	4.2	–2.7	–64.3%
Total expenses	**399.3**	**381.2**	**18.1**	**4.7%**
Economic income	**319.5**	**282.7**	**36.8**	**13.0%**

wing number of attractive properties as part of our active portfolio management. In this context, the share of office buildings decreased in favour of shopping centres and hotel and logistics properties, which is aimed at achieving a balanced portfolio structure. We will continue to accelerate this development. Five DekaBank open-ended public property funds were relaunched for sale on the basis of restricted quotas at the beginning of financial year 2008. Accordingly, we expect moderate growth for assets under management in 2008, despite significant demand.

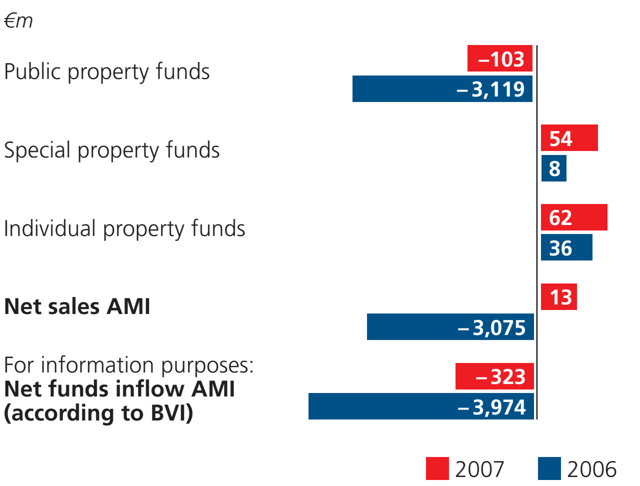
Property finance, which has been grouped in the AMI business division since early 2007, was on course for growth. Here, DekaBank focuses on properties that are suitable for third party use and also as elements of an asset pool for capital market products. In addition to the current practice of external placement of property loans via syndication, securitisation and funds which invest in loans will be used in future. These investment products are tailored to the requirements of institutional investors and particularly those of our alliance partners.

Net sales performance and assets under management

At €13m, the net sales performance of our fund products was relatively balanced. Compared with the previous year's figure, which was affected by sector-wide redemptions and our targeted decision to dispense with new business, this represents a rise of around €3.1bn.

The outflows from open-ended public property funds were limited in the year under review and were largely the result of re-directing institutional funds into different investment products. Since we made hardly any quotas available for our funds in 2007, the net sales performance is in line with our planning *(Fig. 6)*.

AMI sales performance *(Fig. 6)*



At €-103m, net sales of open-ended public property funds were slightly negative, mainly due to cash outflows from WestInvest 1. Assets under management totalled €16.0bn as at 31 December 2007 (previous year: €16.8bn). On the basis of the fund assets established according to BVI, DekaBank lost some market shares as a result of its targeted decision to limit unit sales, but remained the market leader *(Fig. 7)*.

AMI assets under management *(Fig. 7)*

€m	**2007**	**2006**	**Change**	
Public property funds	16,047	16,847	–800	–4.7%
Special property funds	1,518	1,516	2	0.1%
Individual property funds	160	99	61	61.6%
Assets under management AMI	**17,725**	**18,462**	**–737**	**–4.0%**
For information purposes:				
Fund assets – property funds (according to BVI)	**17,046**	**17,810**	**–764**	**–4.3%**

The very high prices, fuelled by speculative demand up to spring 2007, meant that DekaBank's open-ended property funds initially favoured the selling side. A noteworthy transaction was the sale of three properties in the USA for approximately €550m as part of the focus of Deka-ImmobilienEuropa on its European core market. This again generated considerable profits for investors.

Promoted by the strong structure of the business division and the improved situation in the property market for buyers, all our funds started to acquire properties with attractive yield potential again in the second half of the year. In particular, we expanded our portfolio in Eastern Europe, for example with the purchase of shopping centres in Lithuania and Poland and an office property in Prague. The other important aspect was our market entry in South America on the basis of the acquisition of two office properties in prime locations in the centre of Mexico City. Additionally, we recently reinforced activities in core markets such as France, the Netherlands and naturally, Germany.

In institutional business, net sales of the AMI business division rose to €116m, which represents a marked increase on the previous year (€44m). Assets under management were up 3.9% to €1.7bn (previous year: €1.6bn). Assets under management relating to special property funds remained at the previous year's level. The assets under management of individual property funds climbed €61m compared with the previous year.

Expanded offering

The DekaBank Group is systematically expanding its range of products in the AMI business division and developing additional asset classes. From 2008, institutional investors and the private banking clients of the savings banks and *Landesbanken* will have the option of investing in the leading global real estate private equity funds via a fund of funds. The fund will be structured as a public securities fund under Luxembourg investment law. In 2007, a fund of funds was already designed in cooperation with the AMK business division, which invests in open-ended property funds of leading investment fund companies. The funds of funds activities will continue in 2008, initially with an institutional target fund variant.

Fund performance and rating

The annual performance of the open-ended public property funds of the DekaBank Group improved across the board in financial year 2007. On average, the funds achieved a volume-weighted yield of 5.3%. Deka-ImmobilienEuropa was the top performer with an increase in value of 5.9%.

The notable improvement in performance impacted positively on fund ratings. All six open-ended property funds of Deka Immobilien Investment and WestInvest were upgraded by rating agency Scope. WestInvest ImmoValue and WestInvest InterSelect came in second and third respectively of a total of 29 funds assessed. Scope also acknowledged the good management quality of both companies. WestInvest reached the No. 1 spot among 14 investment fund companies evaluated.

Our strategy focuses clearly on performance and quality and has been honoured with major awards. WestInvest received the coveted Scope Investment Award 2007 in the category of best capital investment company in the open-ended property funds segment. The rating agency particularly acknowledged continuity and expertise in portfolio management, which it said had been decisive in confidently overcoming the challenging market conditions of 2006.

The property analysts of Bulwien-Gesa AG placed all open-ended property funds of the DekaBank Group in the top half of the 32 funds analysed. The three products of WestInvest won the first three places. In the GPPS Autumn Survey of Bulwien-Gesa gold, silver and bronze were awarded to the WestInvest InterSelect, WestInvest ImmoValue and Deka-ImmobilienEuropa funds.

Property finance

Commercial property finance, which has been integrated in the AMI business division since 2007, continued to expand its international market presence. Alongside its good positioning in Germany and North America, additional attractive investment projects were acquired in Europe, Asia and the Pacific.

The total volume of new loans granted in financial year 2007 amounted to €2.7bn (previous year: €1.1bn). At approximately €0.7bn, a significant portion of these was syndicated for the first time, largely within the savings bank organisation. At year-end 2007, following the successful external placement and in line with planning, the gross lending volume of the AMI business division totalling €5.7bn remained below the previous year's figure of around €6bn.

In autumn 2007, we opened the business division's first representative office abroad in Paris. In addition to property finance, this office manages our comprehensive portfolio of properties in the Ile de France region. Further decentralised offices in the major property markets across the globe will be added in 2008 as part of the AMI internationalisation strategy.

Profit performance in the AMI business division

In financial year 2007, the profit performance of the AMI business division was largely shaped by the proceeds from the sale of the Trianon complex in the spring. Of the economic income amounting to €202.5m, around €143m is attributable to this non-recurring effect. Excluding this transaction, the economic income totals approximately €60m, which represents a substantial rise on the previous year (€–117.0m) and exceeded forecasts. The previous year's figure was heavily affected by the expense associated with stabilisation measures, restructuring expenses and the nine-month waiver of administrative fees for the Deka-ImmobilienFonds.

Net interest income decreased from €60.0m in the previous year to €24.9m. This reduction is attributable to the higher distribution in the previous year of Deka-ImmobilienFonds units held by the Bank. Interest income from property finance business, which was slightly up on 2006, had a major impact on net interest income in financial year 2007.

The reversal of valuation allowances for property finance resulted in a positive risk provision balance of €16.3m (previous year: €11.1m).

Net commission income was also up by 20.2% to €135.5m on the comparative figure for the previous year (€112.7m), although the latter was affected by a partial waiver of administrative fees. The net commission income of AMI comprises, in particular, portfolio-related commission, acquisition and construction fees, property management fees and commission from property finance business. It is particularly pleasing that the property finance business contributed net commission income of around €10m, which was well above our forecasts.

Net financial income, which was reduced by non-recurring effects stemming from the Deka-ImmobilienFonds units held by the Bank in the previous year, climbed by €138.8m to €–11.1m. Other income of €146.4m essentially contains the proceeds from the sale of the Trianon complex. The previous year's figure reflected the proceeds from the sale of another property owned by the Group as well as the higher level of rental income generated in the previous year.

Administrative expenses of €107.9m were down by €65.4m on the comparative figure for 2006. The main reason for this decrease is the fact that the previous year's figure comprised unscheduled depreciation from impairment tests on a property owned by the Bank as well as expenses as part of last year's preparations to sell Bank-owned properties *(Fig. 8)*.

AMI profit performance *(Fig. 8)*

€m	2007	2006	Change	
Net interest income	24.9	60.0	–35.1	–58.5%
Risk provision	16.3	11.1	5.2	46.8%
Net commission income	135.5	112.7	22.8	20.2%
Net financial income	–11.1	–149.9	138.8	92.6%
Other income	146.4	42.1	104.3	247.7%
Total income	**312.0**	**76.0**	**236.0**	**(> 300%)**
Administrative expenses (incl. depreciation)	107.9	173.3	–65.4	–37.7%
Restructuring expenses	1.6	19.7	–18.1	–91.9%
Total expenses	**109.5**	**193.0**	**–83.5**	**–43.3%**
Economic income	**202.5**	**–117.0**	**319.5**	**273.1%**

Business development and profit performance in the C&M business division

We applied IFRS 8 for the first time in financial year 2007. As a result, external reporting is now fully based on the internal structure of the business divisions. The separate presentation of the Corporate Banking and Capital Markets segments, which was required under IAS 14 due to the different risk/reward profiles of the two segments, no longer applies.

The C&M business division with the new structure based on the sub-divisions Credits, Liquid Credits and Markets performed well in financial year 2007, fulfilling its role as a service provider and product supplier to Asset Management.

Within the Credits sub-division, the new Public Infrastructure segment was established and expanded. It complements the existing segments of Structured & Leveraged Finance, Transport & Trade and Public Sector Finance.

In view of the prevailing market dislocations, the newly established Liquid Credits sub-division adopted a cautious approach to expanding its product range.

The Markets sub-division was also reorganised. Trading transactions involving shares, interest rate products and their derivatives were tailored more specifically to the requirements of Asset Management. A major project in this respect was the introduction of a new derivatives platform.

Business development in the C&M business division

The C&M business division achieved higher new business margins in traditional lending business, with overall lending volumes remaining largely unchanged. The gross loan volume which is the responsibility of the C&M business division increased by 10.3% to €117.3bn (previous year: €106.3bn). The Bank's special finance offering again met with stable demand. The continued good performance of the global transport markets (airlines and shipping) and the advanced globalisation of trading resulted in a slight increase in the volume processed by the Transport & Trade segment compared with the previous year. In the Structured & Leveraged Finance segment, DekaBank expanded its position, despite fierce competition from institutional investors.

The new Public Infrastructure segment succeeded instantly in the market and carried a gross loan volume of €0.7bn on its books at year-end 2007. Details regarding the credit risk portfolio are provided in the risk report.

In the Liquid Credits sub-division, the Bank proceeded with the appropriate prudence given the market conditions. The overall portfolio volume of structured (capital market) credit products was expanded somewhat and increasingly complements the traditional products. In view of the market environment, the spread-related risks associated with (capital market) credit products increased sharply.

In the Markets sub-division, we considerably expanded securities finance and commission business.

The first structured equity derivatives were traded on the new derivatives platform as early as October 2007. Soon after, Deka-BonusStrategie was the first asset management product to be launched via the platform.

The Linear Risks team was set up as a market maker for ETFs. Preparations were completed at the end of the financial year in time for the launch of the exchange traded funds in the first quarter of 2008. With the new product offering marketed under its own name, DekaBank has created an attractive investment option for institutional investors.

In line with the Bank's risk standards, in the past financial year we only maintained business relations with partners with impeccable credit ratings. Open-ended trading positions were only taken up in moderate volumes. Unlike previous years, in the money market we focused our activities mainly on secured money market business (repo/lending), partly due to the general crisis of confidence. The secured money market enabled us to implement liquidity management in this business division with a high level of flexibility in terms of volume, currencies and maturities. As a result, the use of the existing Euro Commercial Paper Programme (ECP) was restricted to a minimum. In foreign exchange trading, activities centred mainly on classic spot and forward exchange dealings. Our objective was to provide customers with optimum order execution with regard to quality and price. In proprietary trading, we continued to hold open equity and interest rate positions to a small extent and within prescribed limits.

On the basis of the DekaBank Group's sound liquidity position, we limited issue business in the capital markets to the demand of our customers and investors. We responded to this demand by issuing promissory note loans, by private placements and in the form of securities. There were no drawings under the EMTM Programme in the reporting period.

Profit performance in the C&M business division

The dislocations in the capital markets had an adverse impact on the profit contribution of the C&M business division. Following the strong economic income of the previous year of €255.6m, this figure decreased to €– 90.9m. The development resulted mainly from the downturn in net financial income from €104.2m in the previous year to € –175.7m, which was triggered by the valuation result from structured capital market products. This in turn was caused by the marked widening of credit spreads in the wake of the US mortgage crisis. A higher contribution to net financial income from the expansion of trading with equity derivatives and short-term products did not compensate for this effect.

At €96.7m, net interest income was also below the previous year's level (€176.6m). It was affected by the new structure of Treasury, as part of which we cut down on changes in maturities. In addition, the reduction in the volume of traditional lending business impacted negatively on net interest income.

Conversely, net commission income developed positively. This applied primarily to commission business that benefited from the high volatility on the stock markets and the extensive associated regrouping, which produced a rise in transaction volumes.

The positive profit contribution from the risk provision (€15.6m) is attributable to the reversal of valuation allowances which, as a result of our consistent risk management, are no longer required.

The increase in administrative expenses by 34.9% to €139.1m (previous year: €103.1m) reflects the costs of the reconstruction and strategic realignment of the business division *(Fig. 9)*.

Financial position and assets and liabilities

Balance sheet changes

Compared with the previous year, total assets of the DekaBank Group rose by 1.5%, or €1.6bn, to €106.5bn. The total due from banks and customers amounted to around 66% of total assets. Financial assets valued at fair value through profit or loss totalled €33.6bn (previous year: €32.7bn) and accounted for approximately 31.6% of total assets. The increase resulted mainly from the realignment of the Corporates & Markets business division and the associated activities relating to equity and derivatives transactions. Following the disposal of the Trianon property complex in the first half of the year, property, plant and equipment decreased by 92.7%, or €0.5bn, in the first six months of the year.

On the liabilities side, amounts due to banks and customers still accounted for almost half of total liabilities. At around €52bn, the two items together amounted to 48.8% of

C&M profit performance *(Fig. 9)*

€m	2007	2006	Change	
Net interest income	96.7	176.6	– 79.9	– 45.2%
Risk provision	15.6	– 8.9	24.5	275.3%
Net commission income	113.3	88.7	24.6	27.7%
Net financial income	–175.7	104.2	– 279.9	– 268.6%
Other income	– 0.2	– 0.2	0.0	0.0%
Total income	**49.7**	**360.4**	**– 310.7**	**– 86.2%**
Administrative expenses (incl. depreciation)	139.1	103.1	36.0	34.9%
Restructuring expenses	1.5	1.7	-0.2	–11.8%
Total expenses	**140.6**	**104.8**	**35.8**	**34.2%**
Economic income	**– 90.9**	**255.6**	**– 346.5**	**–135.6%**

total liabilities, which represents a decrease of 9.0% on the previous year. Securitised liabilities valued at cost decreased from €32.3bn by around 8.0% to €29.7bn. The DekaBank Group's strong liquidity position further facilitated the approach of replacing only selected Deka issues upon maturity. Conversely, financial liabilities valued at fair value through profit or loss rose by around 98% to €17.8bn. This is essentially attributable to the expansion of business activities involving securities repurchase agreements.

On-balance sheet equity increased from €2.9bn to €3.3bn in the reporting year. These figures do not include silent capital contributions which, in accordance with IFRS, are not reported under equity but instead under subordinated capital or atypical silent capital contributions. However, silent capital contributions are included in the cover funds for our risk-bearing capacity. In analysing risk-bearing capacity, we differentiate between primary and secondary risk cover funds. The primary cover funds principally comprise equity as defined under IFRS and net income for the financial year. The secondary cover funds contain items of a hybrid capital nature. In addition to silent capital contributions, these include profit participation capital and subordinated liabilities, each with a residual maturity of at least one year.

Change in regulatory capital

The DekaBank Group's capital and reserves in accordance with the German Banking Act (KWG) have increased marginally compared with the previous year to stand at €3.7bn. The regulatory capital and reserves differ from equity according to IFRS and comprise core capital, supplementary capital and Tier III capital. Core capital also includes the silent capital contributions.

Capital adequacy has been determined in accordance with the new Solvency Regulation (SolvV) since 30 June 2007. In addition to default risks and market risk positions, amounts for operational risks set out in the Solvency Regulation and additional capital requirements based on the transition rule in Section 339 SolvV have been taken into account since June 2007 when calculating capital adequacy. Under the transition rule, the capital requirement specified in the Solvency Regulation equals 95% of the amount that would have to be maintained under Principle I *(Fig. 10)*.

Breakdown of equity[1] *(Fig. 10)*

€m	2007	2006	Change
Core capital	2,116	2,110	0.3%
Supplementary capital	1,653	1,625	1.7%
Tier III capital	0	0	0.0%
Capital and reserves	**3,733**	**3,699**	**0.9%**
Default risks[2]	22,613	26,176	–13.6%
Market risk positions[2]	5,738	6,413	–10.5%
Operational risks	2,250	–	–
Additional capital requirements based on transition rule (Section 339 SolvV)	5,000	–	–

%			Change % points
Core capital ratio	**8.5**	**8.1**	**0.4**
Total capital ratio	**10.5**	**11.4**	**–0.9**
Total capital ratio before application of transition rule	**12.2**	**–**	**–**

[1] Calculated in accordance with the German Banking Act (KWG) and the Solvency Regulation (SolvV)

[2] Risk-weighted assets

The reduction in the offset amount for default risks is mainly attributable to the application of the Solvency Regulation (SolvV), which results in a lower offset amount for credit risks due to the application of internal rating systems (IRB approach) and also in the application of the 0% weighting of the intra-Group exposure of the savings banks and *Landesbanken*.

The capital and reserves principle under banking supervisory law was complied with at all times throughout 2007, both at Bank and Group level. DekaBank's liquidity ratio, which has been calculated in accordance with the new Liquidity Regulation since 30 June 2007, was between 1.2 and 1.6 in the year under review, remaining above the minimum requirement of 1.0 at all times.

Employees

DekaBank completed the realignment of its business division and management structure in financial year 2007. We succeeded in setting up new teams rapidly under experienced management, for example for International Property Finance in the AMI business division and Public Infrastructure and ETF Market Making in the C&M business division. The targeted expansion of the management team confirms the attractiveness of DekaBank as a demanding employer for experts with international experience, who can help to shape the Bank's growth in positions of responsibility.

In the past financial year, our employees again showed great personal commitment by helping to improve DekaBank's proximity to its customers as well as its strength and innovation. We owe the success largely to their initiative and expertise at all levels and in all business divisions of the Bank. Our thanks go to all employees for their outstanding performance. Equally, we would like to thank the Staff Committee and the equal opportunity commissioner for their constructive cooperation based on mutual trust.

As at the 2007 year-end, DekaBank employed 3,553 staff, 100 more than at the end of the previous year (3,453). This number included 75 (previous year 82) trainees. 86.6% of the 3,343 staff employed on average (previous year: 87.0%) were in full-time posts. The average number of positions filled increased by 1.9% to 3,089. The average age of staff increased slightly to 38.8 years (previous year: 38.4 years).

Employee management principles

Employee management in the reporting year focused on the Group-wide objectives of First Choice Deka. The aim was to attract excellent staff on the basis of an innovative, valued-added approach and promote their long-term loyalty to the Bank. Other principles included profit and performance-related pay and offering employees a variety of development opportunities to suit their individual needs at different life stages. In September, DekaBank was awarded the Deutscher Personalwirtschafts-Preis 2007 (German Employee Management Award) for its life cycle-based staff policy. The award is one of the most important prizes for the human resources sector in Germany.

In 2007, employee management focused on modernising the remuneration and working time structures as well as employee and management development and health management.

Modernising the structure of working hours

DekaBank has concluded a new labour agreement with the employee representatives with the aim of modernising the structure of working hours. The agreement is based on staff taking more responsibility while offering greater flexibility. The core element of the new regulation is independence, with staff managing their own working hours and time off in lieu of overtime without supervision by the employer.

In addition, DekaBank offers working life accounts, for example for early retirement or sabbaticals. Special remuneration, time off in lieu as a result of overtime worked and holiday entitlements beyond the statutory minimum holiday may be saved in these working life accounts based on two Deka investment funds in different risk classes.

Transparent remuneration system

The success and performance-related remuneration at the DekaBank Group is based on a system of agreed targets and performance appraisals. In the year under review, a new total compensation approach was introduced, which incorporates indirect remuneration components such as the company retirement pension in addition to the direct components. An annual statement of the total compensation ensures transparency for all employees. The social security and fringe benefits have been modernised in this context, with some being reserved as a reward for individual performance. The new regulation on fringe benefits came into force at the beginning of financial year 2008.

Occupational health management

DekaBank has further developed its life cycle-based HR policy with the expansion of occupational health management. Demographic change and the increase in life hours of work necessitate a focus on maintaining and promoting the physical and mental fitness of all employees. The Deka Health Centre, which will open in spring 2008, will fulfil this purpose.

Performance-based management and cooperation

Management development has also intensified as part of First Choice Deka. To this end, we developed a management curriculum in financial year 2007, which was launched at the beginning of the new financial year. Depending on the experience of the relevant manager, different qualification modules are offered, some of which are compulsory for all managers as part of a uniform management culture.

An employee survey regarding progress on the implementation of First Choice Deka and leadership, in which more than 60% of the workforce participated, resulted in considerable improvement in the assessment of cooperation both within and between teams as well as in management quality. Market and customer focus, clear profit and performance orientation on the basis of transparent criteria and the quality of products and services all scored particularly well in the survey.

Professional training and studying while in employment

As an employer offering training, DekaBank once again fulfilled its duties comprehensively in financial year 2007. In order to retain high-potential investment fund sales staff after their training, DekaBank offers Bachelor degrees for which employees can study alongside their job. In addition, the Bank now also supports employees who develop their career by studying for an MBA in investment (*Investmentfachwirt*) at the Frankfurt School of Finance & Management. DekaBank played a crucial role in the development and implementation of this course. In the pilot year, nine former trainees of DekaBank took up this development opportunity. In addition to investment fund sales staff, DekaBank also provides the opportunity of studying for Bachelor of Science degrees (in applied information technology) and trains IT specialists in application development as well as promoting qualifications in office communications for sales staff.

Post balance sheet events

No major developments or events of particular significance occurred after the 2007 balance sheet date.

Forecast report

Overall bank strategy

Financial year 2008 will be marked by the further development of First Choice Deka. Building on our business division-based structure, we are launching a process that will put in place some of the essential conditions for our future success as the central asset manager of the *Sparkassen-Finanzgruppe*. The aim is to identify with being a dynamic and closely integrated joint organisation. The motto of the in-house initiative which has been launched to achieve this is “One Deka”.

In financial year 2007, we gained the trust of the savings banks in the quality of our products. Combined with our sales excellence, this forms a sound basis for developing our common organisation. We need to justify the trust placed in us with an even more efficient structure, encompassing the entire value-creation chain. We intend to develop earnings potential together with the savings banks and *Landesbanken* and expand our joint market position.

Forward-looking statements

We plan our future business development on the basis of assumptions that seem the most probable from today’s standpoint. However, our plans and statements about future growth are fraught with uncertainties. The actual trends in the international capital, money and property markets, or in DekaBank’s business divisions, may diverge markedly from our assumptions. For the sake of providing a balanced presentation of the major opportunities and risks, these are shown broken down according to business division. In addition, the risk report included in the Group management report contains a summarised presentation of the risk position of the DekaBank Group.

Anticipated external conditions

Macro-economic trends

The economies of the USA and Euroland, the major Western economic areas, came under substantial pressure towards the end of last year and into 2008. The crisis of confidence in the credit markets persists and may restrict corporate investments and private consumption. The slowdown in the global economy, which already began to manifest itself in 2007, may be compounded by the financial crisis.

However, in recent years, the global economy has liberated itself of a number of existing difficulties. Companies will present healthy balance sheets and, outside the financial sector, are likely to further increase their profits. Private households will continue to have good access to the employment markets. We still assess the real economic growth potential as high, which is also reflected by growth in the emerging markets, which have been largely unaffected by the financial crisis. Far from susceptible, the global economy proved itself better equipped than ever to absorb the financial market shock. As the pressure emanating from the crisis of confidence eases, growth drivers will also regain strength in the second half of the year.

From the German viewpoint, the strength of the euro can be controlled. According to our estimates, for the first time in four years, net exports will no longer contribute significantly to growth in 2008. Nevertheless, exports will rise in 2008, thanks to continued dynamic global trade and the fact that more than two fifths of our exports will take place within the eurozone where exchange rate fluctuations impact indirectly if at all. Without this year's revaluation of the euro, economic growth in Germany would be even higher.

Conversely, inflation is associated with material risk to the German economy. According to the "script" of this upturn, consumers should be carrying the baton this year, once salary increases, new jobs and a reduction in the unemployment rate have prepared the ground for this development. Yet, consumer confidence has recently been deteriorating rapidly. The debate about inflation this year has been particularly detrimental. According to our analysis, the perceived inflation has severely affected the propensity to spend in the short term. Once prices start falling, especially in the crude oil market, we expect an easing of the situation. Overall, private consumption is likely to support the upturn, despite the negative impact of growth of around 1.5% in 2007. We expect the dip in the economy to last until the summer, but see no signs of a recession.

The central banks have weighted inflationary and economic risks differently. Following the extraordinarily marked interest rate cuts by 125 basis points in the USA in January 2008, we expect further minor interest rate measures up until the spring, aimed at preventing a downswing. However, we anticipate that the ECB will cut the key lending rate by 50 basis points, while closely monitoring the trend in GDP, exchange rates and unit labour costs.

Trends in capital markets

The first few months of 2008 will continue to be marked by overcoming the crisis in the financial markets and observing any economic backlashes. In addition, banks will need to find enough investors to finance structured credit commitments. This will be essential if further losses in the value of these positions are to be prevented and distrust within the financial sector mitigated. The default rates in various credit segments will have a decisive impact on the willingness of investors to take on credit product exposures. Economic growth in real terms is an important yardstick in this respect, since the loan defaults currently priced in by the financial markets are far too high for normal economic conditions. If real economic growth remains stable, credit risks will start being assessed more realistically again sooner or later. However, if the risk of a major recession materialises, this will have additional repercussions on the credit markets beyond the subprime mortgage segment as a result of a rise in default rates which would then be expected. The scenario we consider likely for 2008 of low but nevertheless positive growth rates provides sufficiently favourable economic conditions for normalisation in the financial markets.

With regard to the bond markets, we therefore expect yields to increase again in 2008 following an initial period of further decreases in yields over the coming weeks. By the year-end, we expect 10-year Federal bonds to yield 4.0%. This means that the aberrant movements in the yield curve (high three-month rates, low yields in the two-year maturity segment) will diminish during the first half of the year.

Despite strong price fluctuations, the equity markets proved to be very robust in 2007. In our view, the temporary economic slowdown will not produce a downturn in profits outside the financial sector. Accordingly, low company valuations, cuts in the key lending rate in the USA and ongoing dynamic growth in the global economy will continue to sustain the equity markets. They have been among the few markets whose expansive monetary policy in recent years has not resulted in an overvaluation. This is now benefiting these markets. The fair value of the German market will be 8,000 points for the coming year.

Trends in property markets

We anticipate that the international commercial property markets relevant to our activities will primarily see vacancy rates decreasing or remaining at a stable level. Given the scarce supply of debt capital, new construction activity will be moderate and top rents will increase further. With the return on property gradually rising again, the property funds should increasingly be able to make acquisitions at prices that are justified in relation to performance. This applies in the international arena as well as in Germany where, in our assessment, the market is only at the beginning of a phase of improvement.

The upswing in the German office markets will continue in 2008. We expect vacancy rates to decrease everywhere, with the lowest figures evident in the Southern German markets of Munich and Stuttgart. The increasing volume of new builds will have no major impact, as these are already largely let in advance. Frankfurt and Munich will record the highest growth in rentals, followed by Hamburg and Düsseldorf. However, potential will remain limited in Berlin. In the retail segment, expansion will increasingly focus on medium-sized cities with up to 75,000 inhabitants where inner city areas will be enhanced by new shopping centres. Centres in districts of major cities and specialist retail centres, in particular, are considered to be profitable properties on the strength of their good risk/reward profile. In the A1 locations, we anticipate stability in rents.

In Europe, growth in rentals will slow down in some markets, especially in the City of London and Madrid. There is a risk of oversupply in these cities in the medium term, which will result in a rise in vacancies with a dampening effect on rents, although to a limited extent. In view of the strong economy of Northern Europe, we expect the highest growth rates in top rents in Stockholm and Helsinki. Investors prepared to take risks, such as private equity funds, are increasingly being held back by the rise in financing costs, which is resulting in adjustments to purchase prices, some of which are currently overheated. At the same time, institutional investors with a long-term strategy and active asset management are stepping up their activities. Demand remains high for the classic Western European countries, while the market share of the emerging markets in the East is increasing steadily.

Given that the number of office workers will decrease in the USA in the first half of 2008 and the volume of new construction projects is rising again overall, we expect vacancy rates to increase and rental growth to slow down. However, overall, the US office market is healthy and offers sustained growth potential. This applies primarily to the 24-hour cities on the East and West Coast, including New York, Washington D.C. and San Francisco as well as the up-and-coming locations in the North West, Texas and the South East of the USA. Higher risk premiums and more restrictive financing terms will result in rising yields.

The effects of the subprime crisis on the Asian markets should be limited. Strong market fundamentals and the generally limited supply in many markets mean that sustained growth in rentals is expected. Vacancy rates will remain very low in Tokyo, Hong Kong, Singapore, Shanghai and Seoul.

Regulatory conditions

The introduction of the final withholding tax on 1 January 2009 will be relevant to DekaBank. This will introduce a uniform tax rate of 25% in future on all ordinary and extraordinary investment income above a relatively low saver’s allowance. Interest and dividends as well as capital gains on the sale of securities and income on certificates and futures contracts are all subject to final withholding tax. The trading period no longer applies.

We expect the new tax to result in changes in investment strategies as early as 2008. Investors have an incentive to create existing portfolios that are permanently exempt from final withholding tax in good time before the new regulation comes into force, in order to be able to achieve tax free price gains in the long term. With regard to portfolio optimisation, investment funds in general and funds of funds in particular are expected to play an important role, since future regrouping will not be subject to final withholding tax. DekaBank has adjusted its range of products in line with the future final withholding tax in good time.

In relation to property funds, income on property abroad will also be tax free in future and can additionally be generated without being subject to the "exemption with progression" rule. Moreover, the new Investment Act will facilitate investments in the emerging markets to an even greater extent from the new financial year onwards. As a result, property funds will participate in the growth potential of these regions.

Expected business development and profit performance

In view of the expected market conditions, DekaBank aims to achieve a further increase in net sales and in assets under management. Alliance business is also set to rise.

At cross-divisional level, DekaBank will significantly expand its direct sales capabilities and integrate these even more closely with production. DekaBank makes fully integrated, tailored solutions available to its sales partners, the savings banks and *Landesbanken*. This enables the partners to focus on their core competences in customer support. Private customers and institutional clients are offered product solutions that take account of the different requirements in terms of return and safety and which are suitable for every investor type and market phase. The additional opportunities arising from the introduction of the final withholding tax will also be exploited. The aim is to advise customers on tax-optimised investments, using long-term fund constellations to increase assets under management which relate to high-earning products.

From 2008 onwards, a total of 40 customer advisers will be the central contacts for institutional clients on the sales team. In cooperation with product specialists, they will offer comprehensive support on strategic matters, fund allocation as well as custody and credit portfolio analysis. Offering customised products for liquidity and investment management, DekaBank is the partner of the savings banks for investment and institutional capital investment business.

The planned opening of a representative office in New York and a subsidiary in Tokyo in 2008 will enhance market proximity and strength of the sales team.

The "One Deka" concept is intended to facilitate substantial income growth in all business divisions. At Group level, our objective is to achieve a higher economic income in 2008 than in the previous year. Another rise in income is planned for 2009.

Based on the scheduled growth in total income, we assume that the increase in expenses will be below average in the next two financial years. Over time, the intention is to approach a target cost/income ratio of around 50%. Steady utilisation of the risk-bearing capacity is expected to be possible by expanding our business model to consistently take advantage of opportunities – with a sufficient risk buffer at all times. The planned positive profit trend coupled with a controlled risk situation is also the prerequisite for further enhancing the already excellent ratings of DekaBank.

AMK business division

The net sales target for 2008 of DekaBank's major business division in terms of volume and income exceeds the high level of 2007. The business division also aims to achieve a moderate increase in assets under management. The structure of assets under management is to shift increasingly towards more profitable products. With its competitive range of funds, AMK is very well positioned to face the imminent market phase with its changes in tax conditions. In this context, sales will centre on funds of funds such as the Deka-ZielGarant-Fonds alongside the traditional equity funds and capital protected funds (guaranteed funds). Money market funds will also remain a mainstay of sales, as investors display high demand for security. In addition, the high level of acceptance of the Deka-BonusRente offers good opportunities for a sustained expansion of our market position in the segment of private retirement pensions.

Our market presence is supported by the award of the Goldener Bulle (Golden Bull), which Deka Investment received in January 2008 from business magazines Euro and Euro am Sonntag. With a total of 17 accolades, Deka's won more individual awards than in the previous year, making the Bank the "achiever of the year".

We also assess the sales trend in fund-linked asset management as positive. In this segment, DekaBank's products *Sparkassen-DynamikDepot* and *Schweiz PrivatPortfolio* have an outstanding market position. Product variants that complement these will be used to expand the good market position. The new fee structure in fund-linked asset management, which reflects the high quality of our consultancy services, should give added impetus to sales.

In 2008 and beyond, key growth drivers will again be product innovations that respond to current customer-related trends, such as above-average growth in specific regions or sectors. The excellent performance of Deka-Global-Resources, which specialises in commodity shares and Deka-UmweltInvest with its focus on climate and environmental protection as well as alternative energy sources in 2007 highlight the potential of this approach. The expansion of the offering to include new asset classes in cooperation with the AMI and C&M business divisions will continue.

AMK aims to achieve a further improvement in average performance across its full range of products. The proportion of the funds which outperform their relevant benchmarks is set to increase noticeably. In connection with this, we intend to achieve even better scores in the fund ratings.

Based on the optimised asset structure, planned growth in assets under management and expanded sales to institutional investors, AMK aims to achieve a considerable increase in net commission income in 2008. Taking into account the higher expenses associated with the implementation of the MiFID, stronger sales support and the establishment and expansion of international locations, the business division is set to make a greater contribution to the Group's economic income.

While particular opportunities are offered by the early identification and implementation of global growth trends and stronger sales activities offer, risks may arise especially as a result of unfavourable capital market developments. These could manifest themselves in a decrease in prices and yields or cash outflows from equity funds in the sector as a whole.

AMI business division

Following a phase of targeted restraint in sales at the start of financial year 2008, DekaBank has returned to performance and quality-related growth in its property-based asset management. Quotas have been specified in relation to the liquidity situation for all five public funds, on the basis of which a positive net sales performance and some growth in assets under management are expected. The business division intends to achieve additional cash inflows through product innovations. The funds of funds activities will initially be pursued with a variant in the institutional segment. Another objective is to increase the sales performance and fund assets relating to special funds and individual property funds.

Performance-related active portfolio management will continue to be applied consistently. Given the market conditions, the acquisition of property will play a greater role than in 2007. There are a number of pre-negotiated transactions in the pipeline. The shift in the investment focus from office property to shopping centres and logistics properties will continue and the same applies to regional expansion. We are currently checking the prospects relating to market entry in Russia and China, for example.

We intend to achieve a further improvement on the funds performance of 2007, with an additional (marked) increase in transaction and letting volumes.

A considerable share of the sales performance will be attributable to product innovations. In addition to a fund of funds which invests in leading real estate private equity funds, we are planning, in particular, the launch of a WestInvest product family for institutional investors in 2008. Each of the funds will pursue a single-sector strategy (hotels, logistics and retail) with a focus on Europe.

Property finance is also set to be expanded further. By stepping up direct sales activities, we will create a broader basis for credit-related investment products. At the same time, we will pursue our buy-and-manage approach.

The higher transaction volume in both sub-divisions will be reflected in higher net commission income. Net interest income will also see a further increase. Accordingly, the business division's contribution to the economic income of the DekaBank Group should be higher than in the previous year.

The introduction of the final withholding tax is associated with opportunities for the AMI business division. A substantial proportion of financial resources parked in money market funds in the short-term will be channelled into long-term high-yield property funds, which provide a better return for our customers, the savings banks and *Landesbanken*, as well as for us. We have recorded considerable uncovered demand in respect of both open-ended property funds and products for institutional investors. Relevant risks consist in the potential deterioration of these favourable market conditions, but this is not currently foreseeable.

C&M business division

The C&M business division is further expanding the scope of its structuring and placement activities as well as enhancing its role as a market maker and investor in structured credit products, fund derivatives and ETFs. C&M provides access to the primary and secondary markets, creating the basis for targeted expansion of DekaBank's Asset Management offering.

To this end, the lending business in the Credits sub-division will focus more on the asset classes that can be used by AMK and AMI than has been the case to date.

Assuming that market stability will return, the Liquid Credits sub-division plans to expand its portfolio by making use of opportunities that arise.

The Markets sub-division will focus on expanding securities finance business, widening the scope of its product spectrum in ETF market making and developing the derivatives platform with the aim of enhancing the product range by including innovative equity and interest rate derivatives. In this context, the valuation methods applied will also be significantly advanced. Business development and profit performance in this sub-division are affected by the general conditions in the capital markets.

The implementation of key components of the new C&M business model is expected to result in rising profit contributions as early as financial year 2008. At the same time, investments will be increased, in order to complete development of the business division by 2010.

Opportunities arise, in particular, from the close integration of C&M and Asset Management. Moreover, C&M has used the market dislocations for targeted investments in the capital and credit markets. We are expanding our exposure to first-rate counterparties on a targeted basis to secure the currently realisable credit spreads in the long term. Risks arise from the potential continuation or deterioration of the financial crisis. We are using experience gained from the dislocations in the capital markets to continually develop our early warning and risk management systems.

Risk report

Risk-oriented overall bank management

Risk policy and strategy

Every banking transaction is characterised by the fact that risks are incurred in order to generate earnings. The extent to which this takes place depends just as much on the respective business strategy as on the available risk capital and regulatory requirements. DekaBank does not therefore view risks in isolation but as an integral part of overall bank management. The overarching aim is to guarantee an appropriate risk/reward ratio for DekaBank and its shareholders and thereby to generate an attractive return on equity.

DekaBank's Board of Management is geared towards these aims when determining the strategic focus of the Group including the associated risk strategies. These are reviewed and updated at least once a year and discussed with the Administrative Board. In addition, the Administrative Board has established an Audit Committee, which regularly obtains a comprehensive overview of the risk management systems in the DekaBank Group and receives reports of the audit findings from Internal Audit.

DekaBank functions as the central asset manager of the *Sparkassen-Finanzgruppe* and its business model takes account of this special position. The focus is on capital market-related management of public securities funds, special funds and funds of funds as well as property funds. The Bank is also active in the lending and trading business. In principle, DekaBank does not take any unforeseeable risks, even when related to extraordinary earnings opportunities. DekaBank has set limits for all quantifiable risks and implemented a consistent risk management system.

An effective risk management and control system is the basis for the professional management and ongoing monitoring of all material risks. With the aid of this system, risks are identified at an early stage, evaluated under varying scenarios and managed in line with the risk-bearing capacity of the Group. We are therefore in a position to swiftly take appropriate measures to counter risks in the event of any unwanted developments. The continually revised and updated system also forms the basis for objective and comprehensive risk reporting and all the information required for risk management is provided to the competent departments in a timely manner.

Organisation of risk management and control

Risk management

DekaBank perceives risk management as the active management of the Bank’s risk positions *(Fig. 11)*.

The Board of Management of DekaBank plays a central role here: the Board is responsible for setting up, further developing and monitoring the efficiency of the risk management system. The Board of Management approves the permissible overall risk at Group level and stipulates what proportion of the reserved risk capital should be attributed to the respective risk types on the one hand and the business units on the other hand (top down view). In addition, the business divisions determine their budgeted capital requirement (bottom up view). Combining the two viewpoints ensures the most efficient allocation of the risk capital to the operating units on an annual basis.

In accordance with the limits prescribed by the Board of Management, the Asset Liability Management Committee (ALMC) specifies the framework for the management of strategic market price risk positions. The ALMC includes managers from the Markets unit in the C&M business division and the Corporate Centre Risk & Finance as well as the reponsible members of the Board of Management. The Committee also includes a representative from the Macro Research unit of the Asset Management Capital Markets (AMK) business division. The C&M business division then implements the strategic guidelines independently. The Group-wide management of credit risks is carried out by the C&M business division and for property funds by the AMI business division. The Corporate Centre Credit Risk Office assumes the role of administration office for early risk identification. This office is also responsible for the market-independent second recommendation, the approval of credit rating analyses and ratings, checking the collateral and monitoring the transaction management of non-performing and troubled loans. The respective managers in the Group units are responsible for the operational risks in their units. Details of risk management are given under the different risk types.

Risk Control

In organisational terms, Risk Control is part of the Corporate Centre Risk & Finance. This unit is independent of the business divisions and is tasked in particular with developing a standard and self-contained system that quantifies and monitors all risks associated with the Group’s business activities. The risk measurement procedure is continually updated in line with business and regulatory requirements. Risk Control also monitors compliance with the limits approved by the authorised persons. Limit overruns are notified immediately to the Board of Management.

Not all risks can be quantified but they are equally important. DekaBank therefore also carries out qualitative controls, which include so-called soft risks such as reputation risks.

Risk reporting

Each quarter, the Board of Management and Administrative Board receive a risk report in accordance with the MaRisk prepared by the Risk Control unit. The risk report provides a comprehensive overview of the main risk types as well as the risk-bearing capacity. In addition, the Board of Management and the main decision-makers receive report extracts with key information on the current risk situation on a daily or at least monthly basis.

Internal Audit

As a unit independent of other processes, Internal Audit supports the Board of Management and other levels of management in their management and supervisory function. It examines and assesses all activities and processes on the basis of an annual audit plan, which has been drawn up in a risk-oriented manner using a scoring model and approved by the Board of Management.

The unit’s most important tasks include evaluating the business organisation with a focus on whether the internal control system, and especially the risk management and monitoring system, is appropriate. Internal Audit also reviews compliance with legal, regulatory and internal banking regulations.

Overall risk position of DekaBank

Risk types and definitions

DekaBank classifies risks in line with the German Accounting Standard DRS 5-10 and therefore presents its risk position with a breakdown into market price risk, credit

Organisational structure of DekaBank's risk management *(Fig. 11)*

		Market risk	Liquidity risk	Credit risk	Operational risks	Property risk	Shareholding risk	Other risks[1]
Administrative Board (or Audit Committee)	- Overview of current risk situation/risk management system - Discussion of strategic direction with Board of Management	●	●	●	●	●	●	●
Board of Management	- Determines strategic direction system - Responsible for Group-wide risk management - Sets return on equity target and allocation of risk capital to risk types - Sets overall limit and approves limits within risk types	●	●	●	●	●	●	●
Risk Control (Corporate Centre Risk & Finance)	- Development/update of system to quantify and monitor risks - Reports to Board of Management and Administrative Board - Determines/monitors risk-bearing capacity - Monitors approved limits	●	●	●	●	●	●	●
ALMC Asset Liability Management Committee[2]	- Specifies framework for management of strategic market price risks - Defines individual limits and measures	●	●					
AMI business division	- Conducts transactions in line with strategic guidelines			●		●		●
AMK business division	- Conducts transactions in line with strategic guidelines			●				●
C&M business division	- Conducts transactions in line with strategic guidelines	●	●	●				
	- Decisions within the framework determined by ALMC	●	●					
	- Manages Group-wide credit risk			●				
Credit Risk Office (Corporate Centre)	- Administration office for early risk identification - Market independent second recommendation - Transfers/approves ratings - Checks certain collateral - Monitors transaction management for troubled loans			●				
Internal Audit (Corporate Centre)	- Audits and evaluates all activities/processes (especially risk management system)	●	●	●	●	●	●	●
Equity Investments (Corporate Centre Strategy & Communication)	- Manages equity investment portfolio						●	
DekaBank Group	- Identifies, measures and manages operational risks on a decentralised basis				●			

[1] Especially business and property fund risks

[2] ALMC – Asset Liability Management Committee (composition: head of Markets, head of Corporate Centre Risk & Finance, responsible member of Board of Management and Macro Research (AMK))

risk, liquidity risk and operational risk. In addition, there are further specific risks, which are taken into account when determining Group risk: business risk, shareholding risk and property/property fund risk.

Market price risk

Market price risk describes the potential financial loss on positions in the Bank's own portfolio caused by future market price fluctuations. DekaBank enters into such positions in the C&M business division in order to manage balance sheet and off balance sheet risks and ensure the Bank's liquidity at all times. In addition, the Bank intends to benefit from short-term fluctuations in market prices. Overall, this should generate a steady contribution to the Bank's overall profit.

Both the strategic positions in the banking book and the more short-term positions in the trading book entail market price risks. As DekaBank transactions primarily relate to interest-related products and equities, a large portion of the market price risks are attributable to interest-rate risks and share price risks. In addition, the Bank incurs credit spread risks and option risks, as well as, to a very small extent, currency risks.

Credit risk

Credit risk is understood as the risk that a borrower or counterparty may be unable to fulfil his contractually agreed services or to fulfil them on time.

In principle, with regard to credit risk DekaBank distinguishes between position risk and advance performance risk. The position risk comprises the borrower and issuer risk, which is determined particularly by the creditworthiness of the respective contracting partner as well as replacement risk and open positions. The advance performance risk represents the danger that a business partner does not pay the contractually agreed consideration after advance performance by DekaBank.

Credit risks arise primarily in the C&M, AMI and AMK business divisions. In the C&M division, DekaBank is active in the Credits sub-division, including through acquisition and project finance, grants loans to finance transport, especially aircraft and ships, and provides financing for exports and trades. This sub-division also carries out financing for the government and savings banks in Germany. The Bank is also expanding its Public Infrastructure segment for the financing of infrastructure measures, especially abroad. In the Markets sub-division, credit facilities are granted primarily to business partners in the financial sector for trading purposes. In the Liquid Credits sub-division, credit risks arise primarily from investments in structured capital market credit products, bonds and credit derivatives. Further credit risks results from German and international property finance in the AMI business division as well as the guarantee fund in the AMK business division.

Operational risk

Operational risk describes possible losses resulting from the use of internal processes and systems that are inappropriate or susceptible to failure as well as human error and external events. Where losses occur due to an error by the Bank, other risks frequently arise whose damage potential also has to be taken into account. Examples of such secondary risks include reputation and legal risks.

Liquidity risk

Liquidity risk is understood as the risk of insolvency as well as the risk resulting from a mismatching of maturities in assets and liabilities. In principle, the Bank distinguishes between insolvency risk and liquidity maturity transformation risk.

The insolvency risk represents the risk that DekaBank is unable to fulfil its current or future payment obligations on time for a period of one year. This is the case when the Bank's liabilities exceed the available liquid funds at the time in question.

The liquidity transformation risk describes the risk that arises from a change in DekaBank's own refinancing curve in the event of mismatches in the liquidity-related maturity structure. At DekaBank, this risk is monitored using funding ratios. These are primarily used for liquidity and refinancing forecasts.

Shareholding and property risk

DekaBank understands shareholding risk as the risk of a potential financial loss from impairment of the portfolio of equity investments where these are not consolidated in the balance sheet and therefore already included under other types of risk. The property risk describes the risk of a fall in value of property held in the DekaBank Group's own portfolio.

Property fund risk

As part of the necessary stabilisation measures between 2004 and 2006, DekaBank took units in Deka-Immobilien-Fonds into its own investment portfolio. The property fund risk results from the risk of an impairment in the value of these fund units. To a lesser extent, the property fund risk is attributable to units held by the Bank primarily in third party property funds as start-up financing for a property fund of funds.

Business risk

Business risk is particularly important in Asset Management. It comprises potential financial losses resulting from changes in customer behaviour or economic framework conditions as well as due to technology advances. Material for DekaBank are all factors which adversely impact the earnings trend as a result of volume and margin changes and are not attributable to any of the above risks.

Risk measurement concepts

Risk-bearing capacity

DekaBank determines the Group risk across all significant risk types that impact on income and also includes those risks not taken into consideration for regulatory purposes, for example business risk. Group risk is measured as the amount of capital that with a high level of probability will suffice to cover all unexpected losses from the main high risk positions within a year at any time.

DekaBank uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and aggregate them as an indicator for Group risk.

When calculating the VaR with a holding period of one year, DekaBank adopts a prudent and conservative approach. In the risk-bearing capacity analysis, risk is determined for various confidence levels, particularly 99.9% and 99.97%. The probability of default of a maximum of three basis points ensures that even highly unlikely losses in the Bank's portfolio can be absorbed and is based on the Bank's target rating. In addition, the diversification effects across the individual risk types are disregarded when aggregating the individual risks as these would otherwise reduce the reported Group risk. The conservative approach is in line with DekaBank's risk-aware business policy.

Group risk is matched by the risk cover potential. If this is consistently higher than the Group risk, that is the utilisation level stands at less than 100%, the overall risk-bearing capacity of DekaBank is guaranteed at all times. The risk-bearing capacity analysis is carried out monthly and the results reported to the Board of Management. The Administrative Board is informed on a quarterly basis.

To assess the risk-bearing capacity on a differentiated basis, DekaBank distinguishes between primary and secondary risk cover potential in line with the legal position of the investor. The primary cover potential essentially comprises the equity in accordance with IFRS and the net income contribution for the year – that is the forecast profit reduced by a safety margin. The secondary cover potential includes hybrid capital type positions; these include profit participation capital and subordinated liabilities – each with a remaining maturity of at least one year – as well as typical silent capital contributions.

Stress tests

Regular stress tests are also carried out for all key market parameters in order to assess the impact of extreme market developments. The reason for this is that a value-at-risk model shows the potential loss under largely normal market conditions. In addition, stress tests relate to events that cannot be derived directly from statistical data. These tests analyse interest rate risk positions in particular and, since 2007, credit risk positions.

Overall risk position in financial year 2007

As at the 2007 year-end, Group risk amounted to €2,392m (value-at-risk with confidence level 99.9%), slightly up year-on-year (previous year: €2,322m); *(Fig. 12)*.

Group risk was countered as at the year-end by an overall risk-bearing capacity of €5,683m, which is €412m higher than the previous year's figure (€5,271m).

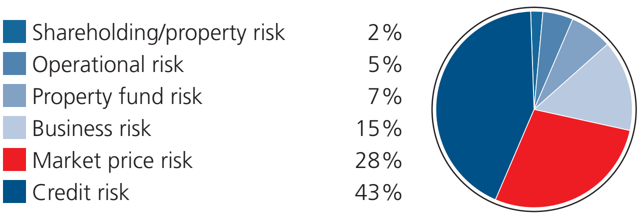
Consequently, the utilisation ratio for the overall risk-bearing capacity stood at 42.1% (previous year: 44.1%). Utilisation of the primary cover potential, reported at €3,819m (previous year: €3,397m), amounted to 62.6% (previous year: 68.4%). With a confidence level of 99.97%, the risk-bearing capacity was also guaranteed at all times.

There were significant differences compared to the previous year in the assessment of the individual risks included in the risk-bearing capacity analysis. The credit risk fell year-on-year by 11.4% from €1,168m to €1,035m. This was especially due to the slowdown in the process of concentration in the banking sector. Nevertheless, with a share of 43.3% (previous year: 50.3%) in Group risk, credit risk continues to represent the biggest individual risk at DekaBank *(Fig 13)*.

The clear rise in market price risk from €318m to the present level of €662m is primarily due to methodical further consideration of the spread risk, especially given the market situation, which results essentially from DekaBank's portfolio of credit capital market products. In contrast, looking at classic market price risks in isolation, the value-at-risk fell by 18.5%. This is largely due to the lower correlation between shares and interest rates. By comparison, the shareholding and property risk has fallen again considerably from the previous year (€247m) to €59m. The main reason is the disposal of the Trianon complex in 2007. Consequently the DekaBank Group now has very few properties in its portfolio and the book value is low. The impairment risk is correspondingly low. The property fund risk is unchanged on the previous year and amounted to €168m.

At €358m, the business risk was higher than in the previous year (€324m). The operational risk increased from €97m in the previous year to €110m for the current year.

Group risk by risk type *(Fig. 13)*

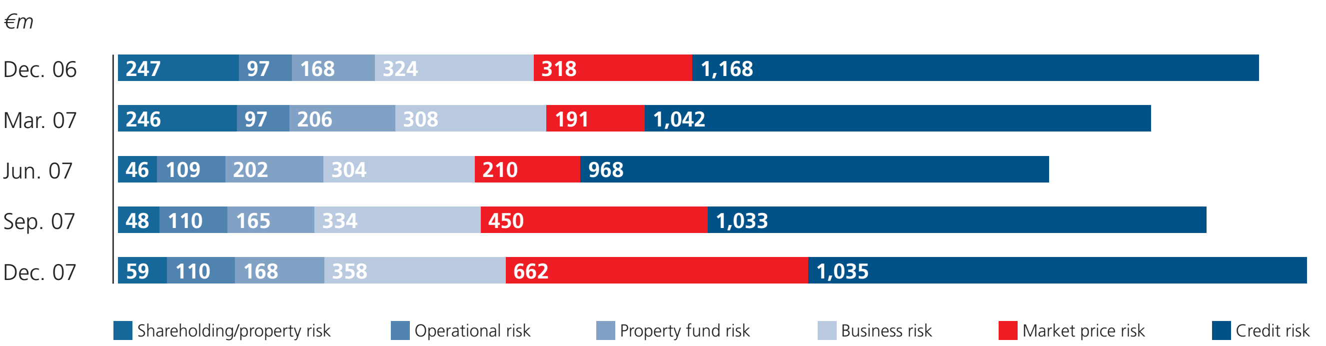


Market price risks

Risk management and monitoring

DekaBank's market risk strategy stipulates the parameters for the Bank's trading and all other transactions associated with market price risk. It specifies the policy for the

Change in Group risk over the course of the year *(Fig. 12)*



markets in which we operate, regulates responsibilities and the nature and extent of the transactions carried out and also provides regulations for risk management, control and reporting.

The market risk strategy is viewed holistically in conjunction with the liquidity risk strategy. However, the individual risk components are reported and managed separately. The trading strategy forms an integral part of the market and liquidity risk strategy.

In principle, the ALMC responsible for the strategic management of market price risk positions meets twice a month. The committee discusses changes to the limits for the trading portfolio as well as the strategic position and presents these to the full Board of Management for decision-making purposes. Risk monitoring and reporting is carried out by Risk Control in the Corporate Centre Risk & Finance. This unit is responsible for developing the methodology, quality assurance and monitoring the processes to quantify market price risks. In the event of limit overruns, Risk Control informs the Board of Management immediately.

To measure and monitor risk positions, all individual positions of the DekaBank Group as at the valuation date are taken into account. The measurement, monitoring and reporting of risk ratios are based on a uniform portfolio hierarchy throughout the Group. This distinguishes in particular between the banking book and trading book. Each transaction is immediately allocated to a portfolio after conclusion of the transaction.

To minimise risks, DekaBank primarily uses established products and markets which have sufficient market liquidity and depth as a result of their international acceptance. Option positions are only entered into to a controlled extent. No positions are held in precious metals or commodities.

Risk positions are limited at portfolio level using risk ratios derived from the scenario analyses and the VaR process described below. In addition to these risk limits, to effectively limit losses, stop loss limits are defined for trading books in particular. The basis for calculating the utilisation of the stop loss limits is the accumulated net income for the year determined by the Accounts unit in the Corporate Centre Risk & Finance. If the loss exceeds the stop loss limit, the open positions in the corresponding portfolio are to be closed out until a higher limit is approved.

Quantification of market price risks

In line with the extent of the interest rate and equity positions, DekaBank gives particular priority to the monitoring of related market risks. The systems to measure and monitor the risks are continually refined and further developed. We determine the risk ratios on a daily basis with the aid of scenario analysis in accordance with the VaR method.

Scenario analyses

In our scenario analysis, we distinguish between standard and stress scenarios. The latter are used to assess the impact of extreme market developments.

Standard scenarios

Standard scenarios are defined according to the different risk factors for changes in interest rates, credit spreads, exchange rates and share prices. They are used to operationally manage linear risks arising from trading and Treasury positions.

The standard scenario to determine general interest rate risk is a hypothetical parallel shift in the current currency and segment-specific yield curves of 100 basis points up and down. In detail, we compare the present values of all individual values per currency calculated using the current and shifted yield curve. The interest rate risk corresponds to the negative change in value caused by a general rise or cut in interest rates.

In addition, we look at the specific interest rate risk arising from capital market products and credit derivatives. The specific risk from these products results from the variability of the product-specific or counterparty-specific spreads. To quantify this spread risk, the counterparty-specific spread curves are shifted in line with the portfolio-specific degree of diversification. The specific interest rate risk across all individual transactions is derived from the difference using the present values determined on the basis of the current and shifted spread curve.

The currency risk is determined by the shift of a particular exchange rate by 5% against the euro. For each individual portfolio it is assumed that the exchange rate will move against the position.

When calculating the equity risk, DekaBank takes account of the varying degree of diversification in the portfolio. For portfolios with low diversification, a price change of 20% is set against the net position, while the hypothetical price change for diversified portfolios such as the Treasury portfolio is 10%.

Stress scenarios

In order to be able to estimate the risk of extreme movements in the market or crisis scenarios, in addition to the standard scenarios to analyse interest rate risk positions, we regularly carry out currency-specific and segment-specific stress tests based on historic movements in interest rates. As well as the classic parallel shift, the analysis includes other scenarios such as twisting, tipping or a bend in the yield curve. Together with the Macro Research unit, Risk Control also analyses the actual impact on earnings based on the Bank's current interest rate expectations.

Value-at-risk

While the VaR in the risk-bearing capacity analysis is calculated with a confidence level of 99.9% or 99.97% and a holding period of one year, to determine utilisation of the operating limits, the VaR is set at a holding period of ten days (for trading one day) and a confidence level of 95.0%. The VaR therefore corresponds with a probability of 95.0% to the maximum loss on a position held over a period of one or ten trading days.

The value-at-risk ratio for general market price risk is calculated for the whole Group using the variance/covariance method.

The ratios are calculated daily for all risk categories and all portfolios and compared to the associated portfolio-related limits. The calculation is based on volatilities and correlations determined using historic market price changes and taking account of market correlations within the risk categories interest rates, currencies and equities as well as correlations between the risk categories.

Backtesting of VaR ratios

We regularly carry out backtesting to test the validity of our VaR forecast. To do this, the daily results theoretically achieved assuming unchanged positions on the basis of the market developments observed on the following day are compared to the forecast value-at-risk values for the previous day. We use the backtesting results to further develop the risk model. The results are reported quarterly to AMLC by Risk Controlling.

Value-at-risk of the DekaBank Group[1] *(Fig. 14)*

€m	Holding period in days	Year-end 2007	Average 2007	Min/max 2007	Year-end 2006	Average 2006	Min/max 2006
Interest rate risk							
Trading	1	1.57	1.32	0.50/2.53	0.88	1.74	0.79/3.19
Treasury	10	22.58	15.05	8.26/25.05	8.94	20.34	8.94/35.55
Group	10	24.52	17.06	9.54/26.63	10.23	23.16	9.16/40.57
Share price risk							
Trading	1	0.40	0.93	0.29/2.82	0.65	1.41	0.65/2.24
Treasury	10	7.90	10.39	5.58/21.78	20.71	14.66	8.57/21.93
Group	10	8.60	11.50	5.92/23.25	22.11	17.86	10.44/26.00
Currency risk							
Trading	1	0.05	0.10	0.02/0.28	0.06	0.16	0.04/0.39
Treasury	10	0.79	0.63	0.18/1.54	0.63	0.99	0.37/1.68
Group	10	0.48	0.79	0.27/1.88	0.51	1.07	0.31/2.29

[1] All VaRs were calculated on the basis of parameters used for internal risk calculation.

Spread risks

In addition to the general market price risk, we determine a separate VaR ratio for the spread risk in our portfolio of credit capital market products. This analysis is based on historic spread changes in the individual asset classes. Other risk components, such as the idiosyncratic risk of individual instruments, are currently taken into account using special premiums.

Scenario-matrix procedure

The scenario-matrix method is used to take account of the non-linear risks associated with options in the trading book. This method comprises a scenario analysis for changes in the two risk-determining parameters material to the corresponding option type. The matrix boundaries are regularly adjusted in line with the current fluctuation intensities of the underlying parameters. DekaBank only takes up option positions to a very small extent.

Reporting of market price risks

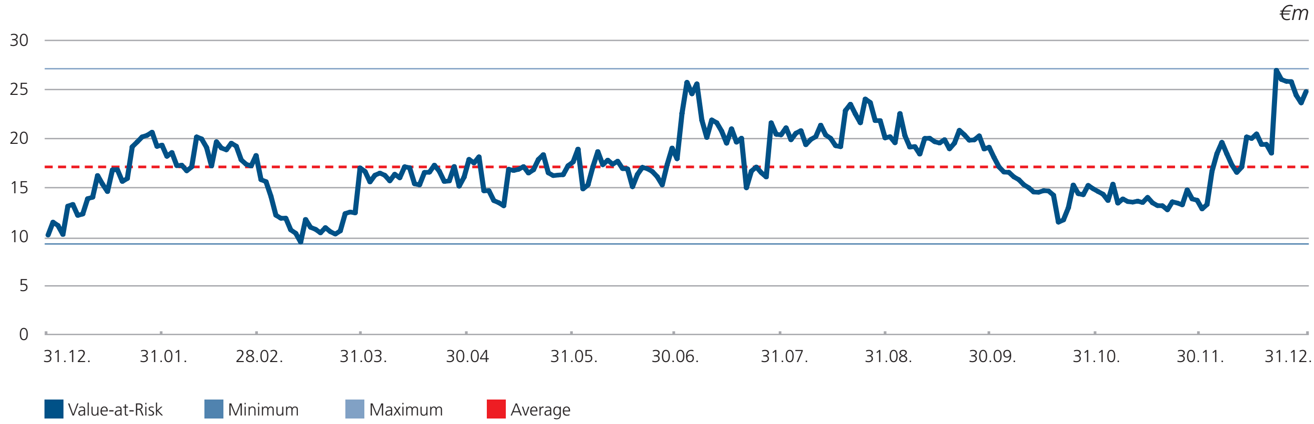
Risk Control monitors all risk limits and informs the Chairman of the Board of Management, the members of the Board of Management responsible for the divisions concerned and Risk & Finance, the heads of the Risk & Finance and Markets units as well as the COO of the C&M division on a daily basis about market price risk positions in the trading and banking books and the trading results as at close of play. A report is submitted to the AMLC every two weeks and to the full Board of Management on a monthly basis. The Administrative Board is informed quarterly.

Current risk situation

On average for the year, traditional market price risks (interest rate, share price and currency risk) have consistently reduced compared to 2006. A year-end comparison shows a varied picture: the share price risk fell by 61% while the interest rate risk rose by 140%. Ignoring correlations, at €33.6m (confidence level 95.0%, holding period ten days), the overall market price risk was slightly higher than the previous year's figure of €32.9m. However, including correlations, the overall market price risk has dropped year-on-year from €28.2m to €23.1m. This reflects the broader diversification in equity holdings as well as lower correlations between equities and interest rates. As in the previous year, there were hardly any currency risks *(Fig. 14)*.

At Group level, the interest rate risk increased from €10.2m in 2006 to €24.5m as at 31 December 2007. This was caused by the rise in the interest rate risk in Treasury resulting essentially from increased price volatilities prompted by the disruption in the capital market. Moreover, the risk position in long-term maturities was expanded. Around 58% of the VaR was attributable to euro positions (previous year: 82%). *(Fig. 15)*

Value-at-risk – Interest rate risk for the Group during 2007 *(Fig. 15)*

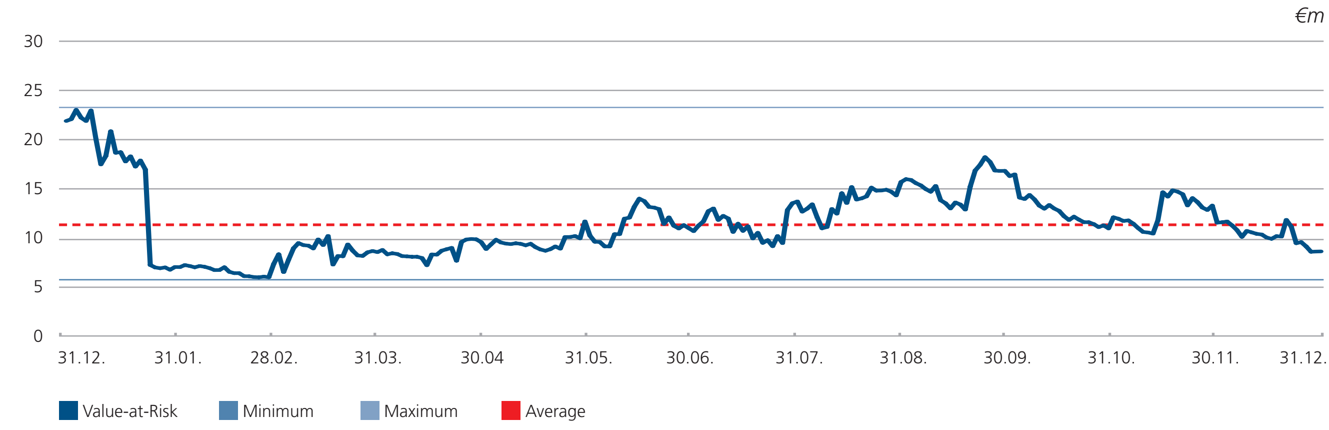


At €8.6m as at year-end 2007, the share price risk was significantly down on the previous year's figure (€22.1m). The average for the year also fell considerably from €17.9m in 2006 to €11.5m. Risks were reduced by establishing hedging positions using futures. This more than offset the opposing, risk-increasing volatility effect. Around 56% (previous year: 73%) of share price risks in the Group related to risks in the eurozone. The risks resulted essentially from investments in special funds and start-up financing for public funds *(Fig. 16)*.

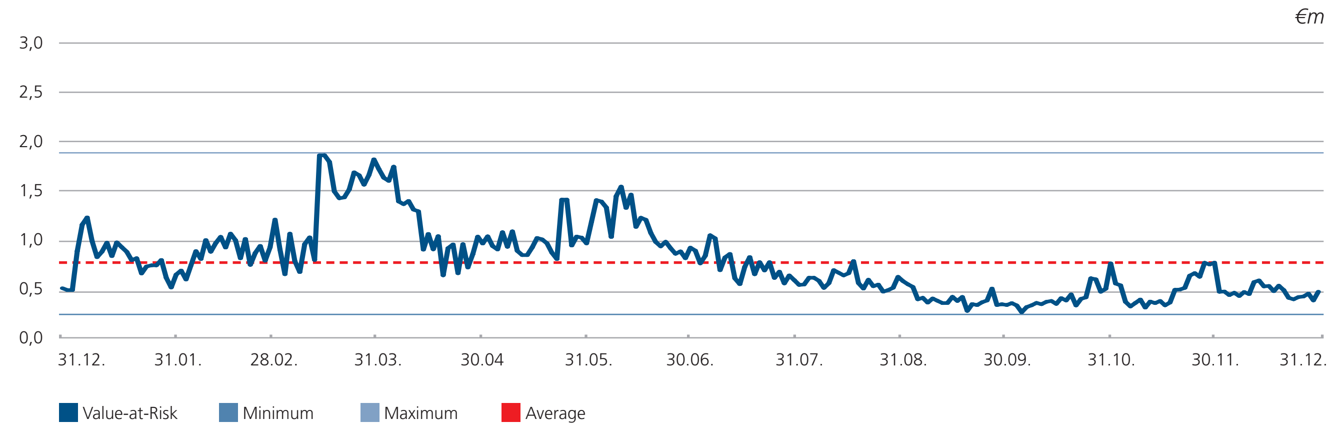
As in the previous year, the currency risk referred largely to positions in US dollars and Swiss francs. At €0.8m, the average risk for the year remained very low. As at year-end 2007, the currency risk amounted to €0.48m (previous year: €0.51m) *(Fig. 17)*.

DekaBank's portfolio of capital market credit products merited particular attention in financial year 2007. Of the total nominal value of €7.5bn (net) on the reporting date in 2007, around half was attributable to non-structured plain vanilla products such as bonds and credit defaults swaps (CDS). The remaining portion of the portfolio is attributable to structured credit products such as asset backed securities (ABS), residential and commercial mortgage-backed securities (RMBS and CMBS), collateralised loan obligations (CLOs), synthetic CDOs (CSOs) and to a lesser extent structured finance collateralised debt obligations (CDOs); *(Fig. 18)*.

Value-at-risk – Share price risk in the Group during 2007 *(Fig. 16)*



Value-at-Risk – Currency risk in the Group during 2007 *(Fig. 17)*



At around 90%, the majority of the portfolio is invested in Europe, primarily Germany, Spain and the UK. The remaining portion is mainly attributable to the USA.

As at the year-end, the spread risk of the portfolio stood at €42.9m (confidence level 95.0%, holding period ten days). This currently represents one of the main market price risks. We will therefore continue to focus in particular on methods to determine this risk.

Credit risks

Risk management and monitoring

Organisation of credit risk management

The credit risk strategy provides the parameters for the business activities of DekaBank in relation to borrower risks, issuer risks, advance performance risks and replacement risks and forms the basis for comprehensive credit risk portfolio management. Moreover, the strategy outlines the credit risk principles for loans within the meaning of Section 19 (1) of the German Banking Act (KWG) and describes the segments, which represent the focus of the lending activities, including the specific risk determinants and minimum standards. The credit risk strategy applies to all organisational units in the Group. The strategy is specified by the Board of Management and reviewed each year and discussed with the Administrative Board. The monitoring and management of credit risks is carried out according to standard principles, regardless of whether the risks stem from trading or non-trading transactions. The associated tasks are carried out by the Board of Management, the C&M and AMI divisions, by the Corporate Centre Credit Risk Office as well as the Risk Control unit in the Corporate Centre Risk & Finance. The aim is to achieve an average internal rating of "A" for the whole portfolio.

In line with the Minimum Requirements for Risk Management (MaRisk), certain tasks in the credit process have to be carried out by departments other than the Front Office. Consequently the Corporate Centre Credit Risk Office is the administration office for early risk identification and is responsible for market-independent second recommendation for loan decisions as well as for checking and approving creditworthiness and ratings. In addition, the Corporate Centre Credit Risk Office checks the collateral specified by the Board of Management in accordance with MaRisk, ensures the quality of the credit processes and monitors the transaction management of non-performing and troubled loans as a permanent member of the Monitoring Committee. This committee is responsible for managing and monitoring the transaction management of troubled loans and in addition to the head of the Corporate Centre Credit Risk Office, its members include the heads of the sub-divisions Credits and Liquid Credits from the C&M division, the head of the sub-division Real Estate Lending in AMI and the head of the Corporate Centre Legal Affairs. The Corporate Centre Credit Risk Office has a right of veto in the Monitoring Committee.

Capital market credit product by product type (nominal value in €m) *(Fig 18)*

		31.12.2007	
Product		**long**	**short**
Unstructured	Corporate Bonds	2,775.51	0.00
	CDS	1,473.00	–450.88
	Index	700.00	–981.00
Structured	ABS	332.19	0.00
	RMBS	599.80	0.00
	CMBS	475.81	0.00
	CLO	824.22	0.00
	CSO	730.00	–167.93
	Structured finance CDO	86.57	–30.57
	N-th to default	0.00	–10.00
	Balance sheet Lending	990.00	0.00
Alternative	CPPI	180.00	0.00
Total		**9,167.09**	**–1,640.38**

Other back office functions are assumed by the Risk Control unit of the Corporate Centre Risk & Finance. This monitors credit risks at both portfolio and borrower level and is responsible for risk reporting with regard to credit risks. Its remit also includes methodology development, quality assurance and monitoring procedures to identify and quantify credit risk. Acceptances and other decisions regarding the further development of the rating procedure are the responsibility of the Rating Committee (see also section on creditworthiness risks).

Independent risk assessment and monitoring is guaranteed by the functional and organisational separation of Credit Risk Office and Risk Control from the C&M division as well as the Real Estate Lending sub-division in AMI.

Management, monitoring and limiting of credit risks

DekaBank manages and monitors credit risks both at individual transaction and borrower level as well as at portfolio level.

With regard to the economic borrower and, where applicable, the borrower unit, DekaBank has set sub-limits for the position risk and advance performance risk as well as a limit for the overall position. These sub-limits are fundamental preconditions for the granting of any loan. The limits are tailored to the borrower's creditworthiness as well as the collateralisation and term of the transactions. Country and sector viewpoints also play a role. Moreover, it is ensured that no individual exposure exceeds an appropriate sum. The Bank does not enter into credit transactions of a highly speculative nature or very unusual risks.

Special risk-limiting standards apply in the Credits sub-division depending on the type of financing. In acquisition financing, for example, care is taken to ensure the availability of meaningful market surveys and for project financing on technical security and appropriate price risk and cost reserves. In transport financing, the assessment of the assets financed and the operator play a key role, while for export and trade financing the country and supplier risks are particularly relevant. In the Liquid Credits sub-division for structured capital market investments we look at aspects such as the expertise and reputation of the parties to the transaction, an analysable market environment for the underlying transaction and an appropriate credit enhancement as well as compliance with an external minimum rating of A–. The composition of the portfolio as well as the concentration in individual portfolio segments is also limited by the Investment Directive for Structured Capital Market Products which came into force in 2007. In property finance, criteria such as the location, quality and profitability of the property as well as adequate advance sales for project finance are of overriding importance.

Collateral to minimise credit risks primarily includes guarantees and sureties, charges on commercial and residential property, register pledges and assignment of receivables. In the event of guarantees and sureties, the value carried for the collateral is based on the creditworthiness of the party providing the collateral, in the event of asset collateral, the market or fair value or lending value of the financed property. In principle, the valuation of the collateral is checked annually. In trading, we minimise credit risk by using offsetting agreements via derivatives and repo transactions. The main types of collateral are cash and securities, especially framework agreements in repo/lending transactions and collateral management agreements.

The procedures used to value and manage the credit collateral eligible for inclusion under the German Solvency Regulation (SolvV) are summarised in the Bank's Credit Manual. If credit securities are to be newly included as credit risk reducing techniques, this can only take place after implementation and documentation of the preconditions required under the SolvV. All relevant units of the Bank are included in this process.

Assessing creditworthiness

When assessing the creditworthiness of borrowers, in principle we do not rely on external ratings but use a finely differentiated, internal rating system which meets the requirements of the current rules to determine equity backing for financial institutions ("Basel II"). The system is based on internally determined ratings derived from estimates of the probability of default (PD). The rating systems were approved by the regulatory authorities on 1 January 2007 and have been used at Group and Bank level since 30 June 2007 to determine the regulatory equity requirement in line with the IRB approach.

The rating system already launched six years ago and continually further developed since then covers classic default risks such as in business transactions with companies, banks and sovereigns and also supplies crystal clear creditworthiness ratings in the field of special and project finance.

The independent credit risk monitoring required to operate the internal rating system is provided by the Corporate Centre Credit Risk Office and the Risk Control unit in the Corporate Centre Risk & Finance. As part of a cooperative project, tasks relating to the ongoing updating and further development of as well as the technical operation of the rating modules have been outsourced to a joint venture company between the *Landesbanken* involved, RSU Rating Service Unit GmbH & Co. KG in Munich. One rating module is looked after in cooperation with the central service provider of the savings banks, S Rating und Risikosysteme GmbH in Berlin.

The competence for bank internal acceptance or a decision relating to the further development of methodology and updating of the rating systems lies with the Rating Committee, which comprises representatives from the Corporate Centres Credit Risk Office and Risk & Finance. In addition, the Rating Committee is responsible for the fundamental specification of the rating processes. The first-time introduction of new rating procedures requires the approval of the full Management Board.

Currently twelve rating modules are used which are tailored to the relevant class of receivables. Six of these are classic scorecard models through which a creditworthiness assessment is carried out on the basis of current quantitative and qualitative loan features. Five modules estimate the probability of default using simulated macro and micro scenarios for the relevant risk driver with regard to the expected cash flows. One module determines the probability of default using a portfolio approach. In addition to the modules indicated above, expert modules are also used for particular types of financing (e.g. structured trading finance).

The borrower and country ratings are combined to measure the transfer risk on payment obligations which are mainly denominated in a foreign currency from a debtor viewpoint.

All of the rating modules used are calibrated to one year probabilities of default. The DSGV master scale serves as a standard reference point for a differentiated creditworthiness assessment. This provides for a total of 21 rating classes for non-defaulting borrowers and three for defaulting borrowers.

The three default classes reflect the need to facilitate the recording of defaults on a differentiated basis. Regulatory default definitions in relation to Basel II hereby comprise a wide range of default events which can range from temporary payment problems through to insolvency of the borrower.

Each class is allocated a mean probability of default. The class designations and mean probabilities of default are shown in the following table *(Fig. 19)*. On the whole, the DSGV master scale facilitates an extraordinarily differentiated measurement and forecast of default risks, which take account of the requirements of DekaBank's market environment. The ratings are updated annually or as and when required.

Quantification of credit risks

Limit monitoring

Counterparty-related credit risks are monitored at economic borrower and borrower unit level for all transactions conducted throughout the Group. The main exposures from lending and trading count towards the utilisation of

DSGV master scale *(Abb. 19)*

Ratings class	Mean PD in basis points
1 (AAA)	1
1 (AA+)	2
1 (AA)	3
1 (AA–)	4
1 (A+)	5
1 (A)	7
1 (A–)	9
2	12
3	17
4	26
5	39
6	59
7	88
8	132
9	198
10	296
11	444
12	667
13	1,000
14	1,500
15	2,000
16 – 18 (default)	10,000

the limits for advance performance risk, position risk and overall risks managed by Risk Control at head office. Off-balance sheet items such as irrevocable lending commitments or guarantees provided are included. In principle, the market value of the respective transaction is used. Where this is not directly evident in the market, we use the present value or the maximum current or future drawdown.

Limit overruns at economic borrower unit level are reported to the Board of Management immediately.

Portfolio-related limits such as rating-dependent country limits or limits under the Investment Guideline for Structured Capital Market Investments are monitored separately.

Default monitoring

Non-performing items are receivables which meet one of the impairment criteria described in the detail in the notes (see note [15]). These also include receivables in default by over 90 days and accounting for more than 2.5% of the overall risk position (Section 125, Solvency Regulation).

The responsibility for monitoring and managing troubled exposure lies with the Monitoring Committee (see also section on organisation of credit risk management). The committee specifies the early warning indicators and classification criteria, the monitoring of exposure categorised as troubled, stipulation of the measures required and monitoring the effect of these measures.

In order to recognise provisions for loan losses in the balance sheet, the individual loan receivables are checked for impairment. If impairments are identified, specific valuation allowances in the corresponding amount are recognised. For non-impaired receivables, the default risk and transfer risk are taken into account by recognising portfolio valuation allowances. Portfolio valuation allowances for country risks are always recognised as of an internal rating of 10 in accordance with the DSGV rating scale. For countries with better ratings, a valuation allowance can be recognised in an individual case. Portfolio valuation allowances for creditworthiness risks are recognised for impairments in the loan portfolio which have already occurred as at the reporting date but not yet known. Provisions are recognised to take account of creditworthiness risks in off-balance sheet lending business.

Credit portfolio model

In addition to the structural analysis of the credit portfolio, credit risks are comprehensively illustrated at portfolio level using a model introduced in 2006. This is aimed in particular at providing suitable risk ratios and risk premiums for portfolio and bank management, determining the capital required or economic equity utilisation level by credit risks and to integrate these in the risk-bearing capacity analysis and to quantify concentration and diversification effects.

The portfolio model is based on a credit metrics approach. In addition to the default risks in the narrower sense, the risks arising from a change in creditworthiness are also taken into account in the form of rating migrations. The probability allocation for changes in the value of the portfolio caused by credit risk is generated using a Monte Carlo simulation. A key result of the portfolio model is that it determines a credit value-at-risk (CVaR) with a confidence level of 99.9% and an assumed holding period of one year. The CVaR is currently determined each month on an overall portfolio basis and incorporated in the processes and reports relevant to the management of credit risks.

Credit risk reporting

In addition to monitoring limits on a daily basis, Risk Control prepares a summary report each month containing the main explanations and any partial limit overruns during the reporting month.

Moreover, Risk Control prepares a credit risk report as at the end of each quarter showing DekaBank's credit portfolio for the whole Group by segment in accordance with the definition under Section 19 (1) of the German Banking Act (KWG). This report includes a comprehensive structural analysis of the credit portfolio, an analysis of the limits and their utilisation as well as an overview of collateral. Other elements in the report include risk ratios from the credit risk portfolio model, concentration analyses, a presentation of rating-related changes in the form of a migration analysis as well as noteworthy exposure and activities in new markets and products. The report also includes loans on the watchlist, the provisions for loan losses and, if applicable, major limit overruns.

The risk report is prepared as at the end of every quarter and is submitted to Board of Management and in abbreviated form to the Administrative Board.

Current risk situation

The gross loan volume rose during the course of the year by €10.7bn to €123.1bn. The increase is largely due to money transactions, followed by loans. At €79.9bn (previous year: €71.9bn[1)]) or 64.9%, financial institutions continue to account for the largest share of the gross loan volume (Fig. 20). The rise in the gross loan volume in this segment is due in no small part to DekaBank's credit commitment relating to the liquidity pool for the short-term funding of the Sachsen LB conduit Ormond Quay. Significant growth rates were also recorded in derivatives business as well as in Corporates in relation to equities and bonds.

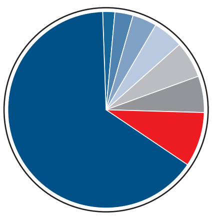
76.9% of the gross loan volume (previous year: 83.0%) was granted to borrowers in the eurozone. Of this, 83.1% was attributable to Germany. Again only a small proportion of the gross loan volume (13.6%) related to EU countries outside the eurozone (Fig. 21). Countries with a rating between 6 and 15 on the DSGV master scale are monitored using global country limits. At the year-end, only 10.3% of this limit had been utilised.

The average remaining maturity of the gross loan volume fell slightly from 3.4 years to 3.1 years during the financial year. This was due above all to disproportionately fast growth in money transactions with a maturity of less than one year (Fig. 22).

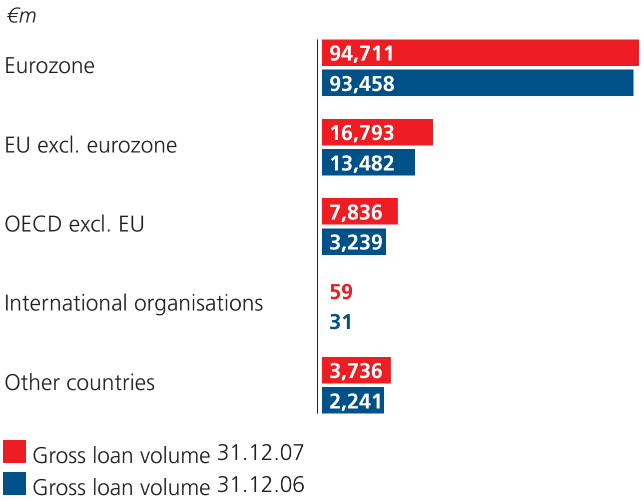
Gross loan volume by risk segment

(Fig. 20)

Structured & leveraged finance	2%
Transport & trade finance	3%
Other	4%
Property risk	5%
Funds (transactions and units)	6%
Corporates	6%
Public sector finance Germany	9%
Financial institutions	65%

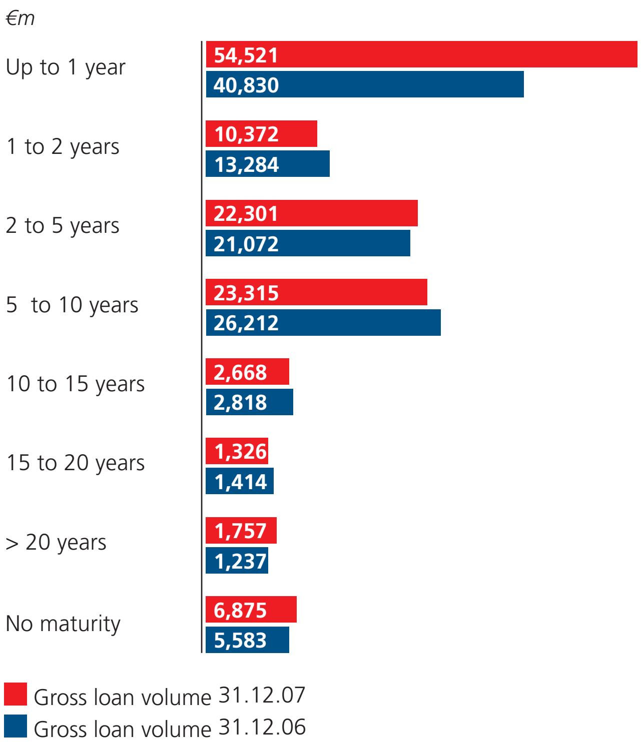


Gross loan volume by region *(Fig 21)*



Gross loan volume by remaining maturity

(Fig. 22)



While the gross loan volume was 9.5% higher than at the end of 2006, the net loan volume dipped slightly to €45.1bn (previous year: €46.6bn). This was due to the rise in collateral of €12.1bn to €78.0bn. As in the previous year, the major portion of this collateral was attributable to the guarantor's liability; this reflects the importance of lending to savings banks and *Landesbanken*. In addition,

1) As part of an amendment in the credit risk strategy, the structure of the risk segments was adjusted. Consequently, the figures for the previous year are only comparable to a limited extent.

the reduction in risk relating to claims on the public sector were also significant. The level of risk reduction through offsetting agreements (especially netting) was approximately the same as the previous year *(Fig. 23)*.

At €22.6bn (previous year: €28.4bn), financial institutions also account for the major portion of the net loan volume. This corresponds to 50.1% of the overall volume and represents the biggest segment *(Fig. 24)*.

The ten biggest borrowers accounted for a share of 23.0% (previous year: 20.0%) of the net loan volume.

In terms of regional distribution, the eurozone dominates in the net loan volume as well. However, with a share of 18.3%, borrowers from EU countries which do not use the single currency represent a significantly higher proportion than in the gross loan volume.

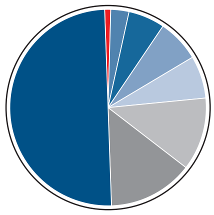
There are no material changes in the structure of the borrower ratings compared to financial year 2006. As in the previous year, with regard to the net loan volume, the average rating is A– using the DSGV master scale. For 96.8% of this volume the rating class is unchanged. The rating has improved for 0.7% and only 2.5% moved down to a lower rating class.

Overall, as at the reporting date, 75.0% (previous year: 72.0%) of the net loan volume has a rating of A- or better. This is primarily due to the high loan volume to financial institutions which have an average rating of A+. In contrast, the probability of default in segments such as transport & trade finance and structured & leveraged finance is naturally higher *(Fig. 25)*.

Net loan volume by risk segment

(Fig 24)

Public sector finance Germany	1%
Transport & trade finance	3%
Structured & leveraged finance	6%
Other	7%
Property risk	7%
Funds (transactions and units)	12%
Corporates	14%
Financial institutions	50%



As at year-end 2007, the credit VaR (risk horizon one year, confidence level 99.9%) stood at €1.03bn, down €0.13bn on the comparable figure for the previous year. During 2007, the CVaR remained within the €0.95bn to €1.11bn range. Around 53% of the CVaR is attributable to financial services providers. With 66.6% of the CVaR, the portfolio has a high concentration of borrowers from Germany while a further 20.2% refers to borrowers in other European countries.

The provisions for loan losses reported on the balance sheet totalled €130.7m (previous year: €201.0m). Of this,

Reconciliation of gross loan volume to net loan volume *(Fig. 23)*

	€bn
Gross loan volume	**123.1**
Claims on federal government, states and municipalities	9.1
Guarantor's liability	30.8
Personal and material collateral	7.1
Netting of financial futures transactions	1.8
Covered securities	5.2
Netting of reverse repos	14.5
Netting in securities borrowing/sale and resale transactions	2.7
Lending/sale and resale transactions	5.9
Other risk reductions	0.9
Net loan volume	**45.1**

€35.3m (previous year: €106.6m) relates to specific valuation allowances, €20.0m (previous year: €20.0m) to portfolio valuation allowances for country risks, €63.2m (previous year: €53.4m) to portfolio valuation allowances for creditworthiness risks and €12.2m (previous year: €21.0m) to provisions for creditworthiness risks in off-balance sheet lending. The allocation of provisions for loan losses and specific valuation allowances to the segments is shown in the table below *(Fig. 26)*.

As collateral for the impaired individual exposures, in the property risk segment, charges on property were taken into account and aircraft mortgages and sureties were included for the transport & trade finance risk segment. Sureties were taken into account when determining portfolio valuation allowances for country risks.

Net loan volume by risk segment and rating *(Fig. 25)*

€m	Avg PD in bps	Avg rating 12/07	Net loan volume
Financial institutions	5	A+	22,628
Corporates	7	A	6,445
Public finance	4	AA–	1,383
Public finance Germany	1	AAA	571
Public infrastructure	18	3	537
Transport & trade finance	45	5	1,300
Structured & leveraged finance	43	5	2,628
Property risk	16	3	3,030
Retail portfolio	3	AA	821
Funds (transactions/units)	1	AAA	5,620
Equity investments	19	3	170
Total result	**10**	**A–**	**45,133**

Provision for loan losses by risk segment *(Fig. 26)*

€m	Corporates	Transport & Trade Finance	Structured & Leveraged Finance	Property finance [2]	Equity investments	Other	31.12.2007	31.12.2006	31.12.2005
Impaired gross loan volume[1]	**1.3**	**142.6**	**2.5**	**25.1**	**0.0**	**0.0**	**171.5**	**343.8**	**524.2**
Collateral at fair value	**0.0**	**76.9**	**1.5**	**5.4**	**0.0**	**0.0**	**83.8**	**179.4**	**252**
Impaired net loan volume	**1.3**	**65.7**	**1.0**	**19.7**	**0.0**	**0.0**	**87.7**	**164.4**	**272.2**
Provisions for loan losses	**1.3**	**42.4**	**1.0**	**19.9**	**2.9**	**63.2**	**130.7**	**201.0**	**262.2**
Specific valuation allowances	1.3	14.2	0.9	18.9	0.0	0.0	35.3	106.6	184.2
Provisions[2]	0.0	8.2	0.1	1.0	2.9	0.0	12.2	21.0	29.6
Portfolio valuation allowances for country risks	0.0	20.0	0.0	0.0	0.0	0.0	20.0	20.0	13.2
Portfolio valuation allowances for creditworthiness risks	0.0	0.0	0.0	0.0	0.0	63.2	63.2	53.4	35.2

[1] Gross and net loan volumes impaired by specific and country valuation allowances.
[2] Provisions for loan losses in balance sheet exceed the net loan volume as special provisions have been recognised.

In financial year 2007, charges on property and aircraft mortgages amounting to €9.0m (previous year: €11.0m) provided as collateral were realised.

Operational risks

Risk management and monitoring

Operational risks (OR) naturally depend heavily on the type of business activity and unlike market price and credit risks, are therefore extremely process-specific. Consequently, as part of its OR strategy, DekaBank adopts a decentralised approach to identifying and assessing operational risks as well as to loss documentation. The managers of the respective Group units are responsible for managing operational risks in their divisions. This includes the obligation to systematically indicate latent risks and damages above a defined minor limit. This reporting obligation is monitored internally by Risk Control and Internal Audit.

Risk Control has the decision-making authority with regard to methodology applied to operational risks in terms of the standardisation and appropriateness of the terms defined Group-wide, the methods and procedures used as well as for the regular reporting to the Board of Management and top management. In addition, Risk Control is responsible for implementing statutory and regulatory requirements relating to the management and control of operational risks.

Through the comparison with existing risk cover funds, DekaBank ensures that it can bear operational risks at all times. On this basis, these risks are incorporated in the equity management of DekaBank, through which the divisions are provided with the corresponding capital to achieve their strategic targets and profit goals. The information gathered decentrally is aggregated by Risk Control and reported to the managers of the operating units and the Board of Management. The risk assessments and loss notifications are validated and plausibility-checked by Risk Control. Moreover, it ensures that risk assessments are carried out on a standardised basis.

To identify, measure and manage operational risks, DekaBank uses cause-based risk categorisation *(Fig. 27)*.

Business continuity management

DekaBank has put in place a Group-wide framework as well as organisational and technical regulations to ensure a standard Group-wide approach in the event of a disaster. To ensure an appropriate and direct response, DekaBank

Categorisation of operational risks *(Fig. 27)*

Risk	Risk category	Risk sub-category
Operational risks	**Technology**	IT applications
		IT infrastructure
		Other infrastructure
	Employees	Human resources
		Unauthorised acts
		Processing errors
	Internal procedures	Processes
		Organisational structure
		Methods and models
		Group internal service providers and suppliers
		Projects
	External influences	Catastrophes
		Criminal acts
		Service providers and suppliers
		Political/legal framework conditions

has established a business continuity plan which meets various problems with central and decentralised measures in a defined escalation procedure. Depending on the extent and severity of the failures, these are reported directly to the crisis management team which includes the Group Board of Management. Defined reinstatement teams comprising employees from all specialist departments are in place for the emergency operation of critical business processes and reinstatement of operations. These teams restore the business processes interrupted by the disaster and ensure that business operations continue as smoothly as possible.

Premises-related failure or loss

To ensure against premises-related failure or loss, DekaBank pursues an internal recovery strategy both in and outside Germany by using its own buildings and infrastructures. In terms of Germany, this means for example that the two locations Frankfurt-City and Frankfurt-Niederrad serve as back-ups for each other. This ensures that the specialist divisions concerned have all the information and resources they need at their emergency workstations to facilitate emergency business operations.

IT failure or loss

A series of organisational and technical regulations and measures ensures that the failed IT systems can be restored promptly. Extensive, practical tests are regularly carried out to check that the measures are taking action and leading to the desired outcome.

Quantifying operational risks

DekaBank has a comprehensive management and controlling system for operational risks. The methods used are decentralised self assessment and Group-wide loss documentation and scenario analysis. Based on the data generated through these methods, we determine the operational risk on the basis of the VaR using an internal model. This model was recognised in November 2007 by the German Financial Supervisory Authority (BaFin) for the calculation of the VaR pursuant to the AMA approach.

Self assessment

In the process-based self assessment method, the operational risks throughout the Group are identified and assessed on a decentralised basis by experienced employees (assessors) for their own reporting unit in the form of detailed, regular and structured loss scenarios. To measure the risk, the amount and frequency of losses are assessed and aggregated to form a loss potential. Self assessment is aimed particularly at the implementation of a consistent and Group-wide risk inventory which can be used by the heads of the Group units to derive and prioritise action plans to reduce operational risks.

Scenario analysis

Scenario analysis is used for a detailed examination and assessment of severe losses arising from operational risks, whose effects potentially affect several Group units and cannot therefore be adequately covered by the self assessment process. The entire range of operational risks can be covered and systematically assessed by combining the two methods.

As with self assessment, scenario analysis is conducted by process and system experts to analyse future operational risks. They identify the main risk drivers in a loss scenario and vary the severity of such drivers, allowing the impact of different scenarios to be assessed. The scenario analysis delivers a comprehensive loss illustration, in particular the range of potential losses including consideration of extreme stress.

Scenario analysis is not just used to quantify risks; we also use it to draw up measures to limit operational risks and recommend courses of action in the event of a scenario occurring.

Loss documentation

All losses incurred from operational risks above the minimum limit of €5,000 are recorded and analysed in a central loss database. This also includes measures to reduce and avoid future losses and an analysis of the action required.

By comparing the losses occurred with the results of the self assessment and scenario analysis, we not only validate our risk quantification methods but also derive assumptions regarding the distribution of amounts involved and the frequency of losses, which in turn form the main basis for the use of quantitative models to determine the equity requirement.

In addition, DekaBank participates in the external loss consortium of the Bundesverband Investment und Asset Management e.V. (BVI) and the GOLD consortium of the British Bankers Association (BBA). The external loss data is used both directly in the quantification and indirectly as a source of ideas for the self assessment and scenario analysis.

Basic indicator approach and advanced measurement approach

During the reporting year, DekaBank calculated the equity requirement for operational risk in line with the basic indicator approach based on the relevant indicator (sum of earnings under IFRS) for the past three years. Our internal management and monitoring switched to the advanced measurement approach (AMA) in the first quarter of 2006. Permission to do this was granted in November 2007 and as of 2008 DekaBank will report AMA figures as planned.

Reporting of operational risks

The quarterly risk report informs the heads of the Group units about all the key operational risks, thereby facilitating effective management. In addition, an aggregate report is submitted to the Board of Management on a quarterly basis. In addition to summary information on the operational risks in the Group, this includes detailed information on the measures taken or planned regarding major individual risks in the Group units. A risk value is also calculated every month in the form of a value-at-risk ratio which is incorporated in the analysis of the Group's risk-bearing capacity.

Reporting obligations apply to losses that have occurred; these are graded in accordance with the loss involved and ensure that the Board of Management and Internal Audit are informed in a timely manner.

Current risk situation

The key indicator for operational risks determined in accordance with the AMA approach on the basis of the VaR was 12.9% higher than the figure at the end of 2006 (€97.3m) at €109.9m.

The number of losses fell considerably from 76 cases in 2006 to 61 in the reporting year. In contrast, at €2.3m the loss involved varied only slightly from the previous year (€2.4m) *(Fig. 28 and Fig. 29)*.

Losses arising from operational risks *(Fig. 28)*

Number of claims

Losses arising from operational risks[1] *(Fig. 29)*

Losses in €m

[1] incl. opportunity costs, internal consumption of services and loss mitigation

Liquidity risks

Risk management and monitoring

DekaBank's liquidity risk is managed and monitored as an independent risk type. The market and liquidity risk strategy applies to all organisational units in the Group. The strategy is determined by the Board of Management and reviewed annually and discussed with the Administrative Board. Any necessary adjustments are carried out under the lead management of the Corporate Centre Risk & Finance.

In principle, liquidity risk is managed on a cross-portfolio and Group-wide basis. All product types are included. The central aim is to avoid liquidity bottlenecks at Group level and ensure solvency at all times. The planning, measurement and monitoring of liquidity is based on the liquidity status, funding matrices, stress scenarios and liquidity key ratios in accordance with the Liquidity Directive (Section 11, German Banking Act). As liquidity risk is not a direct income risk that can be cushioned with equity, we do not include it in the risk-bearing capacity analysis.

Quantifying the liquidity risk

Liquidity status

The current liquidity status of DekaBank is determined on a daily basis by the Short Term Products (STP) unit in the Markets sub-division and is used by this unit to manage liquidity on a day-to-day basis.

Funding matrices

In addition, the liquidity position is analysed and monitored by Risk Control in the Corporate Centre Risk & Finance. To this end, the following funding matrices are drawn up and reported: legal maturities, normal business operations, downgrade, funds crisis and bank crisis.

The purpose of the funding matrices is to show the undiscounted future expected cash flows as at the reporting date on the basis of which the liquidity requirement or surplus (liquidity gap) is determined per maturity band. In addition, the accumulated liquidity gap is shown.

The cash flows in line with the legal maturities form the basis of all funding matrices *(Fig. 29)*.

The “normal business operations” funding matrix is used to regularly monitor and manage liquidity risks (Fig. 30). Modelling and renewal assumptions are made to illustrate the cash flows on certain product types (e.g. securities or deposits eligible as collateral for ECB borrowings or repoable).

The sum total of the cash flows produces a liquidity gap in each maturity band. In addition to this, the liquidity potential is calculated which takes into account freely available funds such as assets which can be readily converted into liquid funds such as securities, surpluses in cover registers and other funding sources.

The sum of the accumulated liquidity gap and accumulated liquidity potential produces the accumulated liquidity balance used as the basis for management.

As part of managing the liquidity position, the “normal business operations” funding matrices are used on a daily basis in the Funding/Liquidity Management unit in the Markets sub-division.

Stress scenarios

Through stress scenarios carried out each quarter, we investigate the influence of various scenarios on the liquidity position. These scenarios are based on models which in turn can be subdivided into a scenario that directly affects DekaBank (downrating through cut in DekaBank’s rating by rating agencies) as well as other scenarios (fund and banking crisis).

Depending on the stress scenario, various modelling and renewal assumptions are made and different financing requirements assumed.

Liquidity ratio under the Liquidity Directive

DekaBank liquidity risk mitigation measures are also guided by the liquidity requirements of the Liquidity Directive (Section 11, German Banking Act).

The liquidity ratio pursuant to the Liquidity Directive is calculated as the ratio of short-term cash inflows and outflows of DekaBank with a maturity of up to one month. Monitoring ratios for up to one year are also calculated. Potential payment obligations, e.g. in relation to credit line commitments or deposits, are included in the individual maturity bands and weighted according to their drawdown probability (call-off risk) in accordance with the regulatory weighting factors. Certain products types, such as derivatives, are not included in line with regulatory requirements.

Reporting the liquidity risk

The funding matrix based on “normal business operations” is prepared every two weeks by Risk Control as part of independent monitoring and includes a verbal assessment of the liquidity situation by the Funding/Liquidity Management unit to the full Board of Management, the Asset Liability Management Committee and the head of the Markets and Risk & Finance units. In this regard, early warning limits are defined in relation to the liquidity balance (= accumulated liquidity gap plus accumulated liquidity potential) which are also monitored by Risk Control. Overruns are reported to the Board of Management via the ALMC. In the event of an overrun of the early warning limits, the Funding/Liquidity Management unit also takes appropriate measures in agreement with Short Term Products and informs those responsible for the C&M division. Moreover, the liquidity ratio pursuant to the Liquidity Directive is monitored daily in the reporting system of the Corporate Centre Risk & Finance and passed on to Funding/Liquidity Management and Short Term Products in the Markets sub-segment for management.

Current risk situation

DekaBank continues to have a very comfortable level of liquidity. As a result of the high volume of liquid securities (often eligible as collateral for central bank borrowings) and the surplus cover in the cover pool as well as through corresponding repurchase agreement transactions, DekaBank has extensive potential liquidity that can be made liquid at short notice. The accumulated liquidity balance at the short end (less than a month) totalled €17.52bn *(Fig. 30)*.

The regulatory requirements of the Liquidity Directive (formerly principle II) were clearly exceeded at all times in 2007. The liquidity ratio of the first maturity band determined on a daily basis stood at between 1.21 and 1.61. The figure at the close of the year amounted to 1.23 in 2007 with an average of 1.39 for the year.

Other risks

Shareholding and property risk

The shareholding strategy forms part of the credit risk strategy. Equity investments include all direct and indirect holdings of the DekaBank Group in other companies, regardless of their legal form. Equity investments held as credit substitute transactions do not come under the shareholding strategy. In principle, DekaBank is not pursuing any trading interests when taking an equity interest.

The basis for determining the shareholding and property risk position is the respective IFRS book value of the equity investment or property. The risk is measured on the basis of volatilities in historic yields. For the shareholding risk,

Normal business operations funding matrix of DekaBank as at 31 December 2007 *(Fig.30)*

€m	<=M1	>1M-12M	>12M-5Y	>5Y	Total
Securities, loans and promissory note loans[1]	8,378	16,426	19,854	19,319	63,977
Other money market transactions (lending)[2]	15,933	12,534	752	392	29,612
Derivatives	18	−777	−411	−46	−1,216
Refinancing funds[3]	−18,576	−12,488	−19,833	−38,102	−88,998
Other balance sheet items	−35	−100	−451	−2,208	−2,794
Liquidity balance (acc. gap + acc. liquidity potential)	**17,523**	**21,944**	**17,765**	**−201**	
Liquidity balance DekaBank Luxembourg	**627**	**2,773**	**4,096**	**−26**	

[1] Including irrevocable credit commitments and guarantees
[2] Of which approx. €16bn collateralised
[3] Including in particular short term products, own certificates and funding
[4] Including silent capital contributions and equity

historic data from benchmark indices in the stock market are used. Measurement of the property risk is linked to volatilities in relative changes in value of property in the respective location.

As at the end of 2007, the shareholding risk amounted to €52m and is therefore slightly higher than in the previous year (€40m).

In contrast, the property risk is less important following the sale of the Trianon complex in the first half of 2007. As of the reporting date in 2007, it amounted to €7m, which was only 3.4% of the previous year's figure (€207m).

Property fund risk

The property fund risk is measured using the volatilities of historic, relative changes in value of the properties in the portfolio of the respective property funds. The value changes are recorded separately by location and usage type and weighted with the associated property values. This results in an aggregate volatility of the value changes in the property portfolio.

As at the end of financial year 2007, the property fund risk was unchanged at €168m. The property fund risk in financial year 2007 comprised the risk from the Deka property fund, for which units were taken into the Bank's possession in 2005 to stabilise the fund, and the risk from the start-up financing for a property fund of funds. At its maximum, the property fund risk stood at €222m. The average was €184m.

Business risk

The business risk is the risk of loss resulting from a change in framework conditions in the economic environment as well as from technology changes in the product environment. Such changes can lead to fluctuations in earnings as they adversely affect the business volume, earnings components and/or costs of DekaBank. The business risk is particularly important in Asset Management.

Quantifying the business risk

In accordance with the varying importance of the business risks, different methods are used to quantify and manage risk:

For Asset Management activities, the main risk factors are the fund volume under management and the level of management commission. The volatility of these risk factors is simulated by asset class, that is for equities, bonds and property, using comparison indices. Parallel to this, a self assessment of the material business risks is carried out for asset management activities using scenarios. This allows the business divisions to counter the main identified business risks with risk-reducing measures.

For all activities outside Asset Management, especially in the C&M division, the business risk is included at the general amount usual for the benchmark in the sector.

Report of the Administrative Board

During the reporting year, the Administrative Board and its executive committees – the General Committee and the Audit Committee – carried out the duties assigned to them by law, the Bank's statutes and their rules of procedure. It regularly advised the Board of Management on management issues and oversaw the proper conduct of the Bank's affairs by the management. The supervisory bodies were involved in all significant decisions regarding the company.

Key issues of Administrative Board meetings

In 2007, four meetings of the Administrative Board took place, during which the Board of Management informed the Administrative Board about the Bank's current performance and risk position as well as the Group's planning and strategic direction. In accordance with the minimum requirements for risk management for the lending business of banks, the Board of Management also reported to the Administrative Board on the business and risk strategies. The internal audit department's activity report was also submitted to the Administrative Board. In addition, the Administrative Board was informed of the effects of changes in the legal framework parameters and the response of DekaBank in terms of business policy. This related above all to the amendment of the Investment Act, the coming into force of the Financial Market Directive Implementation Act and the corporate tax reform with a particular emphasis on the introduction of the final withholding tax (*Abgeltungsteuer*) as at 1 January 2009.

In 2007, the Bank focused internally on the further implementation of the strategic and organisational realignment of the DekaBank Group and the Administrative Board received regular progress reports. While measures in the previous year centred on the Asset Management Capital Markets division, Savings Banks Sales and the Corporate Centres, in 2007 the Asset Management Property and Corporates & Markets divisions were also strategically realigned.

The measures were also aimed at further expanding and integrating the three business divisions along the value-creation chain in order to strengthen the Bank's role as a provider of asset management services for customers and sales partners and to boost payments to the alliance partners within the *Sparkassen-Finanzgruppe*.

Throughout the sector, the second half of the year was dominated by spread widenings in the international financial markets as a result of the US subprime crisis. The Administrative Board was regularly informed about the repercussions for the earnings and risk position of the Bank. In addition, the Administrative Board received regular reports on the action taken to monitor and secure liquidity in the Bank's investment fund business.

Administrative Board Committees

The Administrative Board has established a General Committee and an Audit Committee to support it in its work and to prepare the issues and resolutions to be covered during the main Board meetings. Their tasks are laid down in the Administrative Board's rules of procedure.

The General Committee met four times in the past year, focusing primarily on the new Group structure and the strategic development of the company. It also dealt with various Board of Management matters, including business allocation and remuneration. It passed the necessary resolutions in its capacity as a loan approval body.

The Audit Committee met four times in 2007. It conducted a detailed review of the audit of the financial statements and the consolidated financial statements. It also verified the requisite independence of the auditors, appointed the auditors to perform their audit based on the specified focal points and agreed their fees.

The Audit Committee also extensively reviewed the DekaBank Group's accounting and risk management system and obtained regular reports on the audit activities of the internal audit department. The chairman of the Audit Committee, or his deputy, reported to the Administrative Board on a regular basis concerning the Committee's results and recommendations.

Audit and approval of 2007 financial statements and consolidated financial statements

The DekaBank Shareholders' Meeting again appointed PwC PriceWaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for the 2007 financial year. PwC audited the 2007 financial statements and consolidated financial statements together with the management reports and issued an unqualified audit opinion thereon.

The specified financial documents and reports of PwC were provided promptly for review. The auditors attended both the corresponding meetings of the Audit Committee and the accounts meeting of the Administrative Board held today. The auditors reported on the findings of their audit and provided additional information where required. On the basis of its own review, the Administrative Board approved the result of the auditor's report. There were no objections.

The Administrative Board approved the 2007 financial statements and concurs with the proposals of the Shareholders' Meeting regarding the authorisation and appropriation of the accumulated profit. The financial statements are therefore approved.

Changes in the Administrative Board

The following personnel changes occurred on the Administrative Board in 2007:

On 5 December 2007, Dr. Siegfried Jaschinski was elected to succeed Dr. Thomas R. Fischer as the second Deputy Chairman of the Administrative Board.

In financial year 2007, Dr. Thomas R. Fischer, Dr. Max Häring, Dieter Klepper, Peter Krakow, Gustav Adolf Schröder and Herbert Süß resigned from the Administrative Board as did the employee representative appointed by the Staff Committee, Hermann Gelsen.

The Administrative Board would like to thank all departing members of the Administrative Board for their valuable commitment and constructive support for the Bank and its Board of Management.

The new members appointed to the Administrative Board were Thomas Christian Buchbinder, Jürgen Hilse, Harald Menzel, Harald R. Pfab, Hans-Werner Sander and Alexander Stuhlmann.

Government oversight of DekaBank is exercised by the Federal Minister of Finance, who can appoint a state commissioner and deputy state commissioner by virtue of the powers specified in the Bank's statutes. Government director Jens Conert was appointed as state commissioner until April 2007. According to a letter dated 30 April 2007, the Federal Minister of Finance will not be appointing another state commissioner to supervise DekaBank Deutsche Girozentrale.

The Administrative Board would like to thank all the members of the Board of Management as well as the staff for their successful contribution during the reporting year.

Frankfurt am Main, 13 March 2008

The Chairman of the Administrative Board
Heinrich Haasis

Consolidated financial statements

Statement of comprehensive income

for the period from 1 January to 31 December 2007

€m	Notes	2007	2006	Change	
Interest and similar income		3,708.7	3,928.3	–219.6	–5.6%
Interest expenses		3,505.7	3,672.5	–166.8	–4.5%
Net interest income	**[30]**	**203.0**	**255.8**	**–52.8**	**–20.6%**
Provisions for loan losses	**[31]**	**31.9**	**2.2**	**29.7**	**(> 300%)**
Net interest income after provisions for loan losses		**234.9**	**258.0**	**–23.1**	**–9.0%**
Commission income		2,717.5	2,396.3	321.2	13.4%
Commission expenses		1,733.0	1,513.1	219.9	14.5%
Net commission income	**[32]**	**984.5**	**883.2**	**101.3**	**11.5%**
Trading profit or loss	**[33]**	**94.7**	**64.6**	**30.1**	**46.6%**
Profit or loss on financial instruments designated at fair value	**[34]**	**–254.9**	**–47.4**	**–207.5**	**(< –300%)**
Profit or loss from fair value hedges in accordance with IAS 39	**[35]**	**2.0**	**3.3**	**–1.3**	**–39.4%**
Profit or loss on financial investments	**[36]**	**–5.4**	**–3.1**	**–2.3**	**–74.2%**
Administrative expenses	**[37]**	**692.1**	**699.9**	**–7.8**	**–1.1%**
Other operating profit	**[38]**	**160.1**	**–11.6**	**171.7**	**(> 300%)**
Net income before tax		**523.8**	**447.1**	**76.7**	**17.2%**
Income taxes	**[39]**	**97.1**	**102.4**	**–5.3**	**–5.2%**
Interest expenses for atypical silent capital contributions		**16.1**	**16.1**	**0.0**	**0.0%**
Net income (before minority interests)		**410.6**	**328.6**	**82.0**	**25.0%**
Minority interests		**4.4**	**0.0**	**4.4**	**n/a**
Net income for the year		**406.2**	**328.6**	**77.6**	**23.6%**
Profit or loss on available-for-sale financial instruments not recognised in income		–5.5	–15.1	9.6	63.6%
Profit or loss on available-for-sale financial instruments recognised in income		–0.3	1.2	–1.5	–125.0%
Profit or loss on available-for-sale financial instruments		**–5.8**	**–13.9**	**8.1**	**58.3%**
Change in deferred taxes not recognised in income		**1.5**	**4.1**	**–2.6**	**–63.4%**
Currency translation adjustments		**–0.9**	**–1.2**	**0.3**	**25.0%**
Other consolidated income		**–5.2**	**–11.0**	**5.8**	**52.7%**
Net income for the period under IFRS		**401.0**	**317.6**	**83.4**	**26.3%**

Consolidated balance sheet

as at 31 December 2007

€m	Notes	31.12.2007	31.12.2006	Change	
Assets					
Cash reserves	**[40]**	**783.9**	**256.3**	**527.6**	**205.9%**
Due from banks	**[14], [41]**	**45,980.6**	**46,424.3**	**–443.7**	**–1.0%**
(net after provisions for loan losses amounting to)	**[15], [43]**	(0.2)	(1.1)	–0.9	–81.8%
Due from customers	**[14], [42]**	**24,703.1**	**22,263.1**	**2,440.0**	**11.0%**
(net after provisions for loan losses amounting to)	**[15], [43]**	(118.3)	(179.0)	–60.7	–33.9%
Financial assets at fair value	**[16], [44]**	**33,628.7**	**32,669.3**	**959.4**	**2.9%**
(of which deposited as collateral)		(10,523.9)	(7,070.4)	3,453.5	48.8%
Positive market values from derivative hedging instruments	**[17], [45]**	**27.6**	**71.0**	**–43.4**	**–61.1%**
Financial investments	**[18], [46]**	**605.7**	**2,046.6**	**–1,440.9**	**–70.4%**
Intangible assets	**[19], [47]**	**140.7**	**136.4**	**4.3**	**3.2%**
Property, plant and equipment	**[20], [48]**	**35.3**	**487.0**	**–451.7**	**–92.8%**
Income tax assets	**[22], [49]**	**250.3**	**261.3**	**–11.0**	**–4.2%**
Other assets	**[21], [50]**	**326.3**	**312.8**	**13.5**	**4.3%**
Total assets		**106,482.2**	**104,928.1**	**1,554.1**	**1.5%**
Liabilities					
Due to banks	**[23], [52]**	**25,360.0**	**31,137.6**	**–5,777.6**	**–18.6%**
Due to customers	**[23], [53]**	**26,610.8**	**25,983.9**	**626.9**	**2.4%**
Securitised liabilities	**[23], [54]**	**29,746.5**	**32,339.2**	**–2,592.7**	**–8.0%**
Financial liabilities at fair value	**[16], [55]**	**17,792.7**	**8,996.5**	**8,796.2**	**97.8%**
Negative market values from derivative hedging instruments	**[17], [56]**	**164.3**	**88.5**	**75.8**	**85.6%**
Provisions	**[24], [25], [57], [58]**	**523.9**	**469.9**	**54.0**	**11.5%**
Income tax liabilities	**[22], [59]**	**127.8**	**173.9**	**–46.1**	**–26.5%**
Other liabilities	**[26], [60]**	**788.1**	**732.9**	**55.2**	**7.5%**
Subordinated capital	**[27], [61]**	**2,018.9**	**2,029.1**	**–10.2**	**–0.5%**
Atypical silent capital contributions	**[28], [62]**	**52.4**	**52.3**	**0.1**	**0.2%**
Equity	**[29], [63]**	**3,296.8**	**2,924.3**	**372.5**	**12.7%**
a) Subscribed capital		286.3	286.3	0.0	0.0%
b) Capital reserves		190.3	190.3	0.0	0.0%
c) Reserves from retained earnings		2,793.0	2,415.4	377.6	15.6%
d) Revaluation reserve		–1.7	2.6	–4.3	–165.4%
e) Currency translation reserve		–0.5	0.4	–0.9	–225.0%
f) Accumulated profit/loss (consolidated profit)		28.6	28.6	0.0	0.0%
g) Minority interests		0.8	0.7	0.1	14.3%
Total liabilities		**106,482.2**	**104,928.1**	**1,554.1**	**1.5%**

Statement of changes in equity

for the period from 1 January to 31 December 2007

€m	Paid-in equity		Group equity generated	
	Subscribed capital	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 31.12.2005	**286.3**	**190.3**	**2.115.5**	**28.6**
Net income for the year				328.6
Currency translation adjustments				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Change in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	**–**	**–**	**–**	**328.6**
Changes in the scope of consolidation and other changes			– 0.1	
Allocation to reserves from retained earnings			300.0	– 300.0
Distribution				– 28.6
Holdings as at 31.12.2006	**286.3**	**190.3**	**2,415.4**	**28.6**
Net income for the year				406.2
Currency translation adjustments				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Change in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	**–**	**–**	**–**	**406.2**
Changes in the scope of consolidation and other changes				–
Allocation to reserves from retained earnings			377.6	– 377.6
Distribution				– 28.6
Holdings as at 31.12.2007	**286.3**	**190.3**	**2,793.0**	**28.6**

Other consolidated income		Total before minority interests	Minority interests	Equity
Revaluation reserve	Currency translation reserve			
12.4	**1.6**	**2,634.7**	**0.7**	**2,635.4**
		328.6	**–**	**328.6**
	–1.2			
–15.1				
1.2				
4.1				
–9.8	–1.2	**–11.0**	–	**–11.0**
–9.8	**–1.2**	**317.6**	**–**	**317.6**
		–0.1	–	**–0.1**
		–	–	–
		–28.6	**–**	**–28.6**
2.6	**0.4**	**2,923.6**	**0.7**	**2,924.3**
		406.2	4.4	**410.6**
	–0.9			
–5.5				
–0.3				
1.5				
–4.3	–0.9	**–5.2**	–	**–5.2**
–4.3	**–0.9**	**401.0**	**4.4**	**405.4**
		–	**–**	–
		–	–	–
		–28.6	–4.3	**–32.9**
–1.7	**–0.5**	**3,296.0**	**0.8**	**3,296.8**

Cash flow statement

for the period from 1 January to 31 December 2007

€m		2007	2006
Net income		**410.6**	**328.6**
Non-cash items in net income and adjustments to reconcile net profit with cash flow from operating activities			
+/–	Write-downs and write-ups		
	on receivables and financial investments	–18.6	6.1
	on intangible assets and property, plant and equipment	20.5	72.7
+/–	Allocation to/reversal of provisions	125.2	77.8
+/–	Profit or loss from fair value hedges in accordance with IAS 39	–2.0	–3.3
+/–	Other non-cash items	65.6	–121.2
+/–	Profit or loss on the disposal of financial investments and property, plant and equipment	6.7	–24.0
+/–	Other adjustments	–473.8	–810.2
=	**Sub-total**	**134.2**	**–473.5**
Change to assets and liabilities arising from operating activities			
+/–	Due from banks	270.2	2,757.1
+/–	Due from customers	–2,432.0	–1,713.2
+/–	Financial assets at fair value	–395.9	6,478.7
+/–	Financial investments	1,441.9	57.7
+/–	Other assets arising from operating activities	–109.1	990.4
+/–	Due to banks	–5,695.9	63.5
+/–	Due to customers	727.9	–1,424.0
+/–	Securitised liabilities	–2,550.4	–8,063.4
+/–	Financial liabilities at fair value	8,125.9	959.8
+/–	Other liabilities arising from operating activities	55.7	–927.3
+	Interest received	3,262.5	3,579.9
+	Dividends received	563.7	154.7
–	Interest paid	–3,495.5	–2,978.6
–	Income tax payments	133.9	–14.1
Cash flow from operating activities		**37.1**	**–552.3**
+	Proceeds from the disposal of		
	equity investments	0.1	0.7
	property, plant and equipment	9.1	494.9
	intangible assets	0.1	0.0
–	Disbursements for the purchase of		
	equity investments	–2.5	–2.7
	shares in investments accounted for using the equity method	–17.0	0.0
	intangible assets	–15.3	–9.5
	property, plant and equipment	–3.9	–6.6
+	Proceeds from the disposal of shares in associated, unconsolidated companies	0.0	36.3
–	Disbursements for the purchase of shares in associated, unconsolidated companies	–10.3	–0.6
+/–	Changes in the scope of consolidation	611.1	0.0
Cash flow from investing activities		**571.4**	**512.5**
–	Payments to company owners and minority interests	–51.8	–51.6
–	Dividends paid	–28.6	–28.6
–	Outflow of funds from subordinated capital	–0.6	–65.1
Cash flow from financing activities		**–81.0**	**–145.3**
=	Changes to cash and cash equivalents	527.5	–185.1
+/–	Other effects	0.1	0.2
+	Cash and cash equivalents as at the start of the period	256.3	441.2
Cash and cash equivalents as at the end of the period		**783.9**	**256.3**

The cash flow statement shows the change in the DekaBank Group's cash balance during the financial year. The item cash and cash equivalents corresponds to the balance sheet item cash reserves (see note [40]).

The cash flow from operating activities is determined using the indirect method, i.e. net income is adjusted first by non-cash items, especially revaluations and allocations to provisions. The item other adjustments mainly includes the reclassification of interest and dividends received as cash and interest and income tax payments made during the financial year which have to be reported separately in accordance with IAS 7.

The cash flow from investing activities shows the proceeds and disbursements relating to items whose purpose relates in principle to long-term investment or use. The changes in the scope of consolidation in 2007 are explained in note [5]. The inflows reported here result essentially from the sale of a subsidiary through which the Trianon complex was held.

Financing activities encompass movement in equity as well as cash flows from atypical silent capital contributions and from subordinated capital.

In principle, the cash flow statement is of minor importance for banks as it does not provide any information about the actual liquidity position.

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Accounting principles

The consolidated financial statements of DekaBank Deutsche Girozentrale have been prepared in accordance with the International Financial Reporting Standards (IFRS). The standards published and adopted by the European Union at the time the financial statements were prepared and their interpretation by the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretations Committee (SIC) apply. Account was also taken of the national regulations of the German Commercial Code (HGB) under Section 315a HGB. The management report was prepared in accordance with Section 315 HGB.

The consolidated financial statements comprise the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes.

Changes in the accounting standards relevant to the DekaBank Group are explained below:

IFRS 8-Operating Segments

IFRS 8 Operating Segments was incorporated into European law in November 2007 and its application is mandatory as of 2009. Early application is recommended. IFRS 8, which supersedes IAS 14 Segment Reporting, follows what is known as the management approach, which requires segment reporting to follow the management and reporting measurements used internally. The management approach is to be taken into account for both segmentation and determining segment data. The DekaBank Group has applied the new standard early for financial year 2007. The figures for the comparative period have been adjusted accordingly.

Segment reporting

[1] Explanation of segment reporting

The segment reporting is based on the DekaBank Group's management reporting system and reflects the internal organisational and reporting structure. The segment information given is the same as the information reported regularly to the decision-makers and on whose basis the performance of a segment is assessed.

In principle, the DekaBank Group's management reporting is based on the IFRS reporting standards with a few exceptions. For example, the valuation result of financial instruments that are not valued through profit or loss under IFRS is also reported.

With regard to segmentation as well, IFRS 8 also calls for the application of a pure management approach. As a result, the segment reporting is now fully based on the internal business division structure. Due to the different risk/reward profiles of the segments, the originally separate illustration of the Corporate Banking and Capital Markets segments is therefore no longer necessary.

In line with the business division structure, segments are defined according to the different products and services provided by the Group:

Asset Management Capital Markets

The segment Asset Management Capital Markets consists of all the Group's activities directly concerned with generating income and capital gains through the investment of customer funds in capital market products. The segment also includes activities in the area Master KAG as well as fund administration and sales and services for customer custodial accounts.

Asset Management Property

All property-related activities of the DekaBank Group are pooled in the Asset Management Property segment. In addition to investing customer funds in the Group's own property (fund) products, the segment includes the purchase and sale of property, management of these assets and all other property-related services as well as product development of Group-wide, property-based activities. Property finance completes the service spectrum with financing solutions for professional property investors.

Corporates & Markets

The Corporates & Markets segment pools the lending business (focus on structured & leveraged finance, transport & trade, public infrastructure), the capital-market related trading and sales activities as well as liquidity management and refinancing tasks in the DekaBank Group. Here the segment functions as a service provider for Asset Management activities. In addition, Corporates & Markets act as a partner for institutional investors.

Corporate Centres/Other

Income and expenses that are not clearly attributable to the operating segments are reported under Corporate Centres/Other. These relate essentially to overhead costs for the Corporate Centres as well as the profit or loss on the investment of capital and reserves at risk-free interest. Non-recurring extraordinary effects, which would lead to a distortion of the respective segment results, are also reported here.

Unlike in the previous year, application of IFRS 8 means it is no longer necessary to show the sub-segments Corporate Banking and Capital Markets separately under the segment Corporates & Markets. In addition, the business responsibility for property finance was transferred to the Asset Management Property division. In the annual financial statements as at 31 December 2006, this segment was still reported under Corporates & Markets. Since the start of the year, the net income contributions from start-up financing are no longer allocated to the Corporates & Markets segment but to the respective Asset Management Capital Markets and Asset Management Property segments in line with the business responsibility. The figures for the comparative period were adjusted accordingly.

The profit of a segment is measured in internal reporting by the economic income, which in principle is determined in accordance with the accounting regulations under IFRS. The economic income comprises net income before tax, changes in the revaluation reserve before tax as well as the valuation result from original lending business and underwriting business. These earnings components which are not to be recognised in the income statement under IFRS regulations are shown in the "reconciliation" column of the reconciliation to Group income before tax.

In principle, income and expenses are allocated to the relevant segment on the basis of a defined allocation key. With the restructuring of the DekaBank Group in 2007, a further refined procedure was used to allocate expenses and income to the segments in 2007; the figures for 2006 were adjusted accordingly.

Services, which other segments provide to the cross-divisional sales division of the savings banks or the Corporate Centres for the operating segments, are provided on the basis of reciprocal agreements between service provider and recipient. The services exchanged between segments are valued in principle at market prices with the segments trading with each other like external suppliers.

In addition to the economic income, assets under management represent another key figure for the Asset Management operating segments. Assets under management primarily comprise the income-relevant fund assets of the public and special funds under management. Other components are the volume of direct investments in cooperation partner funds, the share of cooperation partner, third party funds and

[2] Segmentation by operating business divisions

	Asset Management Capital Markets		Asset Management Property		Corporates & Markets	
			Economic income			
€m	2007	2006	2007	2006	2007	2006
Net interest income	– 36.1	– 32.1	24.9	60.0	96.7	176.6
Net risks	–	–	16.3	11.1	15.6	– 8.9
Net commission income	736.4	679.2	135.5	112.7	113.3	88.7
Net financial income[2]	16.8	37.7	–11.1	–149.9	–175.7	104.2
Other income	1.7	– 20.9	146.4	42.1	– 0.2	– 0.2
Total income	**718.8**	**663.9**	**312.0**	**76.0**	**49.7**	**360.4**
Administrative expenses (incl. depreciation)	397.8	377.0	107.9	173.3	139.1	103.1
Restructuring expenses	1.5	4.2	1.6	19.7	1.5	1.7
Total expenses	**399.3**	**381.2**	**109.5**	**193.0**	**140.6**	**104.8**
(Economic) income before tax	**319.5**	**282.7**	**202.5**	**–117.0**	**– 90.9**	**255.6**
Cost/income ratio[3]	0.55	0.57	0.36[4]	1.12[4]	4.08	0.28
Group risk (value-at-risk)[5]	356	275	286	511	1,750	1,536
Assets under management	147,476	136,925	17,725	18,462	–	–
Gross loan volume under Section 19 (1) KWG	–	–	5,696	6,006	117,269	106,326

[1] There is no figure for cost/income ratio and Group risk for the segment Corporate Centres/Other as these ratios are not meaningful here.

[2] This includes income from trading positions, non-trading financial income, income from other financial investments as well as income from repurchased debt instruments.

[3] Calculation of the cost/income ratio excluding restructuring expenses and net risks

the liquidity in fund-based asset management as well as advisory/management and asset management mandates. Assets under management refer to customer funds under management. DekaBank's own portfolio comprises almost exclusively start-up financing for newly launched funds (31 December 2007: 2,634m, previous year: €2,540m).

The gross loan volume represents another ratio for business development and analysis of the DekaBank Group's loan portfolio. The gross loan volume is determined in accordance with the definition under Section 19 (1) of the German Banking Act (KWG) and therefore does not correspond to the amount carried in the balance sheet under IFRS. The gross loan volume includes all balance sheet assets and off-balance sheet transactions (incl. irrevocable lending commitments) subject to default risk and excluding provisions for loan losses.

	Corporate Centres/ Other[1]		Group		Reconciliation		Group	
	Economic income						Net income before tax	
	2007	2006	2007	2006	2007	2006	2007	2006
	117.5	51.3	203.0	255.8	–	–	203.0	255.8
	–	–	31.9	2.2	–	–	31.9	2.2
	–0.7	2.6	984.5	883.2	–	–	984.5	883.2
	0.1	–0.1	–169.9	–8.1	9.7	38.5	–160.2	30.4
	16.2	–14.6	164.1	6.4	–	2.9	164.1	9.3
	133.1	**39.2**	**1,213.6**	**1,139.5**	**9.7**	**41.4**	**1,223.3**	**1,180.9**
	47.3	46.5	692.1	699.9	–	–	692.1	699.9
	2.8	8.3	7.4	33.9	–	–	7.4	33.9
	50.1	**54.8**	**699.5**	**733.8**	**–**	**–**	**699.5**	**733.8**
	83.0	**–15.6**	**514.1**	**405.7**	**9.7**	**41.4**	**523.8**	**447.1**
	–	–	0.59	0.62				
	–	–	2,392	2,322				
	–	–	165,201	155,387				
	170[6]	118[6]	123,135	112,450				

[4] Cost/income ratio net of extraordinary effects from restructuring of Deka-ImmobilienFonds.

[5] Value-at-risk with confidence level of 99.9% and holding period of 1 year as at 31 December.

[6] The gross loan volume includes equity investments not allocated to the respective segments but illustrated separately in the Corporate Centres/Other segment.

[3] Segmentation by geographical markets

Income from corporate activities by geographical markets is illustrated below. The segment allocation is carried out on the basis of the respective location of the branch or Group company.

In financial year 2007, a refined procedure was applied for the allocation of income and expenses to regions. The figures for the previous year were adjusted accordingly to improve comparability.

	Germany		Luxembourg		Other		Total Group	
€m	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Income	720.0	746.6	460.2	388.9	43.1	45.4	1,223.3	1,180.9
Net income before tax	204.6	184.6	298.5	242.4	20.7	20.1	523.8	447.1
Long-term segment assets[1)]	168.1	613.9	6.3	7.0	1.7	2.6	176.1	623.5

[1)] Long-term segment assets excluding financial instruments and deferred income tax assets.

Accounting policies

[4] General information

The financial statements are based on the going concern principle. Unless otherwise indicated, the methods described were applied uniformly and consistently to the reporting periods illustrated.

Income and expenses are recognised on an accruals basis. They are recorded and reported in the period in which they may be assigned in economic terms. Premiums and discounts are accrued in accordance with the effective interest rate method and reported as accrued interest in the balance sheet item in which the underlying financial instrument is reported.

Estimates and assessments required in line with accounting policies under IFRS are carried out in accordance with the respective standard on a best estimate basis and are continually revalued and based on empirical values and other factors, including expectations regarding future events that appear reasonable under the given circumstances. Where material estimates were required, the assumptions made are outlined in detail below in the explanation for the relevant line item.

In accordance with IFRS 7, the disclosure requirements for financial instruments are extensive, including with regard to the risks arising from financial instruments. The risk information required is primarily detailed in the risk report in the Group management report.

Two reporting changes were made to improve the transparency of the consolidated income statement. As of financial year 2007, the line item income from repurchased issued debt instruments is reported under other operating income and income from companies valued at-equity is allocated to income from financial investments. The separate reporting of investments in companies valued at-equity in the consolidated balance sheet is waived. These are now reported in the balance sheet under financial investments.

Income from derivatives in the banking book is no longer reported in trading profit or loss but under income from financial instruments designated at fair value. This change leads to a more comprehensible presentation of the earnings components, as the banking book derivatives are to be seen as directly linked to financial instruments designated at fair value. The comparative figures were adjusted accordingly.

[5] Scope of consolidation

In addition to DekaBank as the parent company, the consolidated financial statements include a total of 8 (previous year: 11) German and 8 (previous year: 7) foreign subsidiaries in which DekaBank directly or indirectly holds more than 50% of the voting rights. In addition, as in the previous year, the scope of consolidation includes 10 special funds, whose investors are exclusively DekaBank Group companies and are to be consolidated pursuant to IAS 27 and SIC-12.

Geschäftshaus am Gendarmenmarkt GmbH, Bürohaus Mainzer Landstraße 16 GmbH & Co. KG and GMS Gebäudemanagement und Service GmbH were sold during the reporting year. In Luxembourg, Roturo S.A. was established and 100% of its capital is held by DekaBank Deutsche Girozentrale Luxembourg S.A.

In total, 19 (previous year: 15) companies in which DekaBank has direct or indirect holdings were not consolidated. They are of minor significance for the presentation of the assets, financial position and earnings of the Group. The shares held in these companies are reported under financial investments.

The DekaBank Group's own portfolio includes holdings in public funds. These are not consolidated or valued at-equity due to their minor importance. Significance for the presentation of the assets, financial position and earnings of the Group is assessed using simulation calculations. The units in the public funds are recognised in the income statement at fair value. They are reported under financial assets valued at fair value in the sub-category designated at fair value.

Equity investments in S Broker AG & Co. KG (associated company) and S PensionsManagement GmbH (joint venture company) are included in the consolidated financial statements using the equity method.

The subsidiaries, joint ventures, associated companies and special funds as well as the companies and equity investments not included in the consolidated financial statements due to lack of materiality can be seen in the list of equity investments (note [77]).

[6] Consolidation principles

DekaBank's consolidated financial statements have been prepared in accordance with standard accounting policies throughout the Group.

Subsidiaries and special funds are consolidated under the purchase method, whereby all assets and liabilities of the subsidiary are stated at fair value at the date of acquisition or obtaining of a controlling interest. The difference arising from offsetting the purchase price against the fair value of the assets and liabilities is reported under intangible assets as goodwill. The goodwill is tested for impairment at least once a year or more frequently if there are indications of a possible decrease in value. If an impairment is ascertained, the goodwill is written down. Minority interests in equity and the earnings of the Bank's majority-held subsidiaries are reported separately as minority interests under equity or as minority interests in the income statement.

Intra-Group receivables and liabilities as well as expenses, income and interim results from intra-Group financial and services transactions are eliminated on consolidation.

Joint ventures and associated companies are included in the consolidated financial statements using the equity method, unless they are of minor importance for the presentation of the assets, financial position and earnings of the Group. Where a company valued at equity uses different accounting policies, appropriate adjustments are made to the IFRS consolidated financial statements by means of a separate calculation.

Interests in subsidiaries which are not included in the consolidated financial statements due to their minor importance are reported at fair value or, if this cannot be determined reliably, at amortised cost under financial assets.

In its own portfolio, the DekaBank Group has holdings in public funds which are valued at fair value. These are shown in the balance sheet under financial assets valued at fair value in the sub-category designated at fair value.

The consolidation principles are unchanged on the previous year.

[7] Financial instruments

All financial assets and liabilities including all derivative financial instruments are posted in the balance sheet pursuant to IAS 39. Spot purchases and sales (regular way contracts) are carried as at the settlement date.

Financial instruments are valued at the date of acquisition at fair value. The subsequent valuation of financial assets and liabilities is governed by which categories they are allocated to according to IAS 39 at the date of acquisition:

Financial assets or liabilities at fair value through profit or loss

There is a distinction within this category between financial instruments classified as held for trading and those that at the date of acquisition are irrevocably designated at fair value through profit or loss (designated at fair value). Financial assets and liabilities in this category are valued at fair value through profit or loss.

Financial instruments classified as held for trading are firstly those that have been acquired with the intention of achieving profits from short-term price fluctuations or from the dealer's margin. Secondly, this sub-category includes all derivatives unless they are hedging instruments as defined in IAS 39.72f.

The designated at fair value sub-category derives from the application of the fair value option in IAS 39. This sub-category comprises those financial assets and liabilities which are managed as a unit on a fair value basis in accordance with the Bank's documented risk management strategy. Both the risk and the results thereof are determined on the basis of fair values and reported to the Board of Management. Exercising the fair value option results in this case in harmonisation of economic management and presentation of the assets, financial position and earnings.

In addition, the fair value option was exercised for financial instruments with embedded derivatives which have to be separated. These financial instruments are also allocated to the designated at fair value category at the date of acquisition.

Loans and receivables

Loans and receivables include all non-derivative financial instruments that have fixed or determinable payments and are not listed on an active market. A precondition for this is that the corresponding financial instruments are not allocated to the categories financial assets or liabilities at fair value through profit or loss or available for sale at the date of acquisition. Loans and receivables are to be valued at amortised cost. At each closing date and where there are indications of potential impairment, loans and receivables are tested for impairment and any necessary valuation allowances recognised accordingly (see note [15]). Any write-ups are recognised in the income statement. The maximum limit for the write-up is the amortised cost that would have arisen at the valuation date without the impairment.

Available for sale

The available for sale category includes all non-derivative financial instruments that have not already been allocated to other categories. Financial instruments in the available for sale category are valued at fair value. The valuation result is recognised under equity in the revaluation reserve with no effect on income. Any impairments resulting from creditworthiness or the realisation of valuation results are recognised in the income statement. Write-ups on debt securities are posted in the income statement, while write-ups on equity instruments are recognised in equity. Securities in the available for sale category are reported under financial investments.

Held to maturity

In principle, financial assets with fixed or determinable payments and a fixed term to maturity can be allocated to the held to maturity category. However, this is contingent on the financial instruments having been acquired with the intention and ability to hold them until maturity. Held to maturity assets are to be valued at amortised cost. The DekaBank Group does not presently have any financial instruments in the held to maturity category.

Other liabilities
Other liabilities include financial liabilities including securitised liabilities unless these are designated at fair value through profit or loss. They are carried at amortised cost. Financial guarantees are reported in line with the provisions of IAS 39 and allocated to other liabilities. The present value of outstanding premium payments is netted out against the liability under the financial guarantee (equity approach).

Financial assets are derecognised if the contractual rights arising from the asset are extinguished or have been transferred to non-Group parties in such a way that the risks and opportunities have essentially been transferred. Financial assets are also derecognised if control or power of disposal has been transferred. Financial liabilities are derecognised when the principal has been repaid in full.

[8] Fair value measurement of financial instruments

Fair value is deemed to be the amount at which a financial instrument can be freely traded between knowledgeable and willing parties in an arm’s length transaction.

The fair value of financial instruments is determined on the basis of market prices or observable market data as at the reporting date and recognised valuation models. Where securities and derivatives with sufficient liquidity are traded on active markets, and stock market prices are accordingly available, or prices that can be traded by active market participants are provided, these prices are used to determine the fair value.

In cases where no prices from liquid markets are available, valuation methods are applied which are based on observable market data. Fair values of illiquid securities, interest rate and interest/currency swap agreements as well as unlisted interest futures are determined using discounted cash flows. The market interest rates applicable for the remaining time to maturity of the financial instruments are used. Where unlisted, options are valued using recognised option-pricing models. Fair values of forward exchange future contracts are determined on the basis of forward rates as at the reporting date. Fair values of illiquid credit default swaps are carried out using standard valuation procedures (e.g. the hazard rate and Copula models).

The fair value of products from securitisation transactions is also determined using market prices in active markets. These products include asset backed securities (ABS), mortgage backed securities (MBS), collateralised debt obligations (CDO) and similar securities. The fair value corresponds to the price determined in the active market as at the last trading day, or if no transactions took place on this date, the last transaction price just before the reporting date. In the event of a material change in the economic framework parameters by the year-end date, the last available price is adjusted using an objective, appropriate procedure. Where there is no active market for the acquired securitised instruments and no other official quoted prices are available, the fair value is determined using valuation methods. The valuation methods generally use the discounted cash flow method based on underlying observable market data. Benchmark prices are also taken into account. Where taken into account when determining the fair value, these price sources are plausibility checked with the aid of market data and by comparing several price sources.

Financial instruments due daily are stated at nominal value. These instruments include cash in hand and cash at bank.

[9] Hedge accounting

In accordance with the rules in IAS 39, derivatives are in principle to be classified as trading transactions and valued at fair value. The valuation result is posted in trading profit or loss. The DekaBank Group enters into derivatives for trading purposes and for hedging purposes. If derivatives are used to hedge risks arising from financial assets and liabilities that are not allocated to the fair value category, they may under certain conditions be treated as a hedge.

As part of its asset liability management, the Bank uses fair value hedges as defined in IAS 39 to hedge against the risk of interest rate changes. Only interest rate swaps used to hedge the lending and underwriting business and which meet hedge accounting criteria are designated as hedging instruments.

In order to meet the criteria of IAS 39 for the application of hedge accounting rules, the hedges must be documented individually at the time they are concluded. This documentation includes in particular the identification of the underlying and hedge transactions as well as the type of risk hedged. Only microhedges, where the hedging instruments can counter one or more similar underlying transactions may be designated as hedges.

IAS 39 additionally requires proof to be provided of an effective hedge. The effectiveness of the hedges is therefore monitored on a daily basis. A hedge is deemed to be effective if throughout the entire term of the hedge, the ratio of changes in value of the underlying and hedge transaction is between 0.80 and 1.25. If a hedge is no longer effective, it is cancelled. Monitoring of effectiveness and any necessary hedge cancellations are carried out on a daily basis, thereby covering the prospective measurement of effectiveness.

For fair value hedges, changes in the value of the underlying transaction that are attributable to the hedged risk are included in the result of fair value hedges along with the counter change in the fair value of the hedge pursuant to IAS 39. The derivatives used for hedging are shown in the balance sheet as positive or negative market values from derivative hedging instruments.

Derivative financial instruments which are used for economic hedging but do not meet the requirements of IAS 39 are treated like derivatives held for trading purposes and shown as financial assets at fair value or financial liabilities at fair value. Net interest income from derivatives held for trading purposes is reported in trading profit or loss, while net interest income from economic hedges is reported in net interest income like interest on the hedged transactions.

[10] Structured products

Structured products are financial instruments composed of a host contract and one or more derivative financial instruments (embedded derivatives), whereby the embedded derivatives constitute an integral part of the contract and cannot be traded separately. For accounting purposes, under IAS 39 embedded derivatives have to be separated from the host contract and accounted for in the balance sheet as independent derivatives under the following conditions:

- The structured financial instrument is not already measured at fair value through profit or loss,
- the economic characteristics and risks of the embedded derivative do not show any clear close relationship with those of the host contract and
- the contractual standards of the embedded derivatives would meet the criteria for a derivative.

At the DekaBank Group, separable financial instruments are recorded in the designated at fair value category and reported in the balance sheet under financial assets at fair value or financial liabilities at fair value.

[11] Currency translation

Currency translation in the DekaBank Group is carried out in accordance with IAS 21. All monetary foreign currency items are converted at the spot rate as at the reporting date. The net income from currency translation is reported in trading profit or loss. Non-monetary items are converted in accordance with the valuation standard for their respective category; items valued at amortised cost are converted at the rate for the acquisition valuation (historical rate). Non-monetary items carried at fair value are converted at the current reporting date rate like monetary items, whereby the effect of the currency translation of unhedged available for sale financial instruments is recognised in equity with no effect on income. In principle, income and expenses are converted at the closing rate on the day on which they are recognised in the income statement.

The conversion of the financial statements of Deka(Swiss) Privatbank AG prepared in Swiss francs is performed using the modified reporting date rate method. All assets and liabilities are converted at the reporting date rate. The items in the income statement are converted using the arithmetic mean of the month end exchange rates in the reporting year. With the exception of the revaluation reserve (at the reporting date rate) and annual income (from the income statement), equity is converted on the basis of historical exchange rates at the time of acquisition by the Group. The resulting translation difference is posted under equity in the currency translation reserve.

[12] Genuine repurchase agreements and securities lending transactions

The DekaBank Group engages in both genuine securities repurchase agreements and securities lending transactions.

Genuine repurchase agreements are contracts transferring securities for a consideration, in which it is agreed at the same time that the securities must subsequently be transferred back to the pledgor in return for payment of a sum agreed in advance. The pledgor continues to account for the transferred securities in the previous category as the main opportunities and risks of ownership are not transferred. A liability for the pledgor or a claim for the pledgee is accounted for in the amount of the cash sum received or paid respectively.

The term securities lending means transactions where securities are transferred by the lender with the obligation that the borrower, upon expiry of the agreed time, will transfer back securities of the same kind, quality and quantity and will pay a consideration for the term of the loan. The securities loaned are treated for accounting purposes in the same way as genuine repurchase agreements. Collateral must generally be provided for securities lending transactions. Cash collateral is reported in the lender's balance sheet as a liability and in the balance sheet of the borrower as a receivable. Collateral provided by the borrower in the form of securities is still carried in the accounts of the borrower.

Lending and repurchase agreements are carried out at current market conditions. Domestic transactions are conducted using the standard German framework agreements and foreign transactions using international framework agreements. Under the standard framework agreements, the securities transferred may be resold or repledged by the recipient. In the event of the sale of borrowed securities and collateral, the resultant short position is reported under financial liabilities at fair value.

If transactions have been undertaken for trading purposes, interest income and expenses from repurchase agreements and income and expenses from securities lending transactions are shown under trading profit or loss. Otherwise, the interest income and expenses are reported under net interest income.

[13] Lease accounting

The decisive factor for the classification and consequently the accounting of leases is not the legal title to the leased item but primarily the economic content of the lease agreement. If essentially all risks and opportunities associated with the legal title to the leased item are transferred to the lessee, the transaction will be classified as a finance lease. All other cases are deemed to be operating leases.

The DekaBank Group as lessee

The lease agreements concluded by the DekaBank Group as lessee essentially comprise operating leases. The leased vehicles and computer equipment are accordingly not reported in the balance sheet. The lease installments payable by the DekaBank Group are recorded as administrative expenses. Lease payments made in advance were recognised as prepaid income and deferred expenses for the correct accounting period.

The DekaBank Group as lessor

The lease agreements concluded by the DekaBank Group as lessor are exclusively finance leases. The balance sheet shows a receivable in the amount of the net investment value. Lease payments received are split into an interest portion (reported in the income statement) and a principal repayment portion.

[14] Receivables

The items due from banks and due from customers mainly include loans granted, non-negotiable bearer and registered bonds, demand deposits, call money and time deposits. Under IAS 39 the amounts due are categorised as loans and receivables or available for sale (see also note [7]). Amounts due classified as loans and receivables are reported in the balance sheet at amortised cost less any risk provision. Amounts due classified as available for sale are reported in the balance sheet at fair value. Income from interest payments and the sale of receivables is reported in net interest income. The valuation result from the measurement of receivables in the available for sale category is shown in the revaluation reserve. The valuation regulations described in note [9] apply to receivables secured as part of fair value hedges.

[15] Provisions for loan losses

The provisions for loan losses for amounts due from banks and customers are deducted from the assets side. For sureties and guarantees, provisions are recognised for the lending business.

If there is doubt regarding the recoverability of a receivable, this is taken into account through the recognition of provisions for loan losses. If it is highly probable that further payments will not be paid, the receivable is classified as irrecoverable. An irrecoverable receivable which has already been impaired is written off utilising the provision for loan losses. If there is no specific valuation allowance, the receivable is written off directly and charged to income. Direct write-downs are also carried out if the Bank waives parts of a non-impaired receivable or sells a receivable and the purchase price is below the book value of the purchase price.

Loan receivables are checked individually for impairment. If impairments are found, specific valuation allowances or provisions are recognised in the corresponding amount. In the case of receivables for which there are no specific valuation allowances, the default risk is taken into account by recognising portfolio valuation allowances. Consequently, the DekaBank Group does not form any global valuation allowances.

Specific valuation allowances are recognised to take account of acute default risks if it is likely, based on fulfilment of impairment criteria, that not all contractually agreed payments of interest and principal can be made. Potential impairments are assumed in the event of the following:

- Default in payment lasting more than 90 days;
- Delay or waiver of payment obligations;
- Initiation of enforcement measures;
- Imminent insolvency or overindebtedness;
- Petition for or commencement of insolvency proceedings;
- Failure of reorganisation measures.

The amount of the valuation allowance corresponds to the difference between the book value of a receivable and the present value of the estimated future payment streams (recoverable amount) taking into account the fair value of the collateral.

As the specific valuation allowance is determined based on the cash flow valuation of the estimated future cash flows, if payment expectations remain the same, there will be an effect from the change in present value (unwinding) as at the subsequent reporting date. In accordance with IAS 39 AG 93, the change in present value is to be recorded as interest income in the income statement.

Where the interest payments are from impaired loans, the interest is reported in net interest income. As a result of the minor difference between the change in present value (unwinding) and the actual nominal interest received, the recording of interest income from unwinding in the income statement is waived.

The portfolio valuation allowances for creditworthiness risks reflect the assumptions concerning impairment of the loan portfolio that have already occurred at the reporting date but have not yet become known. Receivables in this approach are grouped together in homogeneous portfolios with similar risk characteristics. In determining the value adjustments firstly, the historical probabilities of default are reviewed and secondly, current developments in the economic environment.

The transfer risk is accounted for by recognising portfolio valuation allowances for country risks. Portfolio valuation allowances for country risks are based on such factors as an internal rating system that incorporates current and historical economic, political and other data and categorises countries by risk profile. Federal Ministry of Finance publications are consulted when establishing the principles for valuation allowances.

Impairments are recorded with an effect on expenses through valuation allowances or direct write-downs. The reversal of valuation allowances and income received on written-down receivables are recorded in provisions for loan losses with an effect on income. They are reported in the income statement under provisions for loan losses.

[16] Financial assets and financial liabilities at fair value

Held for trading

Financial assets and financial liabilities at fair value are reported under financial instruments in the sub-category held for trading. These are derivatives and financial instruments that have been acquired or issued with the intention of trading. With regard to derivatives, the Group distinguishes between trading derivatives and economic hedging derivatives which are economic hedges that do not meet the criteria for hedge accounting under IAS 39. All financial instruments in this category are measured at fair value through profit or loss. With regard to derivatives with outstanding premium payments, the present value of the premium is netted against the market value of the derivative. For financial instruments that are not traded on a market, standard valuation procedures (in particular the present value method and option price models) are used to determine the balance sheet value. Unrealised valuation results and realised profits and losses are recorded in trading profit or loss with an effect on income. Interest income and dividend income minus refinancing expenses and trading commission are also reported in trading profit or loss. Net interest income from economic hedging derivatives is reported in net interest income in the income statement.

Designated at fair value

Financial assets and financial liabilities at fair value also include other financial instruments allocated to the designated at fair value sub-category. Derivative financial instruments from economic hedges which do not meet the criteria for hedge accounting are also reported in this sub-category. Effects from fair value changes are recorded in income from financial instruments in the designated at fair value category. Interest and dividend income are reported in net interest income along with refinancing expenses and income from reinvestments.

[17] Positive and negative market values from derivative hedging instruments

This item includes hedging derivatives as defined in IAS 39 (hedge accounting) with positive market values on the asset side and negative market values on the liabilities side of the balance sheet. The DekaBank Group exclusively uses the guidelines on fair value hedge accounting.

Hedging derivatives are valued using the discounted cash flow method at fair value. The valuation results determined by hedge accounting for fair value hedges are recorded in the income statements as profit or loss from fair value hedges in accordance with IAS 39. Current income from hedging derivatives is shown as net interest income.

[18] Financial investments

Financial investments include financial instruments in the available for sale category such as bonds, including other fixed-interest securities, shares and other non fixed-interest securities, shares in subsidiaries that are not consolidated, joint ventures and associated companies as well as other equity investments.

The financial investments stated here are carried in the balance sheet at fair value, unless this cannot be reliably determined. Interests in associated unlisted companies and other equity investments for which neither prices from liquid markets nor the factors relevant for valuation models can be reliably determined, are stated at cost.

Valuation results, after taking into account deferred taxes, are recorded directly under equity in the revaluation reserve. Impairments due to creditworthiness are generally recorded with an effect on income under profit or loss on financial investments. Write-ups on debt instruments are also reported with an effect on income under profit or loss on financial investments. In contrast, increases in value in equity instruments that are available for sale are recognised in the revaluation reserve with no impact on income.

Income from bonds, including that of cancelled premiums and discounts, as well as dividend income and current income from non-consolidated equity investments in associated companies are posted as net interest income. Realised gains and losses are recorded in profit or loss on financial investments.

Shares in associated companies and joint ventures are stated in the consolidated balance sheet at historical cost as at the date of establishment or when material control was gained. In subsequent years, the equity value shown in the balance sheet is adjusted by the proportionate changes in equity of the associated company. The proportionate net income of the associated company is reported in profit or loss on financial investments. Gains and losses on transactions with companies valued at equity are eliminated pro rata of the shareholding as part of the elimination of interim accounts. In the event of downstream delivery, i.e. if an asset is no longer fully consolidated, the value correction is carried out against the equity reported for the respective equity investment.

In principle, the equity method is applied on the basis of the last available financial statements of the company, provided these are not more than three months old. As at the date of preparation of the DekaBank consolidated financial statements, no up-to-date consolidated financial statements for the reporting year were as yet available for S PensionsManagement GmbH. For this reason, a budgetary account was used for the at equity valuation, which takes account of the impact of significant transactions and other events which have occurred or are expected to occur since the last reporting date of S PensionsManagement GmbH.

If there are indications of an impairment of the shares in a company valued at equity, these are subject to an impairment test and if necessary the book value of the shares will be written down. Revaluations take place if the reasons for extraordinary depreciation no longer apply through write-ups up to the amount of the original book value. Impairments and revaluations are recognised in the income statement under profit or loss on financial investments.

[19] Intangible assets

In addition to software developed in-house and acquired software, intangible assets particularly include goodwill.

Intangible assets acquired for payment are stated at amortised cost. Software developed in-house is capitalised at cost where it meets the reporting criteria under IAS 38. Capitalised costs mainly include personnel expenses and expenses for outside services. Interest on debt capital is not capitalised.

Software developed in-house or purchased is amortised over 4 years on a straight-line basis. Where there are signs that the projected use is no longer in evidence, the software is written down.

Goodwill arises on the acquisition of subsidiaries if the cost of acquisition exceeds the Group's share of the acquired company's net assets. Goodwill is reported at cost as at the date of acquisition and is not subject to any regular amortisation. The subsequent valuation is carried out at cost less all accumulated impairment charges. Goodwill is subject to an impairment test each year, or more frequently if there are indications of a possible decrease in value. If an impairment is determined during the test, the goodwill is written down.

Scheduled amortisation and impairment losses on intangible assets are recorded under administrative expenses in the income statement.

[20] Property, plant and equipment

Property, plant and equipment includes land and buildings used for the company's own commercial activities as well as property acquired for the purposes of generating income, i.e. investment properties. Property, plant and equipment are stated at amortised cost. Deferred expenditure for property, plant and equipment is capitalised if an increase in the future potential benefit can be assumed. All other deferred expenditure is recorded as an expense. Property, plant and equipment not carried in the balance sheet as investment property are depreciated on a straight line basis over the following periods in accordance with their estimated useful life:

in years	Useful life
Buildings	33 – 50
Plant and equipment	2 – 15
Technical equipment and machinery	2 – 10

Low-value economic assets as defined in Section 6 para. 2 Income Tax Act (EStG) have been fully written off for materiality reasons in the year in which they were acquired.

Impairment losses in excess of scheduled depreciation are recognised immediately. Scheduled depreciation and impairment losses are stated under administrative expenses. Gains and losses from the disposal of property, plant and equipment are recorded as other operating income.

Properties leased to third parties or acquired to generate income are classified as investment properties if they are held with the intention of achieving rental income and/or appreciation in value. Even substantial parts used by non-Group companies in mixed-use properties are stated separately as investment properties provided that the criterion is met that they can be let or sold separately. Investment properties are valued at fair value and the valuation results are reported as administrative expenses.

[21] Other assets

This item in the balance sheet includes assets, which when considered separately are of minor importance and cannot be allocated to any other line item in the balance sheet. Receivables are measured at amortised cost. The positive valuation effects from regular way financial instruments measured at fair value, the settlement date of which is after the reporting date, are also reported under other assets.

[22] Income taxes

Current income tax assets or liabilities are calculated at the current tax rates expected for payments to or refunds from the tax authorities.

Deferred income tax assets and liabilities are recognised for temporary differences between the estimated values of assets and liabilities in the IFRS balance sheet and the tax balance sheet. They are calculated based on the tax rate projected for the date they will be reversed. Deferred liabilities are posted for timing differences resulting in tax charges on reversal. If tax savings are projected when timing differences are settled and it is probable they will be utilised, deferred tax assets are recorded. Actual income tax assets and liabilities and deferred tax assets and liabilities are stated net without discounting. Deferred taxes on timing differences that have arisen with no effect on profit or loss are also recorded in the revaluation reserve with no impact on income.

For loss carryforwards chargeable to tax, deferred tax assets are recorded if it is probable that they will be utilised. Loss carryforwards in Germany can be carried forward for an unlimited period. Foreign loss carryforwards, which cannot be carried forward for an unlimited period, are shown by maturity. Deferred tax assets arising from timing differences and loss carryforwards are tested for impairment at each reporting date.

[23] Liabilities

Financial liabilities are accounted for in the balance sheet at amortised cost if they come under the other liabilities category. Liabilities in the fair value through profit or loss category are measured at fair value with an effect on income. The valuation guidelines indicated in note [9] apply to liabilities which have been designated as hedges in the context of hedge accounting.

[24] Provision for pensions and similar commitments

The Group offers employees various types of retirement pension benefits. These include both defined contribution plans and defined benefit plans.

For the defined contribution plans, a fixed amount is paid to an external provider (such as Sparkassen Pensionskasse, BVV and direct insurance companies). The Group does not recognise any provisions for such commitments in accordance with IAS 19.

For defined benefit plans, the scope of obligation is calculated by independent actuarial experts. In these cases, at each closing date the present value of the pension entitlements earned (defined benefit obligation) is determined using the project unit credit method. The allocation to pension provisions is already established at the start of the financial year in accordance with the expense-related approach in IAS 19. Discrepancies between the actuarial assumptions and the actual development during the year lead, just like the annual updating of the actuarial assumptions, to differences between the book value of the pension provisions (before deduction of plan assets) and the present value of the entitlements earned as at the reporting date. These so-called actuarial gains and losses are shown in the balance sheet in accordance with the corridor approach. This means that if on the reporting date, there is a difference of more than 10% between the book value of the pension provisions and the present value of the pension entitlements earned, this is amortised with an effect on income over the average residual working life of the active employees.

As well as final salary plans and general contribution schemes, the defined benefit obligations of the DekaBank Group include fund-based contribution schemes. The contributions are provided by both employer and employee and are invested in investment funds and life assurance policies. When benefits become due the employee is entitled to a contractually agreed minimum benefit or to the market value of the underlying fund units if higher, and where applicable to the benefit under the life assurance policy. The guarantee components and the variable fund components are measured separately. The level of the liability is derived from the higher value in each case. If the fund component exceeds the promised minimum benefit, this gives rise to an additional liability.

Plan assets were created for the fund-based pension commitments of the DekaBank Group in the form of a Contractual Trust Arrangement (CTA). The plan assets are held by a legally independent trustee – Deka Trust e.V. The plan assets consist primarily of fund assets and life assurance policies underlying the commitments themselves. The plan assets are measured at fair value and reduce the pension provisions shown in the balance sheet. The expected income from the plan assets is offset against the original pension expense.

Similar commitments include commitments for early retirement and transitional payments. These are also valued actuarially and provision is made in full when the commitment is made. When accounting for similar commitments, no actuarial profits or losses arise in principle and the provision shown in the accounts therefore corresponds to the present value of the commitment.

[25] Other provisions

Provisions for uncertain liabilities to third parties and imminent losses from pending business are recognised on a best estimate basis. Long-term provisions are discounted where the effect is material. Allocations and reversals are carried out via the line item in the income statement that corresponds to the provision in terms of content. Provisions for creditworthiness risks in off-balance sheet lending transactions are charged to provisions for loan losses and reversed in the same line item.

[26] Other liabilities

Other liabilities include accruals and liabilities which individually are not material and cannot be allocated to any other line item in the balance sheet. They are measured at amortised cost.

[27] Subordinated capital

Subordinated capital includes subordinated liabilities, profit-participation items and typical silent capital contributions. Silent capital contributions recognised as liable capital under supervisory law and as defined in the German Banking Act (KWG) must be shown in the balance sheet as debt in accordance with the provisions of IAS 32 as a result of the contractual termination right, regardless of the likelihood that it will be exercised. The subordinated capital is in principle shown at amortised cost. For subordinated liabilities which form part of a fair value hedge under IAS 39, the changes in fair value attributable to interest rate risks are also recognised.

[28] Atypical silent capital contributions

Atypical silent capital contributions are liable capital within the meaning of Section 10 of the German Banking Act (KWG) or equity shown in the balance sheet in accordance with German commercial law. Under IAS 32, atypical silent capital contributions are, however, to be treated as debt since atypical silent shareholders have a contractual termination right after 15 years. Under IAS 32, the possibility of termination is sufficient for classification as debt regardless of the fact that the partner who wishes to terminate has a contractual duty to give notice to the other atypical silent shareholders. From an economic viewpoint, the atypical silent capital contributions represent equity: the shareholders have a securitised residual claim embodying both a share in the loss and entitlement to a share in the hidden reserves of DekaBank.

Atypical silent capital contributions are stated in the balance sheet at nominal value. The basis for calculating the distribution to atypical silent shareholders is DekaBank's net income for the year under commercial law plus certain taxes that can be withdrawn. The distribution is disclosed as a separate item – interest expenses for atypical silent capital contributions – below net income before tax.

[29] Equity

Subscribed capital is the capital paid in by shareholders in accordance with the Articles of Association. Capital reserves include premiums from the issue of shares in the company in accordance with the provisions of the Articles of Association.

Reserves from retained earnings are broken down into statutory reserves, reserves required under the Articles of Association and other reserves. Other reserves from retained earnings include retained profits from previous years. In addition, the effects of applying IFRS for the first time, with the exception of valuation effects for available for sale financial instruments, are stated in other reserves from retained earnings.

Fair value valuation effects on available for sale financial instruments are stated in the revaluation reserve, after taking account of the applicable deferred taxes. Gains or losses are not recorded in the income statement until the asset is sold or written down due to impairment.

Minority interests are shown as a separate item under equity.

Notes to the statement of comprehensive income

[30] Net interest income

In addition to interest income and expenses, this item includes prorated reversals of premiums and discounts from financial instruments. Net interest income from items in the trading book allocated to the held for trading category 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 shareholders are reported in interest expenses.

€m	2007	2006	Change
Interest income from			
Lending and money market transactions	2,567.6	2,409.1	158.5
Interest-rate derivatives (economic hedges)	301.3	296.9	4.4
Fixed-interest securities and debt register claims	741.8	946.1	– 204.3
Hedging derivatives (hedge accounting)	17.7	74.5	– 56.8
Current income from			
Shares and other non fixed-interest securities	76.1	197.7	–121.6
Equity investments	2.1	1.8	0.3
Interests in associated companies	0.1	–	0.1
Result from leasing business	1.9	2.2	– 0.3
Total interest income	**3,708.7**	**3,928.3**	**– 219.6**
Interest expenses for			
Liabilities	1,813.6	1,905.1	– 91.5
Interest-rate derivatives (economic hedges)	251.5	370.5	–119.0
Hedging derivatives (hedge accounting)	12.2	10.7	1.5
Securitised liabilities	1,304.0	1,263.3	40.7
Subordinated capital	60.4	58.9	1.5
Typical silent capital contributions	64.0	64.0	–
Total interest expenses	**3,505.7**	**3,672.5**	**–166.8**
Net interest income	**203.0**	**255.8**	**– 52.8**

The profit from the disposal of receivables amounting to €+13.3m (previous year: €+ 24.1m) is reported under interest income from lending and money market transactions.

In the reporting year, interest amounting to €6.9m (previous year: €8.3m) was collected on impaired loans. In the DekaBank Group, loans are designated non-performing loans if they have been made interest-free, the interest and/or capital payments are at least 90 days overdue or they refer to non-performing loans in the process of restructuring. The total amount of non-performing loans as at the reporting date amounts to €57.9m (previous year: €70.9m).

Overall, interest income of €2,550.4m (previous year: €2,385.1m) and interest expenses of €2,998.4m (previous year: €3,032.2m) were reported for financial assets and liabilities not measured at fair value.

[31] Provisions for loan losses

The breakdown of provisions for loan losses in the income statement is as follows:

€m	2007	2006	Change
Allocations to provisions for loan losses	–17.2	– 42.8	25.6
Direct write-downs on receivables	–1.3	– 0.1	–1.2
Reversals from provisions for loan losses	50.3	44.3	6.0
Income on written-down receivables	0.1	0.8	– 0.7
Provisions for loan losses	**31.9**	**2.2**	**29.7**

[32] Net commission income

€m	2007	2006	Change
Commission income from			
Investment fund business	2,487.8	2,217.0	270.8
Securities business	152.0	122.8	29.2
Lending business	28.1	14.7	13.4
Other	49.6	41.8	7.8
Total commission income	**2,717.5**	**2,396.3**	**321.2**
Commission expenses for			
Investment fund business	1,705.5	1,485.3	220.2
Securities business	22.4	23.7	– 1.3
Lending business	3.3	2.5	0.8
Other	1.8	1.6	0.2
Total commission expenses	**1,733.0**	**1,513.1**	**219.9**
Net commission income	**984.5**	**883.2**	**101.3**

[33] 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. Valuation results are essentially determined based on market prices. If no market prices are available, the market values are calculated based on current market data using standard valuation methods. Net interest income from derivative and non-derivative financial instruments for trading positions, together with related refinancing expenses are also reported under this item. In addition, the result from currency translation of foreign currency items is shown in trading profit or loss.

€m	2007	2006	Change
Sale/valuation result of interest-rate sensitive products	–3.8	3.1	–6.9
Sale/valuation result of equity price sensitive products	–63.9	37.5	–101.4
Foreign exchange profit or loss	7.7	7.6	0.1
Net interest income on non-derivative financial instruments	–2.6	81.3	–83.9
Current income on non-derivative financial instruments	561.3	97.8	463.5
Net interest income on derivatives (trading)	–6.9	–14.1	7.2
Net interest income and current income from trading transactions	551.8	165.0	386.8
Refinancing expenses	–395.0	–145.4	–249.6
Commission on trading transactions	–2.1	–3.2	1.1
Total	**94.7**	**64.6**	**30.1**

Profits and losses on derivatives in the banking book are no longer reported in trading profit or loss. They are to be seen in direct connection with the financial instruments in the designated at fair value category and are therefore reported in profit or loss on financial instruments designated at fair value. The previous year's result of €404.2m was adjusted accordingly. Refinancing expenses arose primarily from interest on holdings at the overnight rate.

Valuation results of €+254.4m (previous year: €–7.4m) included in trading profit or loss were determined using valuation models.

[34] Profit or loss on financial instruments designated at fair value

The item includes profit or loss on financial instruments allocated to the designated at fair value sub-category as well as the profit or loss on derivatives in the banking book. The valuation results are determined in principle using market prices. If no market prices are available, the market values are calculated based on current market data using standard valuation models.

€m	2007	2006	Change
Net income from sale	3.2	–185.1	188.3
Valuation result	–248.6	143.1	–391.7
Foreign exchange profit or loss	–9.5	–5.4	–4.1
Total	**–254.9**	**–47.4**	**–207.5**

The negative valuation result is due in particular to the considerable widening of credit spreads for interest-rate sensitive products.

The valuation result includes net income for the following line items of €18.3m (previous year: €– 9.6m) from creditworthiness-related changes in value:

€m	2007	2006	Change
Loans and receivables in the designated at fair value category	– 0.1	– 0.1	–
Liabilities in the designated at fair value category	18.4	– 9.5	27.9
Total	**18.3**	**– 9.6**	**27.9**

The creditworthiness-related changes in value were calculated as the difference between the result based on a full fair value valuation and the result from a valuation based on swap rates of the corresponding issue currency.

The profit or loss on financial instruments in the designated at fair value category includes negative valuation results of €135.3m (previous year: €+ 425.0m), which were determined using valuation models.

[35] Profit or loss from fair value hedges in accordance with IAS 39

Changes in value in the underlying transactions to which the hedged risk relates, together with the fair value changes in the hedges, are reported as profit or loss from fair value hedges in accordance with IAS 39. The profit or loss from these hedges is composed as follows:

€m	2007	2006	Change
Valuation result from hedged underlying transactions	132.8	298.2	–165.4
Valuation result from hedging derivatives	–130.8	– 294.9	164.1
Total	**2.0**	**3.3**	**–1.3**

The profit or loss from fair value hedges in accordance with IAS 39 was determined in full on the basis of valuation models.

[36] Profit or loss on financial investments

Profit or loss on financial investments includes sale or creditworthiness-related valuation results on available for sale securities as well as equity interests and holdings in non-consolidated companies and investments accounted for using the equity method:

€m	2007	2006	Change
Net income from sale of			
Securities in the available for sale category	1.7	–1.0	2.7
Equity interests	–	0.5	–0.5
Shares in affiliated companies	0.1	–2.1	2.2
Net income from sale of financial assets	**1.8**	**–2.6**	**4.4**
Net income from investments accounted for using the equity method	**–7.2**	**–0.5**	**–6.7**
Total	**–5.4**	**–3.1**	**–2.3**

Based on the current earnings forecast, DekaBank's equity interest in the S PensionsManagement Group produces a prorated negative result of €1.7m. In addition, the difference between the projected and actual result for 2006 of €0.2m and the elimination of the prorated interim result from a downstream transaction of €2.9m was recorded in the income statement as an expense. Overall, the negative result from the equity investment in S PensionsManagement-Konzern stands at €4.8m. A positive result of €2.4m was achieved in 2006.

For S Broker AG & Co. KG, a prorated negative result of €2.4m (previous year: €–2.9m) was attributable to DekaBank for financial year 2007.

[37] Administrative expenses

Administrative expenses comprise personnel expenses, other administrative expenses and depreciation. The breakdown of the respective items is as follows:

€m	2007	2006	Change
Personnel expenses			
Wages and salaries	267.4	242.4	25.0
Social security contributions	30.6	31.7	–1.1
Allocation to/reversal of provisions for pensions and similar commitments	28.2	23.7	4.5
Expenses for defined contribution plans	2.8	1.7	1.1
Other expenses for retirement pensions and benefits	0.9	2.0	–1.1
Total personnel expenses	**329.9**	**301.5**	**28.4**
Other administrative expenses			
Marketing and sales expenses	53.8	58.4	–4.6
Computer equipment and machinery	57.2	53.8	3.4
Consultancy expenses	87.6	78.2	9.4
Costs of premises	49.7	52.8	–3.1
Postage/telephone/office supplies as well as IT information services	35.6	31.9	3.7
Other administrative expenses	57.8	50.6	7.2
Total other administrative expenses	**341.7**	**325.7**	**16.0**
Depreciation of property, plant and equipment	9.6	13.6	–4.0
Amortisation of intangible assets	10.9	9.4	1.5
Impairment of property, plant and equipment	–	54.7	–54.7
Write-ups to property, plant and equipment	–	5.0	–5.0
Total	**692.1**	**699.9**	**–7.8**

Other administrative expenses include in particular expenses for training and continuous professional development, travel costs, the costs of preparing the annual financial statements and auditors' fees as well as membership subscriptions to various organisations.

Administrative expenses include payments on non-cancellable operating leases where DekaBank is the lessee. The following minimum lease payments are payable under these leases in the next few years:

€m	31.12.2007	31.12.2006	Change
Up to 1 year	3.9	4.4	–0.5
Between 1 and 5 years	4.1	8.0	–3.9

[38] Other operating income

The breakdown in other operating income is as follows:

€m	2007	2006	Change
Income from restructuring			
Reversal of provisions for restructuring	–	12.5	–12.5
Restructuring expenses	7.4	143.6	–136.2
Disposal of investment property	–	97.2	–97.2
Income from restructuring	**–7.4**	**–33.9**	**26.5**
Income from repurchased debt instruments	**3.4**	**–3.5**	**6.9**
Other operating income			
Rental and lease income (operating lease)[1]	5.8	26.8	–21.0
Reversal of other provisions	0.2	1.0	–0.8
Disposal of investment property	–	25.6	–25.6
Other income	195.2	9.0	186.2
Total other operating income	**201.2**	**62.4**	**138.8**
Other operating expenses			
Other taxes	0.1	–1.0	1.1
VAT from provision of intra-group services	10.6	11.7	–1.1
Other expenses	26.4	25.9	0.5
Total other operating expenses	**37.1**	**36.6**	**0.5**
Total	**160.1**	**–11.6**	**171.7**

[1] DekaBank is lessor.

Other income stems essentially from the sale of the Trianon complex in Frankfurt/Main on 30 June 2007 (note [48]).

The repurchase of the Bank's own registered and bearer bonds as well as promissory note loans raised led to a reduction in the liability (net result). The repurchase of debt instruments is associated with the realisation of a profit or loss in the amount of the difference between the repurchase price and the book price.

[39] Income taxes

This item includes all domestic and foreign taxes determined on the basis of the net income for the year. Income tax expenses comprise the following:

€m	2007	2006	Change
Current tax expense	104.1	75.9	28.2
Deferred taxes	–7.0	26.5	–33.5
Total	**97.1**	**102.4**	**–5.3**

The rate of tax that applies in Germany comprises the applicable corporation tax rate of 25% plus the solidarity surcharge of 5.5% and the respective rate of trade tax. As trade tax can be deducted when determining corporation tax and DekaBank is treated for tax purposes as an atypical silent partner, this results for the companies in the DekaBank fiscal group in a combined tax rate for the valuation of deferred taxes of 32.42% (previous year: 33.06%). This tax rate is assumed as the expected tax rate in the reconciliation statement below. The change in the anticipated tax rate compared to the previous year is due to the cut in trade tax for the city of Frankfurt from 490% to 460%.

As a result of the 2008 Corporate Tax Reform Act, the corporation tax rate is being lowered from 25% to 15% and the trade tax from 5% to 3.5%. At the same time, the deductibility of trade tax as an operating expense has been abolished. For the companies in the DekaBank fiscal group, this produces a new combined rate of 26.21%, which is already applicable for the measurement of deferred taxes in financial year 2007. Following the 2008 corporate tax reform, the other domestic companies determine their deferred taxes at a new tax rate of around 32% (previous year: approximately 40%).

The foreign companies determine deferred taxes using the respective tax rate for the country in question. The tax rate remains unchanged at 29.63% for the DekaBank Luxembourg fiscal group.

The following statement reconciles the net income before tax with the tax expense:

€m	**2007**	**2006**	**Change**
IFRS-net income before tax	523.8	447.1	76.7
x Income tax rate	32.42%	33.06%	
= Anticipated income tax expense in financial year	**169.8**	**147.8**	**22.0**
Increase from taxes on non-deductible expenses	13.9	14.2	–0.3
Decrease from taxes on tax-exempt income	98.5	53.3	45.2
Effects of differing effective tax rates	–14.4	–10.8	–3.6
Effects of changes in tax rates	12.5	–	12.5
Tax effects from past periods	7.3	–0.6	7.9
Tax on joint ventures/partnerships	–0.4	–0.4	–
Tax effect of special funds	2.3	3.1	–0.8
Withholding tax	1.1	1.6	–0.5
Tax effect of equity valuation	0.8	0.1	0.7
Other	2.7	0.7	2.0
Tax expenses according to IFRS	**97.1**	**102.4**	**–5.3**

The tax-exempt income stems from the sale of the Trianon complex as well as dividends received and the sale of shares allocated to the investment book and other non fixed-interest securities.

The adjustment of deferred taxes as a result of the 2008 Corporate Tax Reform Act is reported under effects of changes in tax rates.

Notes to the consolidated balance sheet

[40] Cash reserves

The breakdown in cash reserves is as follows:

€m	31.12.2007	31.12.2006	Change
Cash on hand	3.6	3.5	0.1
Balances with central banks	780.2	252.5	527.7
Balance with post office banks	0.1	0.3	– 0.2
Total	**783.9**	**256.3**	**527.6**

The balances with central banks include balances in the Deutsche Bundesbank of €772.7m (previous year: €242.9m). The required minimum reserve was constantly maintained in the reporting year and amounted to €139.2m (previous year: €174.5m) at the year-end.

[41] Due from banks

€m	31.12.2007	31.12.2006	Change
Domestic banks	35,595.9	38,749.0	– 3,153.1
Foreign banks	10,384.9	7,676.4	2,708.5
Due from banks before risk provision	**45,980.8**	**46,425.4**	**– 444.6**
Provision for loan losses	– 0.2	–1.1	0.9
Total	**45,980.6**	**46,424.3**	**– 443.7**

DekaBank paid €17.4bn (previous year: €8.2bn) for genuine repurchase agreements as pledgee.

[42] Due from customers

€m	31.12.2007	31.12.2006	Change
Domestic borrowers	11,285.0	14,146.7	– 2,861.7
Foreign borrowers	13,536.4	8,295.4	5,241.0
Due from customers before risk provision	**24,821.4**	**22,442.1**	**2,379.3**
Provisions for loan losses	–118.3	–179.0	60.7
Total	**24,703.1**	**22,263.1**	**2,440.0**

Amounts due from customers with an unlimited term stand at €1.7bn (previous year: €3.1bn). DekaBank paid €6.4bn (previous year: €3.2bn) for genuine repurchase agreements as pledgee.

For the receivables under finance lease agreements included in this line item, the following statement reconciles the gross investment to the present value of the minimum lease payments:

€m	31.12.2007	31.12.2006	Change
Outstanding minimum lease payments	33.9	37.3	–3.4
+ Non-guaranteed residual values	–	–	–
= Gross investment	**33.9**	**37.3**	**–3.4**
./. Unrealised financial income	1.0	2.9	–1.9
= Net investment	**32.9**	**34.4**	**–1.5**
./. Present value of non-guaranteed residual values	–	–	–
= Present value of minimum lease payments	**32.9**	**34.4**	**–1.5**

The following table shows the maturities of gross investments and the present value of the outstanding minimum lease payments:

€m	31.12.2007	31.12.2006	Change
Maturity of total gross investment			
Up to 1 year	33.9	3.4	30.5
Between 1 and 5 years	–	33.9	–33.9
Maturity of present value of minimum lease payments			
Up to 1 year	32.9	1.5	31.4
Between 1 and 5 years	–	32.9	–32.9

[43] Provisions for loan losses

Default risks in the lending business are recognised through the creation of specific and portfolio valuation allowances and the recognition of provisions for off-balance sheet liabilities. The portfolio valuation allowances 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. Account is taken of the transfer risk through the recognition of portfolio valuation adjustments for country risks.

€m	31.12.2007	31.12.2006	Change
Provisions for loan losses – due from banks			
Portfolio valuation allowances for creditworthiness risks	0.2	1.1	–0.9
Provisions for loan losses – due from customers			
Specific valuation allowances	35.3	106.7	–71.4
Portfolio valuation allowances for country risks	20.0	20.0	–
Portfolio valuation risks for creditworthiness risks	63.0	52.3	10.7
Total	**118.5**	**180.1**	**–61.6**

As at the reporting date, the total amount of non-performing loans stood at €57.9m (previous year: €70.9m). Provisions for loan losses amounting to €29.7m (previous year: €53.2m) were recognised for these loans.

The following table shows the movement in provisions for loan losses:

€m	Opening balance 01.01.	Alloca-tions	Utilisation	Reversals	Currency effects	Closing balance 31.12.
Provisions for loan losses – due from banks						
Portfolio valuation allowances for creditworthiness risks	1.1	–	–	0.9	–	0.2
Provisions for loan losses – due from customers						
Specific valuation allowances	106.6	1.5	29.6	40.5	–2.7	35.3
Portfolio valuation allowances for country risks	20.0	2.6	–	0.6	–2.0	20.0
Portfolio valuation allowances for creditworthiness risks	52.3	13.0	–	2.3	–	63.0
Total	**178.9**	**17.1**	**29.6**	**43.4**	**–4.7**	**118.3**
Provisions for credit risks						
Specific risks	21.0	0.1	1.7	6.0	–1.2	12.2
Total	**201.0**	**17.2**	**31.3**	**50.3**	**–5.9**	**130.7**
Of which construction	53.0	10.1	3.8	25.0	–	34.3
Of which transportation	60.3	3.5	8.8	16.4	–4.4	34.2

Key ratios for provisions for loan losses:

%	2007	2006
Reversal ratio as at reporting date (Quotient from net allocation and lending volume)	0.06	–
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.07	0.10
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.11	0.10
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	0.26	0.35

The above key ratios are based on the following lending volume:

€m	31.12.2007	31.12.2006
Due from banks[1]	26,656.9	30,907.9
Due from customers[1]	17,891.0	18,985.5
Contingent liabilities	1,787.4	2,246.9
Irrevocable lending commitments	2,458.5	2,324.2
Total	**48,793.8**	**54,464.5**

[1] Excluding money transactions

Provisions for loan losses by customer group:

	Valuation allowances and provisions[1] for loan losses		Loan defaults[2]	Net allocations to[3]/ reversals of valuation allowances and provisions for loan losses 2007
€m	2007	2006	2007	2007
Customers[4]				
Construction	34.3	53.0	5.1	14.9
Transportation	34.2	60.3	8.8	12.9
Services	15.5	23.2	–0.1	7.7
Trade	9.4	10.5	–	1.1
Metal production/machine construction	8.4	8.0	–	–0.4
Utilities energy/water	3.8	3.4	–	–0.4
Telecommunications	3.2	3.0	–	–0.2
Financial institutions/insurance companies	2.0	1.0	–	–0.9
Public sector	0.1	0.1	–	–
Other companies/private households	19.6	37.4	18.7	–2.4
Total customers	**130.5**	**199.9**	**32.5**	**32.3**
Banks	**0.2**	**1.1**	**–**	**0.8**
Total	**130.7**	**201.0**	**32.5**	**33.1**

1) Deductible and non-deductible provisions for loan losses

2) Payments received on written-down receivables – negative in the column

3) Negative in the column

4) Allocation to industries based on economic criteria

[44] Financial assets at fair value through profit or loss

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

€m	31.12.2007	31.12.2006	Change
Held for trading			
Promissory note loans	157.7	2.7	155.0
Money market securities	49.8	–	49.8
Bonds and debt securities	8,886.4	6,971.5	1,914.9
Shares	1,498.8	527.5	971.3
Investment fund units	196.8	289.9	– 93.1
Other non fixed-interest securities	18.4	17.4	1.0
Positive market values from derivative financial instruments (trading)	2,524.3	820.9	1,703.4
Other trading assets	3.9	–	3.9
Total – held for trading	**13,336.1**	**8,629.9**	**4,706.2**
Designated at fair value			
Promissory note loans	155.3	155.7	– 0.4
Money market securities	50.4	–	50.4
Bonds and debt securities	15,606.0	19,884.4	– 4,278.4
Shares	344.0	375.7	– 31.7
Investment fund units	2,731.4	2,540.4	191.0
Participating certificates	11.7	12.2	– 0.5
Other non fixed-interest securities	21.4	17.7	3.7
Positive market values from derivative financial instruments (economic hedges)	1,372.4	1,053.3	319.1
Total – designated at fair value	**20,292.6**	**24,039.4**	**– 3,746.8**
Total	**33,628.7**	**32,669.3**	**959.4**

Overall, the DekaBank Group held securitised products such as asset backed securities (ABS), mortgage backed securities (MBS) and collateralised debt obligations (CDO) with a fair value of €3.6bn as at the reporting date.

Loans and receivables in the designated at fair value category include cumulative creditworthiness-related value adjustments of €– 0.1m (previous year: €– 0.1m).

The bonds and other fixed-interest securities as well as shares and other non fixed-interest securities measured at fair value include the following listed paper:

€m	31.12.2007	31.12.2006	Change
Bonds and other fixed-interest securities	22,498.9	25,412.6	– 2,913.7
Shares and other non fixed-interest securities	1,887.6	1,192.3	695.3

[45] Positive market values from derivative hedging instruments

The positive market values from derivative hedging instruments which meet the criteria for hedge accounting in accordance with IAS 39, break down according to underlying hedged transaction as follows:

€m	31.12.2007	31.12.2006	Change
Assets			
Due from banks			
Loans and receivables category	8.6	7.8	0.8
Due from customers			
Loans and receivables category	7.0	8.1	–1.1
Liabilities			
Due to banks	–	0.5	–0.5
Due to customers	0.3	27.8	–27.5
Securitised liabilities	11.7	23.2	–11.5
Subordinated capital	–	3.6	–3.6
Total	**27.6**	**71.0**	**–43.4**

Only interest rate swaps were designated as hedging instruments.

[46] Financial investments

€m	31.12.2007	31.12.2006	Change
Bonds and other fixed-interest securities			
Money market securities			
From public sector issuers	–	–	–
From other issuers	–	124.8	–124.8
Bonds and debt securities			
From public sector issuers	82.3	121.2	–38.9
From other issues	419.8	1,717.7	–1,297.9
Shares and other non fixed-interest securities	12.0	13.8	–1.8
Equity investments	22.0	19.6	2.4
Shares in affiliated, non-consolidated companies	11.4	1.1	10.3
Shares in associated companies, not valued at equity	0.3	0.3	–
Shares in companies valued at equity	57.9	48.1	9.8
Total	**605.7**	**2,046.6**	**–1,440.9**

Shares in affiliated companies, like equity investments, are stated at cost. No sale of these assets is currently intended.

Of the financial investments, the following are marketable and listed:

€m	31.12.2007	31.12.2006	Change
Bonds and other fixed-interest securities	505.9	1,841.9	–1,336.0
Shares and other non fixed-interest securities	11.3	9.8	1.5

The following table shows the movement in long-term financial investments during the reporting year:

	Historical cost	Additions	Disposals	Change in scope of conso-lidation	Depreciation		Book value	
					Cumulative	2007	2007	2006
€m								
Equity investments	19.6	2.5	0.1	–	–	–	22.0	19.6
Shares in affiliated companies	1.2	10.3	–	–	0.1	–	11.4	1.1
Shares in associated companies	0.3	–	–	–	–	–	0.3	0.3
Shares in companies valued at equity	103.1	17.0	–	–	62.2	7.2	57.9	48.1
Total	**124.2**	**29.8**	**0.1**	**–**	**62.3**	**7.2**	**91.6**	**69.1**

There are no officially listed market prices for the companies valued at equity. There were no signs of impairment during the financial year.

The following table provides summary financial information on S Broker AG & Co. KG:

€m	31.12.2007	31.12.2006	Change
Assets	203.9	195.9	8.0
Liabilities	165.4	149.9	15.5
Equity	38.5	46.0	–7.5
Net income for the period	–7.5	–9.3	1.8

[47] Intangible assets

€m	31.12.2007	31.12.2006	Change
Purchased goodwill	**118.6**	**118.6**	**–**
Software			
Purchased	12.4	9.9	2.5
Developed in-house	9.7	7.9	1.8
Total software	**22.1**	**17.8**	**4.3**
Total	**140.7**	**136.4**	**4.3**

The goodwill shown refers in full to the equity investment in WestInvest Gesellschaft für Investmentfonds mbH. The DekaBank Group's holding in the capital of the company amounts in total to 99.74%. The goodwill is allocated to the Asset Management Property segment as a cash-generating unit.

In 2007, an impairment test was performed on goodwill. The recoverable amount of the cash-generating unit was determined on the basis of the value in use. The expected cash flows were calculated for a three year period on the basis of internal forecasts and empirical values; in addition, an annuity corresponding to the forecast for 2010 has been taken into account. This is discounted at a capitalisation rate of 8.87%. The internal valuation report in 2007 did not ascertain any signs of an impairment of the goodwill.

The following tables shows the movement in intangible assets:

	Historical cost	Additions	Disposals	Depreciation		Currency	Book value	
				Cumulative	2007	translation	2007	2006
€m								
Purchased goodwill	**143.6**	**–**	**–**	**25.0**	**–**	**–**	**118.6**	**118.6**
Software								
Purchased	66.9	7.9	2.9	59.3	5.3	–0.2	12.4	9.9
Developed in-house	35.3	7.4	–	33.0	5.7	–	9.7	7.9
Total software	**102.2**	**15.3**	**2.9**	**92.3**	**11.0**	**–0.2**	**22.1**	**17.8**
Total	**245.8**	**15.3**	**2.9**	**117.3**	**11.0**	**–0.2**	**140.7**	**136.4**

The additions under purchased software include advance payments of €1.7m.

[48] Property, plant and equipment

€m	31.12.2007	31.12.2006	Change
Land and buildings	15.9	292.9	–277.0
Plant and equipment	14.8	16.3	–1.5
Technical equipment and machines	4.6	5.8	–1.2
Investment property	–	172.0	–172.0
Total	**35.3**	**487.0**	**–451.7**

The disposal of the holding in Geschäftshaus am Gendarmenmarkt GmbH as at 30 June 2007, through which the office building on Mainzer Landstraße 16, Frankfurt/Main, (Trianon complex) was held, led to a considerable reduction in property, plant and equipment. The sale led to a reduction in land and buildings for the portion of the property used by the Bank and in investment property for the part of the Trianon complex used by third parties.

The movement in property, plant and equipment in the DekaBank Group in financial year 2007 was as follows:

	Historical cost	Additions	Disposals	Reclassi-fications	Depreciation Cumulative	Depreciation 2007	Currency translation	Book value 2007	Book value 2006
€m									
Land and buildings	400.1	–	372.1	–	12.1	3.3	–	15.9	292.9
Plant and equipment	42.1	2.7	1.7	–1.4	26.7	3.6	–0.2	14.8	16.3
Technical equipment and machines	58.6	1.3	2.0	1.4	54.6	2.7	–0.1	4.6	5.8
Investment property	265.8	–	265.8	–	–	–	–	–	172.0
Total	**766.6**	**4.0**	**641.6**	**–**	**93.4**	**9.6**	**–0.3**	**35.3**	**487.0**

The additions under plant and equipment include advance payments of €0.3m.

[49] Income tax assets

€m	31.12.2007	31.12.2006	Change
Current income tax assets	171.9	97.4	74.5
Deferred income tax assets	78.4	163.9	–85.5
Total	**250.3**	**261.3**	**–11.0**

The deferred income tax assets represent the potential income tax relief from temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax balance sheet.

Deferred tax assets were recognised in relation to the following line items in the balance sheet:

€m	31.12.2007	31.12.2006	Change
Assets			
Financial assets at fair value	53.4	73.3	–19.9
Financial investments	22.9	76.4	–53.5
Property, plant and equipment	–	21.1	–21.1
Other assets	5.1	0.2	4.9
Liabilities			
Securitised liabilities	8.6	33.0	–24.4
Financial liabilities at fair value	474.9	386.7	88.2
Negative market values from derivative hedging instruments	43.8	23.8	20.0
Provisions	22.4	47.2	–24.8
Other liabilities	–	4.9	–4.9
Subordinated capital	–	3.3	–3.3
Loss carryforwards	**41.3**	**18.5**	**22.8**
Sub-total	**672.4**	**688.4**	**–16.0**
Netting	–594.0	–524.5	–69.5
Total	**78.4**	**163.9**	**–85.5**

The deferred tax assets include €78.3m (previous year: €163.2m) which are medium or long-term in nature. At the reporting date, there were no further temporary differences, loss carryforwards or tax credits for which deferred tax assets had not been recorded.

The netting of deferred tax assets and liabilities refers mainly to short-term deferred taxes as a result of temporary differences relating to financial assets and liabilities at fair value as well as positive and negative market values from derivative hedging instruments.

Deferred income tax assets, which are offset directly against equity as a result of the revaluation of receivables and financial assets in the available for sale category, amounted to €0.8m (previous year: €1.0m) as at the reporting date.

[50] Other assets

€m	31.12.2007	31.12.2006	Change
Amounts due from non-banking business	15.6	5.0	10.6
Amounts due or refunds from other taxes	42.9	23.5	19.4
Management fees chargeable to the investment funds	82.6	70.0	12.6
Other assets	169.7	200.5	– 30.8
Prepaid expenses	15.5	13.8	1.7
Total	**326.3**	**312.8**	**13.5**

Other assets include the share of the distribution of Deka-ImmobilienFonds for 2007 accruing to DekaBank amounting to €30.8m (previous year: €125.7m), amounts due from custodial account holders of €13.0m (previous year: €16.3m) and €56.3m (previous year: €16.6m) of overpaid profit shares of the atypical silent partners from the application of the taxes already withheld by DekaBank for the benefit of the partners.

[51] Subordinated assets

Assets are considered subordinate if in the event of liquidation or insolvency of the debtor they may only be satisfied after the claims of other creditors. Subordinated assets are included in the following balance sheet items:

€m	31.12.2007	31.12.2006	Change
Financial assets at fair value			
Bonds and debt securities	26.6	44.5	–17.9
Shares and other non fixed-interest securities	11.8	12.2	– 0.4
Total	**38.4**	**56.7**	**–18.3**

[52] Due to banks

€m	31.12.2007	31.12.2006	Change
Domestic banks	20,200.4	25,283.8	– 5,083.4
Foreign banks	5,159.6	5,853.8	– 694.2
Total	**25,360.0**	**31,137.6**	**– 5,777.6**

Amounts due to banks include payments received from genuine repurchase agreements amounting to €5.1bn (previous year: € 9.2bn)

[53] Due to customers

€m	31.12.2007	31.12.2006	Change
Domestic customers	19,724.8	21,043.0	–1,318.2
Foreign customers	6,886.0	4,940.9	1,945.1
Total	**26,610.8**	**25,983.9**	**626.9**

This item also included payments received from genuine repurchase agreements amounting to €221.9m (previous year: €298.4m).

[54] Securitised liabilities

The securitised liabilities include bonds and other liabilities, for which transferable certificates are issued. Under IAS 39, the own bonds held in the Group in the nominal amount of €1.8bn (previous year: €3.7bn) were deducted from the issued bonds.

€m	31.12.2007	31.12.2006	Change
Bonds issued	29,367.6	32,003.3	–2,635.7
Money market securities issued	378.9	335.9	43.0
Total	**29,746.5**	**32,339.2**	**–2,592.7**

[55] 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. Delivery commitments arising from short sales of securities are also reported in this item.

€m	31.12.2007	31.12.2006	Change
Held for trading			
Trading issues	758.5	277.6	480.9
Delivery commitments arising from short sales of securities	6,322.7	776.1	5,546.6
Negative market values from derivative financial instruments (trading)	3,614.0	917.4	2,696.6
Other financial liabilities at fair value (trading)	3.9	–	3.9
Total – held for trading	**10,699.1**	**1,971.1**	**8,728.0**
Designated at fair value			
Issues	5,913.5	6,136.4	–222.9
Negative market values from derivative financial instruments (economic hedges)	1,180.1	889.0	291.1
Total – designated at fair value	**7,093.6**	**7,025.4**	**68.2**
Total	**17,792.7**	**8,996.5**	**8,796.2**

The issues in the designated at fair value category include cumulative creditworthiness-related changes in value amounting to €–1.0m (previous year: €–19.7m).

The book value of liabilities allocated to the designated at fair value category exceeds their repayment amount by €22.9m (previous year: €24.9m).

[56] Negative market values from derivative hedging instruments

The negative market values from hedging instruments which meet the criteria for hedge accounting in accordance with IAS 39 are shown below by hedged underlying transaction:

€m	31.12.2007	31.12.2006	Change
Assets			
Due from banks			
Loans and receivables category	2.6	13.4	–10.8
Due from customers			
Loans and receivables category	12.2	15.3	–3.1
Liabilities			
Due to banks	30.8	7.0	23.8
Due to customers	93.7	44.6	49.1
Securitised liabilities	18.5	8.2	10.3
Subordinated capital	6.5	–	6.5
Total	**164.3**	**88.5**	**75.8**

[57] Provisions for pensions and similar commitments

The following table shows the movement in provisions:

€m	Opening balance 01.01.	Additions	Utilisation	Reversals	Reclassi-fications	Change in plan assets	Closing balance 31.12.
Provisions for pensions	218.2	26.9	7.7	0.7	1.3	–7.5	230.5
Provisions for similar commitments	10.5	2.0	4.1	–	8.6	–	17.0
Total	**228.7**	**28.9**	**11.8**	**0.7**	**9.9**	**–7.5**	**247.5**

This includes provisions for defined benefit obligations and breaks down as follows:

€m	31.12.2007	31.12.2006	31.12.2005
Unfunded defined benefit obligations	240.2	255.1	239.5
Fully or partially funded defined benefit obligations	33.5	27.5	17.9
Fair value of plan assets as at reporting date	–32.3	–26.5	–15.2
Total commitment	**241.4**	**256.1**	**242.2**
Actuarial net gains and losses not reported in the balance sheet	6.1	–27.4	–19.6
Of which experience-based adjustments to the value of the pension commitments as at the reporting date	5.6	–15.5	
Of which experience-based adjustments to the expected return on the plan assets as at the reporting date	–3.5	0.6	
Pension provisions recognised	**247.5**	**228.7**	**222.6**

The change in actuarial gains and losses from €–27.4m in 2006 to €6.1m as at 31 December 2007 is essentially due to the different discounting factor used to calculate the present value of the pension commitments. The calculatory interest rate was raised from 4.5% in 2006 to 5.25% in line with the regulations under IAS 19.

The allocation to provisions for pensions and similar commitments reported in administrative expenses comprises the following:

€m	31.12.2007	31.12.2006	Change
Current service cost	15.2	12.8	2.4
Interest expenses	11.8	10.3	1.5
Change – additional liability	0.8	0.7	0.1
Actuarial gains and losses	0.6	0.1	0.5
Expected return on the plan assets	–1.8	–1.1	–0.7
Additional service cost	0.3	–	0.3
Impact of plan reductions and settlements	–0.7	–	–0.7
Allocation to provisions for pensions	**26.2**	**22.8**	**3.4**
Allocation to similar commitments	2.0	0.9	1.1
Total	**28.2**	**23.7**	**4.5**

The defined benefit obligations were calculated using the Heubeck mortality tables 2005 G based on the following actuarial parameters:

%	31.12.2007	31.12.2006	Change
Discount rate to calculate present value	5.25	4.50	0.75
Pension trend for adjustments according to Section 16 (2) Company Pension Funds Act (BetrAVG)[1)]	2.00	1.75	0.25
Pension adjustment with overall trend updating[1)]	3.00	3.00	–
Salary trend[1)]	2.50	2.50	–

[1)] Not relevant for the valuation of the fund-based commitments as these are not dependent on the final salary

For the forfeitable projected benefits, an average probable staff turnover rate of 3.11% is also used in the calculation.

As in the previous year, the discount factor for similar commitments was 2.0%. This rate takes account of the shorter time to maturity compared to pension commitments as well as the rate of adjustment in early retirement and transitional payments not shown separately.

The movement in defined benefit obligations is as follows:

€m	2007	2006	Change
Defined benefit obligations as at 1 January	**282.6**	**257.4**	**25.2**
Current service cost	15.2	12.8	2.4
Interest expenses	11.8	10.3	1.5
Allocation to similar commitments	2.0	0.9	1.1
Change in additional liability from fund-based commitments	0.8	2.8	–2.0
Change in commitments	–26.5	6.4	–32.9
Additional service cost	0.4	–	0.4
Impact of plan reductions and settlements	–0.7	–	–0.7
Other changes	–	1.8	–1.8
Utilisation	–11.8	–9.8	–2.0
Defined benefit obligations as at 31 December	**273.8**	**282.6**	**–8.8**

As at the reporting date, plan assets were in place exclusively for fund-based commitments and are invested in compliance with the requirements of the relevant pension plan. The plan assets are composed as follows:

€m	31.12.2007	Expected yield 2007	31.12.2006	Expected yield 2006
Deka-bAV Fonds	30.0	8.00%	24.7	8.00%
Deka-Renten: Euro 1–3 (A)	0.1	2.50%	0.1	1.50%
Premium balance from life assurance policies	2.2	–10.50%	1.7	–10.50%
Total	**32.3**		**26.5**	

Deka-bAV Fonds is an equity fund that invests worldwide. The bond fund Deka-Renten: Euro 1-3 (A) is a short-term oriented fund that invests in European securities of the highest credit rating. The lower age limit for investing in a bond fund is 59. The insurance policies are pure term life assurance policies. The premium balance with the insurer is used up over the remaining term of the current insurance contracts.

Movement in plan assets:

€m	2007	2006	Change
Fair value of plan assets as at 1 January	**26.5**	**15.2**	**11.3**
Allocation to plan assets			
Through employer contributions	3.0	4.2	–1.2
Through employee contributions	4.5	5.4	–0.9
Return on plan assets			
Expected return on plan assets	1.8	1.1	0.7
Actuarial gains and losses	–3.5	0.6	–4.1
Fair value of plan assets as at 31 December	**32.3**	**26.5**	**5.8**

[58] Other provisions

€m	31.12.2007	31.12.2006	Change
Provisions for income taxes	148.6	118.1	30.5
Provisions for credit risks	12.2	21.0	–8.8
Provisions for legal proceedings and recourses	0.2	0.1	0.1
Provisions in human resources	0.6	3.4	–2.8
Provisions for restructuring measures	17.5	47.9	–30.4
Sundry other provisions	97.3	50.7	46.6
Total	**276.4**	**241.2**	**35.2**

The provisions for income taxes relate in particular to corporation and trade taxes. Provisions in human resources were recognised primarily for anniversary bonuses for staff. The provisions for restructuring measures were mainly used for the stabilisation of Deka-ImmobilienFonds. In 2006, new funds with targeted returns were set up in the DekaBank Group. A provision of €45m was recognised for the resultant de facto obligation. This is reported under sundry other provisions.

The table below shows the movement in other provisions during the reporting year:

€m	Opening balance 01.01.	Allocations	Utilisation	Reversals	Reclassifications	Currency effects	Closing balance 31.12.
Provisions for income taxes	118.1	33.8	2.6	0.7	–	–	148.6
Provisions for credit risks (specific risks)	21.0	0.1	1.7	6.0	–	–1.2	12.2
Provisions for legal proceedings and recourses	0.1	0.1	–	–	–	–	0.2
Provisions in human resources	3.4	0.1	0.2	2.7	–	–	0.6
Provisions for restructuring measures	47.9	7.4	27.9	–	–9.9	–	17.5
Remaining other provisions	50.7	67.5	19.7	1.2	–	–	97.3
Other provisions	**241.2**	**109.0**	**52.1**	**10.6**	**–9.9**	**–1.2**	**276.4**

Depending on their original nature, some of the provisions for restructuring measures are reclassified as provisions for pensions and similar commitments in the subsequent year.

[59] Income tax liabilities

€m	31.12.2007	31.12.2006	Change
Current income tax liabilities	86.4	71.6	14.8
Deferred income tax liabilities	41.4	102.3	–60.9
Total	**127.8**	**173.9**	**–46.1**

Current income tax liabilities include payments due but not yet paid as at the reporting date for income taxes from 2007 and earlier periods. The deferred income tax liabilities represent the potential income tax charges from temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax balance sheet.

Deferred tax liabilities were recognised in relation to the following line items in the balance sheet:

€m	31.12.2007	31.12.2006	Change
Assets			
Due from banks	2.3	9.1	– 6.8
Due from customers	9.6	10.6	–1.0
Financial assets at fair value	550.6	523.5	27.1
Positive market values from derivative hedging instruments	4.4	19.2	–14.8
Financial investments	8.0	11.8	– 3.8
Intangible assets	2.6	2.6	–
Property, plant and equipment	1.3	1.3	–
Other assets	–	10.5	–10.5
Liabilities			
Due to banks	7.9	5.8	2.1
Due to customers	45.6	29.8	15.8
Provisions	0.3	1.0	– 0.7
Other liabilities	0.1	1.6	–1.5
Subordinated capital	2.7	–	2.7
Sub-total	**635.4**	**626.8**	**8.6**
Netting	– 594.0	– 524.5	– 69.5
Total	**41.4**	**102.3**	**– 60.9**

The deferred tax liabilities include €6.5m (previous year: €13.4m) which are medium or long-term in nature.

The netting of deferred tax assets and liabilities refer mainly to short-term deferred taxes as a result of temporary differences relating to financial assets and liabilities at fair value as well as positive and negative market values from derivative hedging instruments.

Deferred income tax liabilities, which are offset directly against equity as a result of the revaluation of bonds and other securities in the available for sale category, amounted to €0.1m (previous year: €1.8m) as at the reporting date.

[60] Other liabilities

The breakdown on other liabilities is as follows:

€m	31.12.2007	31.12.2006	Change
Liabilities			
Liabilities from non-banking business	2.3	2.8	– 0.5
Liabilities from current other taxes	50.5	42.4	8.1
Commissions not yet paid to sales offices	105.0	106.7	–1.7
Securities spot deals not yet settled	1.7	16.7	–15.0
Other	107.2	114.7	– 7.5
Accruals			
Closing and other audit costs	2.4	2.6	– 0.2
Sales performance compensation	350.0	315.2	34.8
Personnel costs	74.2	56.2	18.0
Other accruals	82.2	74.7	7.5
Prepaid income	12.6	0.9	11.7
Total	**788.1**	**732.9**	**55.2**

The item other includes liabilities to custodial account holders of €45.2m (previous year: €18.0m), liabilities under a rent cancellation agreement for leased office space of €9.7m (previous year: €14.6m) and outstanding invoices from current operations.

[61] Subordinated capital

€m	31.12.2007	31.12.2006	Change
Subordinated liabilities			
Subordinated bearer bonds	829.6	840.0	–10.4
Subordinated promissory note loans	125.0	125.0	–
Pro rata interest on subordinated liabilities	20.6	20.4	0.2
Profit participation capital	209.3	209.3	–
Pro rata interest on profit participation capital	14.7	14.7	–
Capital contributions of typical silent partners	755.6	755.6	–
Pro rata interest on capital contributions of typical silent partners	64.1	64.1	–
Total	**2,018.9**	**2,029.1**	**–10.2**

The structuring of the subordinated bearer bonds and promissory note loans with subordination agreement is consistent with the requirements for allocation to liable capital specified in Section 10 (5a) of the German Banking Act (KWG). In the event of insolvency or liquidation, the subordinated liabilities may only be repaid after all non-subordinated creditors have been repaid. Conversion of these funds to capital or other form of debt is neither agreed nor intended. There is no early repayment obligation.

In detail, the issues are as follows:

Year of issue	Nominal amount €m	Eligible as liable capital €m	Interest rate in % p.a.	Maturity
2000	230.0	228.2	6-M-Libor	09.06.2010
2000	85.0	85.0	6.15 – 6.46	18.05.2012
2002	300.0	298.4	5.38	31.01.2014
2004	300.0	297.7	4.63	21.12.2015
2006	40.0	40.0	4.43	11.04.2016

According to the provisions of Section 10 (5a) of the German Banking Act (KWG), profit participation capital forms part of the liable capital. The claims of the holders of the profit participation rights to repayment of the capital are subordinate to those of other creditors. Interest payments are only made if an accumulated profit is achieved, while losses assumed are allocated in full pro rata of the share applicable to the profit participation capital.

The following table shows a breakdown of the profit participation capital:

Year of issue	Nominal amount €m	Eligible as liable capital €m	Interest rate in % p.a.	Maturity
2002	75.0	75.0	6.39	31.12.2011
2002	33.0	33.0	6.42	31.12.2011
2002	5.0	5.0	6.44	31.12.2011
2002	20.0	20.0	6.31	31.12.2011
2002	20.0	20.0	6.46	31.12.2013

The typical silent capital contributions (tranche I) with a nominal amount of €255.6m have been in place since the end of 1990 and are concluded for an indefinite period. The contracts concerning the silent partnership were terminated as at 31 December 2006 by DekaBank with three years' notice in accordance with the contract and the contributions were last eligible for inclusion as liable capital as at 31 December 2007 in accordance with the German Banking Act (KWG). The silent partners participate in full in an accumulated loss at DekaBank through a reduction in their repayment entitlement. The interest expenses for tranche 1 of the capital contributions by silent partners amounted to €28.1m (previous year: €28.1m) in the reporting year.

In 2002, typical silent capital contributions (tranche II) with a nominal amount of €500m were accepted for an indefinite period of time (perpetuals). DekaBank may only terminate these capital contributions with the consent of BaFin (Federal Financial Supervisory Authority) and a notice period of 24 months to the end of a financial year – for the first time with effect from 31 December 2012. Termination by the silent partners is excluded. As in the previous year, interest expenses for perpetuals amounted to €35.9m and are reported in net interest income (note [30]).

[62] Atypical silent capital contributions

Atypical silent capital contributions amounted to €52.4m (previous year: €52.3m). The distribution on atypical silent capital contributions in the reporting year stood at €16.1m (previous year: €16.1m).

[63] Equity

€m	31.12.2007	31.12.2006	Change
Subscribed capital	286.3	286.3	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings			
Statutory reserve	12.3	11.2	1.1
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	2,729.4	2,352.9	376.5
Total reserves from retained earnings	**2,793.0**	**2,415.4**	**377.6**
Revaluation reserve	–1.7	2.6	–4.3
Currency translation reserve	–0.5	0.4	–0.9
Consolidated profit/loss	28.6	28.6	–
Minority interests	0.8	0.7	0.1
Total	**3,296.8**	**2,924.3**	**372.5**

In the previous year, the fund for general banking risks (€570.3m) was reported separately under equity. In accordance with normal business practice, this was reclassified and shown under other reserves from retained earnings as at the reporting date.

Notes to financial instruments

[64] Book values by valuation category

The following table shows the book values of the financial instruments by valuation category. In addition, they are broken down into transactions allocated to fair value hedges and transactions not posted as hedges.

	No fair value hedge		Fair value hedge	
€m	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
Asset items				
Loans and receivables (lar)				
Due from banks	45,485.5	45,385.1	495.1	1,039.2
Due from customers	23,789.5	20,759.7	913.5	1,503.4
Available for sale (afs)				
Financial investments	605.7	2,046.6	–	–
Held for trading (hft)				
Financial assets at fair value	14,708.7	9,683.1		
Designated at fair value (dafv)				
Financial assets at fair value	18,920.2	22,986.1		
Positive market values from derivative hedging instruments			27.6	71.0
Total asset items	**103,509.6**	**100,860.6**	**1,436.2**	**2,613.6**
Liability items				
Liabilities				
Due to banks	25,113.2	30,885.6	246.8	252.0
Due to customers	24,562.4	23,386.6	2,048.4	2,597.3
Securitised liabilities	27,698.8	30,749.6	2,047.7	1,589.6
Subordinated capital	1,724.9	1,725.6	294.0	303.5
Held for trading (hft)				
Financial liabilities at fair value	10,699.1	1,971.1		
Designated at fair value (dafv)				
Financial liabilities at fair value	7,093.7	7,025.4		
Negative market values from derivative hedging instruments			164.3	88.5
Total liability items	**96,892.1**	**95,743.9**	**4,801.2**	**4,830.9**

[65] Net income by valuation category

The individual valuation categories produce the following income contributions:

€m	2007	2006	Change
Loans and Receivables (lar)	2,595.7	2,411.4	184.3
Other Liabilities	– 3,018.4	– 3,044.1	25.7
Income not recognised in profit or loss	– 5.5	–15.1	9.6
Income recognised in profit or loss	43.2	82.9	– 39.7
Available for sale (afs)	37.7	67.8	– 30.1
Held for trading (hft)	102.2	131.5	– 29.3
Designated at fair value (dafv)	355.2	686.8	– 331.6
Valuation result from hedge accounting for fair value hedges	2.0	3.3	–1.3

The income is presented in line with its allocation to valuation categories in accordance with IAS 39. All income components, i.e. both sales and valuation results as well as interest and current income are included. In keeping with the adjustment to reporting in the consolidated income statement in 2007, the net income from derivatives which are economic hedges in the banking book, are reported in the above table in the designated at fair value category. The previous year's figures were adjusted accordingly.

The valuation result from hedging derivatives and underlying transactions, which are fair value hedges under IAS 39, are reported in a separate item. Net interest income from hedging derivatives is reported in the held for trading category, while the income from hedged underlying transactions is allocated to loans and receivables or other liabilities in line with the respective origin category.

[66] Fair value data

The following table shows the fair values of financial assets and liabilities compared to the respective book values:

€m	Fair value 31.12.2007	Book value 31.12.2007	Difference 31.12.2007	Fair Value 31.12.2006	Book value 31.12.2006	Difference 31.12.2006
Assets						
Cash reserve	784.0	784.0	–	256.3	256.3	–
Due from banks (loans and receivables)	45,651.5	45,980.6	– 329.1	46,466.5	46,424.3	42.2
Due from customers (loans and receivables)	24,652.2	24,703.0	– 50.8	22,375.1	22,263.1	112.0
Financial assets at fair value	33,628.7	33,628.7	–	32,669.3	32,669.3	–
Positive market values from derivative hedging instruments	27.6	27.6	–	71.0	71.0	–
Total asset items	**104,744.0**	**105,123.9**	**– 379.9**	**101,838.2**	**101,684.0**	**154.2**
Liabilities						
Due to banks	25,341.7	25,360.0	–18.3	31,211.9	31,137.6	74.3
Due to customers	26,625.9	26,610.8	15.1	26,347.6	25,983.9	363.7
Securitised liabilities	29,779.8	29,746.5	33.3	32,480.2	32,339.2	141.0
Financial liabilities at fair value	17,792.7	17,792.7	–	8,996.5	8,996.5	–
Negative market values from derivative hedging instruments	164.3	164.3	–	88.5	88.5	–
Subordinated liabilities	2,047.9	2,018.9	29.0	2,116.9	2,029.1	87.8
Total liability items	**101,752.3**	**101,693.2**	**59.1**	**101,241.6**	**100,574.8**	**666.8**

Fair value is deemed to be the amount at which a financial instrument can be freely traded between knowledgeable and willing parties in an arm's length transaction. The financial instruments measured at amortised cost essentially include loans, promissory note loans, money transactions and own issues. There are generally no valuation prices for these as no liquid markets are available. Consequently, the fair values of these financial instruments are determined on the basis of financial valuation models. These are considerably affected by the underlying assumptions. The fair value is therefore to be seen as the model value as at the reporting date, which could not necessarily be realised through the direct sale or closing out of the financial instrument.

Amounts due from banks or customers are stated at amortised cost. The measurement at fair value is carried out using the present value method. The cash flows from receivables are discounted at a suitable market rate. The differing credit ratings of borrowers are taken into account through appropriate adjustments in the discount rates.

For financial instruments due on demand, the fair value corresponds to the respective amount payable as at the reporting date. These include cash on hand and overdraft facilities and sight deposits with regard to banks and customers.

The fair value of long-term liabilities is determined on the basis of market prices and by discounting the contractually agreed cash flows. The interest rates used are those at which the Group could issue comparable debt securities on the reporting date. The fair value of guarantees and sureties as well as irrevocable lending commitments corresponds to the respective book value.

In principle, the fair values of financial assets and liabilities at fair value are determined using market prices. Where no prices from liquid markets are available, standard valuation models are used which are based on observable market data or are derived from such data.

The following table shows the approach used to determine the fair values based on the total volume of financial instruments measured at fair value through profit or loss:

Valuation	At market prices	Based on observable market data	Based on derived parameters	Total	Fair Value
	%	%	%	%	€m
Assets					
Derivative financial instruments	14.7	77.7	7.6	100.0	4,576.0
Other financial instruments	75.4	16.9	7.7	100.0	29,080.3
Liabilities					
Derivative financial instruments	33.7	66.1	0.2	100.0	5,073.7
Other financial instruments	72.8	27.2	–	100.0	12,883.3

Where these products are not traded on the stock market, derivatives are in principle measured using standard valuation models based on observable market data.

Unlike in previous years, there was no sufficiently active market in place for products from securitisation transactions as at the reporting date. The fair value of the acquired securitised instruments was determined using valuation models and indicative prices from price service agencies. Where these are used to determine fair values, these are plausibility checked using market parameters and through comparison with other indicative prices. In line with the requirements of our auditors, we have allocated the relevant securitisation products to the column “Measurement based on derived parameters”. Synthetic collateralised debt obligations (CDOs) are also reported in this column as the correlation assumptions of the underlying CDS portfolios represent important parameters for the measurement.

[67] Derivative transactions

The DekaBank Group uses derivative financial instruments for trading purposes and to hedge interest rate risks, currency risks and other price risks.

The following table shows the portfolio of derivative financial instruments by contract type:

Positive fair values	Maturity				Total	
€m	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	2007	2006
Interest rate risks OTC products						
Interest rate swaps	197.2	200.7	706.0	955.8	2,059.7	1,588.7
Interest rate options						
Purchases	–	0.2	0.2	3.7	4.1	0.6
Stock exchange traded products						
Interest rate futures/options	2.5	0.1	–	–	2.6	12.3
Sub-total	**199.7**	**201.0**	**706.2**	**959.5**	**2,066.4**	**1,601.6**
Currency risks OTC products						
Foreign exchange future contracts	113.8	54.1	0.3	–	168.2	173.6
(Interest rate) currency swaps	17.2	14.1	26.3	5.3	62.9	49.9
Currency options						
Purchases	–	–	–	–	–	0.1
Sub-total	**131.0**	**68.2**	**26.6**	**5.3**	**231.1**	**223.6**
Share and other price risks OTC risks						
Share forward contracts	192.0	14.7	38.9	–	245.6	21.2
Share options						
Purchases	79.1	249.4	384.5	35.4	748.4	75.4
Credit derivatives	–	0.2	2.0	6.8	9.0	4.3
Other forward contracts	4.7	3.4	–	–	8.1	1.7
Stock exchange traded products						
Share futures/options	13.7	362.6	253.3	10.8	640.4	35.2
Sub-total	**289.5**	**630.3**	**678.7**	**53.0**	**1,651.5**	**137.8**
Total	**620.2**	**899.5**	**1,411.5**	**1,017.8**	**3,949.0**	**1,963.0**

Negative fair values	Maturity				Total	
€m	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	2007	2006
Interest rate risks OTC products						
Interest rate swaps	145.6	213.3	567.5	893.2	1,819.6	1,367.6
Forward rate agreements	0.5	–	0.1	–	0.6	1.3
Interest rate options						
Sales	0.1	–	–	4.2	4.3	0.4
Other interest rate contracts	–	–	8.4	1.2	9.6	26.1
Stock exchange traded products						
Interest rate futures/options	2.5	0.1	–	–	2.6	6.3
Sub-total	**148.7**	**213.4**	**576.0**	**898.6**	**1,836.7**	**1,401.7**
Currency risks OTC products						
Foreign exchange future contracts	89.7	48.3	–	–	138.0	172.4
(Interest rate) currency swaps	1.3	16.3	100.3	76.2	194.1	118.6
Currency options						
Sales	–	–	–	–	–	0.1
Sub-total	**91.0**	**64.6**	**100.3**	**76.2**	**332.1**	**291.1**
Share and other price risks OTC products						
Share forward contracts	81.7	0.4	24.4	–	106.5	–
Share options						
Purchases	–	–	2.7	–	2.7	–
Sales	76.2	321.9	494.3	38.5	930.9	28.5
Credit derivatives	–	2.4	9.1	20.8	32.3	2.2
Other forward contracts	2.2	8.5	–	–	10.7	20.9
Stock exchange traded products						
Share futures/options	9.5	1,080.5	587.2	42.0	1,719.2	177.5
Sub-total	**169.6**	**1,413.7**	**1,117.7**	**101.3**	**2,802.3**	**229.1**
Total	**409.3**	**1,691.7**	**1,794.0**	**1,076.1**	**4,971.1**	**1,921.9**

The following table shows the positive and negative market values from derivative transactions by counterparty:

	Fair value – positive		Fair value – negative	
€m	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Banks in the OECD	2,300.8	1,675.9	2,083.7	1,551.0
Public offices in the OECD	0.7	1.8	15.6	0.1
Other counterparties	1,647.5	285.3	2,871.8	370.8
Total	**3,949.0**	**1,963.0**	**4,971.1**	**1,921.9**

[68] Breakdown by remaining maturity

Remaining maturity is seen as the time between the reporting date and the contractually agreed maturity of the receivable or liability or their partial payment amount. Equity instruments were allocated to the "due on demand and indefinite term" maturity range. Financial assets and liabilities at fair value are in principle recognised according to contractual maturity, however financial instruments in the held for trading sub-category are recognised as having a maximum maturity of one year due to the intention to trade.

Assets €m	31.12.2007	31.12.2006	Change
Due from banks			
Due on demand and indefinite term	1,538.4	2,205.6	–667.2
Up to 3 months	15,121.3	11,143.0	3,978.3
Between 3 months and 1 year	6,589.9	6,521.9	68.0
Between 1 year and 5 years	12,703.8	13,840.4	–1,136.6
More than 5 years	10,027.2	12,713.4	–2,686.2
Due from customers			
Due on demand and indefinite term	1,950.4	3,201.2	–1,250.8
Up to 3 months	6,032.1	2,892.7	3,139.4
Between 3 months and 1 year	1,542.3	2,353.7	–811.4
Between 1 year and 5 years	8,781.6	7,595.0	1,186.6
More than 5 years	6,396.7	6,220.5	176.2
Financial assets at fair value			
Due on demand and indefinite term	4,822.6	3,780.5	1,042.1
Up to 3 months	3,188.9	2,441.9	747.0
Between 3 months and 1 year	13,312.2	9,903.1	3,409.1
Between 1 year and 5 years	3,544.0	7,032.4	–3,488.4
More than 5 years	8,761.0	9,511.4	–750.4
Positive market values from hedging derivatives			
Due on demand and unlimited term	–	–	–
Up to 3 months	0.7	1.1	–0.4
Between 3 months and 1 year	5.1	0.1	5.0
Between 1 year and 5 years	18.6	20.1	–1.5
More than 5 years	3.2	49.7	–46.5
Financial investments			
Due on demand and indefinite term	12.0	13.8	–1.8
Up to 3 months	90.5	204.8	–114.3
Between 3 months and 1 year	100.4	1,227.9	–1,127.5
Between 1 year and 5 years	285.8	488.6	–202.8
More than 5 years	25.4	42.4	–17.0

Liabilities €m	31.12.2007	31.12.2006	Change
Due to banks			
Due on demand and indefinite term	2,769.5	2,318.8	450.7
Up to 3 months	14,110.6	16,374.6	–2,264.0
Between 3 months and 1 year	2,467.8	5,658.6	–3,190.8
Between 1 year and 5 years	4,018.9	4,083.4	–64.5
More than 5 years	1,993.2	2,702.2	–709.0
Due to customers			
Due on demand and indefinite term	5,762.3	5,468.7	293.6
Up to 3 months	5,947.5	4,556.9	1,390.6
Between 3 months and 1 year	1,367.5	975.7	391.8
Between 1 year and 5 years	4,689.1	4,565.0	124.1
More than 5 years	8,844.4	10,417.6	–1,573.2
Securitised liabilities			
Due on demand and indefinite term	–	–	–
Up to 3 months	1,073.1	1,753.7	–680.6
Between 3 months and 1 year	3,221.8	2,180.3	1,041.5
Between 1 year and 5 years	7,386.3	8,676.9	–1,290.6
More than 5 years	18,065.3	19,728.3	–1,663.0
Financial liabilities at fair value			
Due on demand and indefinite term	5,675.3	543.7	5,131.6
Up to 3 months	1,013.2	1,440.1	–426.9
Between 3 months and 1 year	5,635.5	1,702.2	3,933.3
Between 1 year and 5 years	1,930.0	1,938.1	–8.1
More than 5 years	3,538.7	3,372.4	166.3
Negative fair values from hedging derivatives			
Due on demand and indefinite term	–	–	–
Up to 3 months	2.4	1.6	0.8
Between 3 months and 1 year	0.9	0.2	0.7
Between 1 year and 5 years	13.4	30.3	–16.9
More than 5 years	147.6	56.4	91.2
Subordinated capital			
Due on demand and indefinite term	–	–	–
Up to 3 months	155.7	99.2	56.5
Between 3 months and 1 year	–	56.3	–56.3
Between 1 year and 5 years	1,223.6	1,138.6	85.0
More than 5 years	639.6	735.0	–95.4

Other information

[69] Equity management

The aim of equity management is to ensure adequate capital and reserves to carry out the Group strategy determined by the Board of Management and to achieve an appropriate return on equity and comply with regulatory capital and reserves requirements (see note [70]). The definition of economic equity corresponds to the primary risk cover funds, on which the Group strategy is based. These comprise the equity stated in the balance sheet in accordance with IFRS, the contribution from net income for the year and atypical silent capital contributions.

[70] Equity under banking supervisory law

The capital and reserves of the DekaBank Group under banking supervisory law are determined in accordance with the provisions of the German Banking Act (KWG). Under Sections 10 and 10(a) KWG, the DekaBank Group is obliged to ensure adequate capital and reserves to meet its commitments towards its customers. Since 30 June 2007, the adequacy of the level of capital and reserves has been determined in accordance with the new Solvency Regulation (SolvV). In addition to the default risks and market risk positions, amounts for operational risks and additional equity requirements under the transition rule pursuant to Section 339 SolvV are taken into account when calculating the capital and reserves requirement. According to the transition rule, the capital and reserves required under SolvV correspond to 95% of the amount that would have been required under Principle I.

The capital and reserves are calculated on the basis of the company financial statements of the individual Group companies and their national accounting standards. The following table shows the composition of capital and reserves:

€m	31.12.2007	31.12.2006	Change
Subscribed capital	286	286	–
Open reserves	463	458	5
Silent capital contributions	808	808	–
Fund for general banking risks	569	569	–
Deductions under Section 10 (2a) KWG	10	11	–1
Core capital	**2,116**	**2,110**	**6**
Profit participation capital	153	153	–
Subordinated liabilities	949	948	1
Other components	551	524	27
Supplementary capital	**1,653**	**1,625**	**28**
Deductions under Section 10 (6) and (6a) KWG	36	36	–
Of which deductions under Section (6) and (6a) No. 1 and 2 KWG	11	–	11
Modified available capital	**3,733**	**3,699**	**34**
Tier III funds	–	–	–
Capital and reserves	**3,733**	**3,699**	**34**

The following table shows the items subject to a capital charge:

€m	31.12.2007	31.12.2006	Change
Default risks	22,613	26,176	–3,563
Market risk positions	5,738	6,413	–675
Operational risks	2,250	–	2,250
Additional capital charge as a result of transition rule	5,000	–	5,000

The adequacy of the capital and reserves is assessed using the ratio of relevant items subject to a capital charge to capital and reserves (= total capital ratio) or to core capital (= core capital ratio). The tables below show the ratios for the Group, DekaBank Deutsche Girozentrale and for important banking subsidiary, DekaBank Deutsche Girozentrale Luxembourg S.A. in accordance with the Solvency Regulation and Principle I for the previous year:

%	31.12.2007	31.12.2006	Change
DekaBank Group			
Core capital ratio	8.5	8.1	0.4
Total capital ratio	10.5	11.4	–0.9
Total capital ratio before application of the transition rule	12.2	–	–
DekaBank Deutsche Girozentrale			
Core capital ratio	9.0	8.0	1.0
Total capital ratio	9.9	11.0	–1.1
Total capital ratio before application of the transition rule	12.3	–	–
DekaBank Deutsche Girozentrale Luxembourg S.A.			
Core capital ratio	7.5	8.0	–0.5
Total capital ratio	15.2	15.1	0.1
Total capital ratio before application of the transition rule	15.2	–	–

The capital and reserves requirement under banking supervisory law was complied with at all times during the reporting year.

[71] Contingent and other liabilities

The off-balance sheet liabilities of the DekaBank Group refer essentially to potential future liabilities of the Group arising from credit lines granted but not drawn down and time-limited credit lines. The amounts stated reflect the potential liabilities if the credit lines granted are used in full. The risk provision for off-balance sheet liabilities reported in the balance sheet was reduced by these amounts.

€m	31.12.2007	31.12.2006	Change
Irrevocable lending commitments	2,458.5	2,324.2	134.3
Other liabilities	253.1	177.6	75.5
Total	**2,711.6**	**2,501.8**	**209.8**

Other financial liabilities include payment obligations of €3.1m (previous year: €3.1m) and subsequent payment obligations of €39.7m (previous year: €42.2m) to external or non-consolidated companies.

Other liabilities also include additional funding obligations for the security reserve of the Landesbanken and central savings banks. Since 2006, contributions to the security reserve have been calculated according to risk-oriented principles. This resulted in additional funding obligations of €87.2m as at the reporting date. If a case arises requiring financial support, these additional payments can be called in immediately.

The guarantees provided by DekaBank refer to financial guarantees under IFRS, which are stated net in compliance with IAS 39. The nominal amount of the guarantees in place as at 31 December 2007 is €1,667.9m (previous year: €2,187.1m).

DekaBank has also undertaken to purchase commercial paper from SPE Ormond Quay. As at the reporting date, DekaBank had no commercial paper from Ormond Quay in its portfolio. The commitment for a maximum of €6.0bn is in place until 24 February 2008.

The DekaBank Group's range of products contains investment funds with market value guarantees of varying degrees. For fixed-term funds with these features, on maturity the capital invested or the maximum of the capital invested and the highest price for the fund during the term less charges is guaranteed. Guarantee funds with no fixed maturity are money market funds for which a minimum unit value is agreed for specific cut-off dates. As at the reporting date, there was no financial commitment under these products. The guarantees cover a maximum volume of €5.1bn (previous year: €3.8bn), the market value of the corresponding fund assets amounted to €5.3bn (previous year: €4.0bn).

[72] Assets transferred or received as collateral

Assets were transferred as collateral for own liabilities primarily in connection with genuine repurchase agreements and in accordance with the provisions of the Pfandbrief Act. Assets in the amounts given below were transferred as collateral for the following liabilities:

€m	31.12.2007	31.12.2006	Change
Due to banks	9,024.8	13,476.1	–4,451.3
Due to customers	9,074.4	10,051.9	–977.5
Securitised liabilities	8,662.6	10,917.8	–2,255.2
Financial liabilities at fair value	3,050.4	2,591.4	459.0
Total	**29,812.2**	**37,037.2**	**–7,225.0**

The following assets were transferred as collateral for the above liabilities:

€m	31.12.2007	31.12.2006	Change
Due from banks	21,177.2	25,148.2	–3,971.0
Due from customers	7,350.4	8,616.4	–1,266.0
Financial assets at fair value	8,822.6	10,003.9	–1,181.3
Total	**37,350.2**	**43,768.5**	**–6,418.3**

Assets amounting to €29.3bn (previous year: €37.5bn) were deposited in the blocked custody account as cover funds in line with the Pfandbrief Act.

In addition, securities with a collateral value of €4.9bn (previous year: €6.2bn) were deposited with Deutsche Bundesbank for refinancing purposes. As at the reporting date, securities with a nominal value of €3.0bn (previous year: €4.3bn) were deposited with Clearstream Banking AG as collateral for transactions on the Eurex.

Collateral received that may be repledged or sold even without the default of the party providing the collateral is in place for repurchase agreements and securities lending transactions in the amount of €29.1bn (previous year: €15.0bn). Collateral amounting to €23.8bn was transferred for securities repurchase agreements and securities lending transactions.

[73] Genuine repurchase agreements

€m	31.12.2007	31.12.2006	Change
Genuine repurchase agreements as pledgor			
Due to banks	5,106.2	9,151.0	–4,044.8
Due to customers	221.9	298.4	–76.5
Total	**5,328.1**	**9,449.4**	**–4,121.3**
Genuine repurchase agreements as pledgee			
Due from banks	17,373.7	8,204.7	9,169.0
Due from customers	6,425.3	3,162.6	3,262.7
Total	**23,799.0**	**11,367.3**	**12,431.7**

The assets sold under the repurchase agreements amounting to €8.1bn (previous year: €6.3bn) were taken from the Group's own portfolio.

[74] Securities lending transactions

Financial assets at fair value include securities loaned to others amounting to €2.5bn (previous year: €818.5m). Borrowed securities amounting to €5.1bn (previous year: €8.0bn) were not reported in the balance sheet.

[75] Volume of foreign currency transactions

As a result of the business policy of the DekaBank Group, the volume of open currency positions is negligible.

€m	31.12.2007	31.12.2006	Change
US dollar (USD)	16.7	24.4	– 7.7
Swiss franc (CHF)	12.6	12.6	–
British pound (GBP)	7.5	4.3	3.2
Canadian dollar (CAD)	5.4	2.6	2.8
Swedish krona (SEK)	1.9	5.9	– 4.0
Other foreign currencies	14.3	5.5	8.8
Total	**58.4**	**55.3**	**3.1**

[76] Letter of comfort

Except in the case of political risk, DekaBank will ensure that the following subsidiaries included in the consolidated financial statements can meet their commitments:

- DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg
- Deutsche Girozentrale Holding S.A., Luxembourg
- Deutsche Girozentrale Overseas Limited, Grand Cayman

[77] List of shareholdings

DekaBank directly or indirectly holds at least 20% of the shares in the following companies:

Consolidated subsidiaries:

Name, registered office	Equity share %
Deka Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00
Deka Immobilien GmbH, Frankfurt/Main (formerly: Deka Grundstücksgesellschaft mbH)	100.00
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka International (Ireland) Ltd., Dublin	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka(Swiss) Privatbank AG, Zurich	80.00[1)]
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
Deka FundMaster Investmentgesellschaft mbH, Frankfurt/Main	100.00
Deutsche Girozentrale Holding S.A., Luxembourg	100.00
Deutsche Girozentrale Overseas Limited, Grand Cayman	100.00
International Fund Management S.A., Luxembourg	100.00
Roturo S.A., Luxembourg	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74
WIV GmbH & Co. Beteiligungs KG, Mainz	94.90

[1)] Consolidation ratio based on economic ownership 100%

Consolidated special funds: :

Name, registered office	Equity share %
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 4-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-DGZ 6-FONDS, Frankfurt/Main	100.00
A-DGZ 7-FONDS, Frankfurt/Main	100.00
A-DGZ 8-FONDS, Luxembourg	100.00
A-DGZ-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

Associated companies and joint ventures consolidated under the equity method:

Name, registered office	Equity share %
S PensionsManagement GmbH, Cologne	50.00
S Broker AG & Co. KG, Wiesbaden	30.64

Non-consolidated companies:

Name, registered office	Equity share %
Datogon S.A., Luxembourg	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main (formerly: Trianon GmbH)	100.00
Deka Vorratsgesellschaft 01 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 02 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main (formerly: Sparkassen-Vermögensbeteiligungs GmbH, Berlin)	100.00
Deutsche Landesbankenzentrale AG, Berlin	100.00
Europäisches Kommunalinstitut S.A.R.L., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Perfeus S.A., Luxembourg	100.00
STIER Immobilien AG, Frankfurt/Main	100.00
WestInvest Erste Beteiligungs- und Verwaltungs GmbH, Frankfurt/Main	99.74
WestInvest Zweite Beteiligungs- und Verwaltungs GmbH, Frankfurt/Main	99.74
WIV Verwaltungs GmbH, Mainz	94.90
Deka-WestLB Asset Management S.A., Luxembourg	51.00
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Global Format GmbH & Co. KG, Munich	20.00

[78] Related party disclosures

Transactions are carried out with related parties at normal market terms and conditions as part of ordinary business activities. The table below shows the extent of these transactions.

Business dealings with shareholders of DekaBank and non-consolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
Asset items				
Due from customers	–	504.2	–	–
Liability items				
Due to customers	31.4	6.0	10.9	1.1

Business dealings with companies accounted for using the equity method and other related parties:

	Investments accounted for at equity		Other related parties	
€m	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
Assets				
Due from customers	–	–	120.9	0.8
Financial assets at fair value	–	–	66.6	26.2
Total asset items	**–**	**–**	**187.5**	**27.0**
Liabilities				
Due to customers	1.5	4.2	494.9	678.8
Financial liabilities at fair value	–	–	20.2	1.4
Total liability positions	**1.5**	**4.2**	**515.1**	**680.2**

In addition to Deka Trust e.V., other related parties include the Group's own public funds where the holding of the DekaBank Group exceeds 10%. The liabilities of the DekaBank Group towards the public funds essentially comprise bank deposits from the temporary investment of free funds and for imminent distributions to investors. DekaBank's distribution claims against Deka-ImmobilienFonds as at the reporting date are detailed in note [50].

The loan to Deutsche Sparkassen- und Giroverband ö.K. (DSGV ö.K.) for the prefinancing of the 10% holding in Landesbank Berlin Holding AG reported as at 31 December 2006 was repaid in November 2007. The interest received on this in 2007 amounted to €11.9m (previous year: €4.2m). In this regard, the shares in Landesbank Berlin Holding AG held in trust by DekaBank were transferred to DSGV ö.K.

Natural persons deemed to be related parties under IAS 24 are the members of the Board of Management and Administrative Board of DekaBank as the parent company. Please see note [80] for information concerning remuneration and business transactions with the persons in question.

[79] Average number of staff

	31.12.2007	**31.12.2006**	**Change**
Full-time employees	2,896	2,872	24
Part-time and temporary employees	447	428	19
Total	**3,343**	**3,300**	**43**

[80] Remuneration and loans to Board members

€	Board of Management 2007	Board of Management 2006	Administrative Board 2007	Administrative Board 2006
Remuneration of active Board members				
Short-term benefits	7,551,182	4,726,671	744,428	793,566
Scope of obligation under defined benefit plans	4,324,930	3,789,787	–	–
Remuneration of former Board members and their dependents				
Short-term benefits	733,167	688,916	–	–
Post-employment benefits	2,326,764	2,312,488	–	–
Total	**3,059,931**	**3,001,404**	**–**	**–**
Scope of obligation under defined benefit plans	36,057,675	39,677,341	–	–
Scope of obligation for similar commitments	1,854,064	–	–	–

In financial year 2007, €1.4m was allocated to provisions for pensions for active members of the Board of Management (previous year: €0.7m). In addition, €0.3m was allocated to the provision for payments relating to the termination of the employment of former Board members; as at the reporting date the provision amounted to €1.6m (previous year: €3.8m). This is reported under provisions for restructuring measures.

As at the reporting date there were no loans or liability arrangements with members of the Boards. In 2006, loans to members of the Administrative Board amounting to €403,344 were drawn down.

[81] Auditors' fees

The following fees were recorded as expenses for the auditors of the consolidated financial statements in the reporting year:

€m	2007	2006	Change
Fees for			
Year-end audits	1.7	2.1	–0.3
Other auditing or valuation services	0.9	1.0	–0.2
Tax advisory services	–	0.1	–0.1
Other services	0.4	0.7	–0.3
Total	**3.0**	**3.9**	**–0.9**

[82] Additional miscellaneous information

The consolidated financial statements were approved for publication on 12 February 2008 by the Board of Management of DekaBank.

Assurance of the Board of Management

We assure that to the best of our knowledge, the consolidated financial statements prepared in accordance with the applicable reporting standards convey a true and fair view of the net assets, financial position and results of operations of the Group and that the 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.

Frankfurt am Main, 12 February 2008

DekaBank
Deutsche Girozentrale

The Board of Management

Waas, Ph.D.	Behrens	Dr. Danne
Groll	Gutenberger	Dr. h. c. Oelrich

Auditor's report

"We have audited the consolidated financial statements prepared by the DekaBank Deutsche Girozentrale, Berlin/Frankfurt am Main, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of DekaBank's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Frankfurt am Main, February 12, 2008

PricewaterhouseCoopers
Aktiengesellschaft [German Public limited company]
Wirtschaftsprüfungsgesellschaft [German Public Auditing firm]

(Markus Burghardt)	(Herbert Sahm)
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Shareholders

Shareholders of DekaBank

(as of February 2008)

GLB GmbH & Co. OHG	**49.17%**
thereof:	
Landesbank Baden-Württemberg[1]	8.35%
HSH Nordbank AG[1]	7.75%
WestLB AG[1]	7.61%
LRP Landesbank Rheinland-Pfalz[1]	6.21%
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –[1]	2.89%
NORD/LB Norddeutsche Landesbank Girozentrale[1]	2.39%
Landesbank Saar[1]	0.98%
Sachsen LB Landesbank Sachsen AG[1]	0.22%
Landesbank Hessen-Thüringen Girozentrale	5.51%
Bayerische Landesbank	3.09%
NIEBA GmbH[2]	4.17%
NIEBA GmbH[2]	**0.83%**
DSGV ö.K.[1]	**50.00%**
thereof:	
Savings Banks Association of Baden-Wuerttemberg	7.70%
Rhineland Savings Banks and Giro Association	6.56%
Savings Banks Association of Lower Saxony	6.46%
Savings Banks Association of Bavaria	6.31%
Savings Banks and Giro Association of Westphalia-Lippe	6.17%
Savings Banks and Giro Association of Hesse-Thuringia	5.81%
Savings Banks and Giro Association of Rhineland-Palatinate	3.21%
Savings Banks Association of Berlin	1.90%
East German Savings Banks Association	1.83%
Savings Banks and Giro Association for Schleswig-Holstein	1.78%
Savings Banks Association Saar	1.37%
Hanseatic Savings Banks and Giro Association	0.90%

[1] Guarantors

[2] 100% subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale

Subsidiaries and associated companies

Subsidiaries and associated companies of DekaBank[1]

(as of February 2008)

Investment companies	
Deka Investment GmbH, Frankfurt am Main	100.0%
Deka Immobilien Investment GmbH, Frankfurt am Main	100.0%
Deka Immobilien Luxembourg S.A., Luxembourg	100.0%
Deka International S.A., Luxembourg	100.0%
Deka International (Ireland) Ltd., Dublin	100.0%
Deka FundMaster Investmentgesellschaft mbH, Frankfurt am Main	100.0%
International Fund Management S.A., Luxembourg	100.0%
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.7%
Deka-WestLB Asset Management Luxembourg S.A., Luxembourg	51.0%
Erste-Sparinvest Austria Kapitalanlagegesellschaft mbH, Vienna	2.9%
Banks	
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.0%
Deka(Swiss) Privatbank AG, Zurich	80.0%
S Broker AG & Co. KG, Wiesbaden	30.6%
Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	2.1%
Other	
Deka Beteiligungs GmbH, Frankfurt am Main	100.0%
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt am Main	100.0%
Deka Immobilien GmbH, Frankfurt am Main	100.0%
Deka Treuhand GmbH, Frankfurt am Main	100.0%
Deka Vorratsgesellschaft 03 mbH, Berlin	100.0%
Deutsche Girozentrale Overseas Ltd., Grand Cayman	99.9%
WIV GmbH & Co. Beteiligungs KG, Mainz	94.9%
S PensionsManagement GmbH, Cologne	50.0%
Sparkassen PensionsBeratung GmbH, Cologne	50.0%
Sparkassen Pensionsfonds AG, Cologne	50.0%
Sparkassen Pensionskasse AG, Cologne	50.0%
S Broker Management AG, Wiesbaden	30.6%
Heubeck AG, Cologne	25.0%
Global Format GmbH & Co. KG, Munich	20.0%
Deka-S-PropertyFund No.1 Beteiligungs GmbH & Co. KG, Frankfurt am Main	12.5%
DPG Deutsche Performancemessungs-Gesellschaft mbH, Frankfurt am Main	10.0%
True Sale International GmbH, Frankfurt am Main	7.7%
RSU Rating Service Unit GmbH & Co. KG, Munich	6.5%
SIZ Informatikzentrum der Sparkassenorganisation GmbH, Bonn	5.0%

[1] The shares are held directly or indirectly.

The Group has further holdings which are, however, of minor significance.

Administrative Board of DekaBank

(as of February 2008)

Heinrich Haasis
Chairman
President of the German Savings Banks and Giro Association e. V., Berlin, and of the German Savings Banks and Giro Association – public law entity, Berlin
Chairman of the General Committee

Dr. Rolf Gerlach
First Deputy Chairman
President of the Savings Banks and Giro Association of Westphalia-Lippe, Münster
First Deputy Chairman of the General Committee
Deputy Chairman of the Audit Committee

Dr. Siegfried Jaschinski
Second Deputy Chairman
Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart
Second Deputy Chairman of the General Committee
Chairman of the Audit Committee

Representatives elected by the Shareholders' Meeting

Hans Berger
Chairman of the Management Board of HSH Nordbank AG, Kiel
Member of the Audit Committee

Gregor Böhmer
Managing President of the Savings Banks and Giro Association of Hesse-Thuringia, Frankfurt am Main
Member of the Audit Committee

Michael Breuer
President of the Rhineland Savings Banks and Giro Association, Düsseldorf

Thomas Christian Buchbinder
Chairman of the Management Board of Landesbank Saar, Saarbrücken

Reinhard Henseler
Chairman of the Management Board of Nord-Ostsee Sparkasse, Schleswig

Jürgen Hilse
Chairman of the Management Board of Kreissparkasse Göppingen, Göppingen
Member of the General Committee
Member of the Audit Committee

Dr. Stephan-Andreas Kaulvers
Chairman of the Management Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

Thomas Mang
President of the Savings Banks Association of Lower Saxony, Hanover

Harald Menzel
Chairman of the Management Board of Kreissparkasse Freiberg, Freiberg

Dr. Günther Merl
Chairman of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main
Member of the General Committee

Dr. Siegfried Naser
Managing President of the Savings Banks Association of Bavaria, Munich
Member of the General Committee

Harald R. Pfab
Member of the Management Board of Sachsen LB Landesbank Sachsen AG, Leipzig

Dr. Friedhelm Plogmann
Chairman of the Management Board of LRP Landesbank Rheinland-Pfalz, Mainz

Dr. Hannes Rehm
Chairman of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover
Member of the General Committee
Member of the Audit Committee

Hans-Werner Sander
Chairman of the Management Board of Sparkasse Saarbrücken, Saarbrücken

Peter Schneider
President of the Savings Banks Association of Baden-Wuerttemberg, Stuttgart

Dr. Friedhelm Steinberg
Deputy Chairman of the Management Board of Hamburger Sparkasse AG, Hamburg

Hans Otto Streuber
President of the Savings Banks and Giro Association of Rhineland-Palatinate, Budenheim

Alexander Stuhlmann
Chairman of the Management Board of WestLB AG, Düsseldorf
Member of the General Committee

Hans-Jörg Vetter
Chairman of the Management Board of Landesbank Berlin AG, Berlin

Representatives appointed by the Federal Organisation of Central Municipal Organisations (in an advisory capacity)

Dr. Stephan Articus
Executive Director of the German Association of Cities, Cologne

Prof. Dr. Hans-Günter Henneke
Managing Member of the Presiding Board of the German County Association, Berlin

Roland Schäfer
President of the German Association of Towns and Municipalities, Berlin, Mayor of the City of Bergkamen

Employee representatives appointed by the Staff Committee

Michael Dörr
Chairman of the Staff Commitee, DekaBank Deutsche Girozentrale, Frankfurt am Main

Heike Schillo
Member of the Staff Commitee, DekaBank Deutsche Girozentrale, Frankfurt am Main

(End of the term of office: 31.12.2008)

Board of Management

Franz S. Waas, Ph.D.
Chairman

Oliver Behrens

Dr. Matthias Danne

Walter Groll

Hans-Jürgen Gutenberger

Dr. h. c. Fritz Oelrich

Executive Managers

Oliver K. Brandt

Manfred Karg

Osvin Nöller

Thomas Christian Schulz

Fund-related committees

(as of February 2008)

Business division Asset Management Capital Markets

Advisory Board Asset Management Capital Markets Retail

Dr. Harald Vogelsang
(Chairman)
Chairman of the Management Board of Hamburger Sparkasse AG, Hamburg

Michael Horn
(Deputy Chairman)
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Dr. Guido Brune
Member of the Management Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

Stefan Bungarten
Executive Manager of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main

Gerhard Döpkens
Chairman of the Management Board of Sparkasse Gifhorn-Wolfsburg, Gifhorn

Dr. Norbert Emmerich
Deputy Chairman of the Management Board of WestLB AG, Düsseldorf

Joachim Gerenkamp
Chairman of the Management Board of Sparkasse Werl, Werl

Manfred Graulich
Chairman of the Management Board of Sparkasse Koblenz, Koblenz

Dr. Joachim Herrmann
Chairman of the Management Board of Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Sigmaringen

Jürgen Müsch
Member of the Management Board of Landesbank Saar, Saarbrücken

Wolfgang Pötschke
Chairman of the Management Board of Sparkasse zu Lübeck AG, Lübeck

Fred Ricci
Chairman of the Management Board of Sparkasse Neunkirchen, Neunkirchen

Christian W. Rother
Member of the Management Board of Sparkasse Aachen, Aachen

Werner Schmiedeler
Chairman of the Management Board of Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach

Dr. Frank Schneider
Chairman of the Management Board of HSH N Financial Markets Advisory AG, Kiel

Walter Schubert
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

Axel Warnecke
Member of the Management Board of TaunusSparkasse, Bad Homburg v. d. H.

Guest

Werner Netzel
Executive Member of the Management Board of the German Savings Banks and Giro Association e. V., Berlin

(End of the term of office: 30.06.2009)

Advisory Board Asset Management Capital Markets Institutional

Jürgen Kösters
(Chairman)
Member of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

Karl-Ludwig Kamprath
(Deputy Chairman)
Chairman of the Management Board of Kreissparkasse München Starnberg, Munich

Bernd Gurzki
Chairman of the Management Board of Sparkasse Emden, Emden

Klaus Hacker
Chairman of the Management Board of Sparkasse Hagen, Hagen

Alois Hagl
Chairman of the Management Board of Sparkasse im Landkreis Schwandorf, Schwandorf

Hans-Heinrich Hahne
Chairman of the Management Board of Sparkasse Schaumburg, Rinteln

Joachim Hoof
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Gerhard Klimm
Executive Manager of LRP Landesbank Rheinland-Pfalz, Mainz

Thomas Lützelberger
Chairman of the Management Board of Sparkasse Schwäbisch Hall-Crailsheim, Schwäbisch Hall

Peter Mausolf
Member of the Management Board of Sparkasse Herford, Herford

Hubert Riese
Member of the Management Board of Kreissparkasse Eichsfeld, Worbis

Dr. Ralph Schmidt
Member of the Management Board of Bayerische Landesbank, Munich

Dr. Frank Schneider
Chairman of the Management Board of HSH N Financial Markets Advisory AG, Kiel

Arthur Scholz
Chairman of the Management Board of Sparkasse Vogtland, Plauen

Hans-Joachim Strüder
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Werner Taiber
Member of the Management Board of WestLB AG, Düsseldorf

Dr. Hermann Weber
Chairman of the Management Board of Sparkasse Offenburg/Ortenau, Offenburg

Alexander Wüerst
Chairman of the Management Board of Kreissparkasse Köln, Cologne

(End of the term of office: 30.06.2009)

Advisory Board Pension Management

Manfred Herpolsheimer
(Chairman)
Chairman of the Management Board of Sparkasse Leverkusen, Leverkusen

Dr. Norbert Emmerich
(Deputy Chairman)
Deputy Chairman of the Management Board of WestLB AG, Düsseldorf

Andrea Binkowski
Chairwoman of the Management Board of Sparkasse Mecklenburg-Strelitz, Neustrelitz

Michael Bott
Member of the Management Board of Sparkasse Waldeck-Frankenberg, Korbach

Jochen Brachs
Chairman of the Management Board of Sparkasse Hochschwarzwald, Titisee-Neustadt

Helmut Dohmen
Head of Division Private and Investment Clients, Stuttgart Region, Baden-Württembergische Bank, Stuttgart

Dr. Johannes Evers
Member of the Management Board of Landesbank Berlin AG, Berlin

Jürgen Flückschuh
Deputy Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Ludger Gooßens
Deputy Chairman of the Management Board of Sparkasse Krefeld, Krefeld

Arendt Gruben
Chairman of the Management Board of Sparkasse Schwarzwald-Baar, Villingen-Schwenningen

Martin Haf
Chairman of the Management Board of Sparkasse Allgäu, Kempten

Torsten Heick
Head of Division Private Clients, HSH Nordbank AG, Hamburg

Gerhard Klimm
Executive Manager of LRP Landesbank Rheinland-Pfalz, Mainz

Siegmund Schiminski
Chairman of the Management Board of Sparkasse Bayreuth, Bayreuth

Ralph Schmieder
Member of the Management Board of Sparkasse Südholstein, Neumünster

Christoph Schulz
Chairman of the Management Board of Braunschweigische Landessparkasse, Brunswick

Heinz-Dieter Tschuschke
Chairman of the Management Board of Sparkasse Meschede, Meschede

Ulrich Weiterer
Chairman of the Management Board of Sparkasse Goslar/Harz, Goslar

(End of the term of office: 30.06.2009)

Co-operation Board Insurance

Gerhard Müller
(Chairman)
Chairman of the Management Board of Sparkassen-Versicherung Sachsen, Dresden

Helmut Späth
(Deputy Chairman)
Deputy Chairman of the Management Board of Versicherungskammer Bayern, Munich

Michael Doering
Member of the Management Board of Öffentliche Lebensversicherung Braunschweig, Brunswick

Roland Drasl
Member of the Management Board of Westfälische Provinzial Versicherung AG, Münster

Klaus R. Hartung
Member of the Management Board of Provinzial Rheinland Versicherung AG, Düsseldorf

Hermann Kasten
Member of the Management Board of VGH Versicherungen, Hanover

Dr. Friedrich Leffler
Chairman of the Management Board of ÖSA – Öffentliche Versicherungen Sachsen-Anhalt, Magdeburg

Michael Rohde
Member of the Management Board, Association of Public Insurance Companies, Düsseldorf

Prof. Michael Scharr
Member of the Management Board of SV SparkassenVersicherung Holding AG, Mannheim

Franz Thole
Chairman of the Management Board of Öffentliche Versicherungen Oldenburg, Oldenburg

Guest

Dr. Jens Piorkowski
German Savings Banks and Giro Association e. V., Berlin

(End of the term of office: 30.06.2009)

Corporate bodies of subsidiaries – business division AMK

Deka Investment GmbH

Supervisory Board

Oliver Behrens
(Chairman)
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Board of Management

Thomas Neiße *(Chairman)*
Frank Hagenstein
Andreas Lau
Victor Moftakhar
Dr. Ulrich Neugebauer
Dr. Manfred Nuske
Dr. Udo Schmidt-Mohr

Deka FundMaster Investmentgesellschaft mbH

Supervisory Board

Oliver Behrens
(Chairman)
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Board of Management

Matthias Ewald
Thomas Ketter
Dr. Udo Schmidt-Mohr
Norbert Ziemer

DekaBank Deutsche Girozentrale Luxembourg S.A.

Administrative Board

Oliver Behrens
(Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Walter Groll
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Rainer Mach
Managing Director of DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Board of Management

Rainer Mach
(Managing Director)
Wolfgang Dürr
Bruno Stuckenbroeker
Patrick Weydert

Deka(Swiss) Privatbank AG

Administrative Board

Oliver Behrens
(President)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. Alfred Schwarzenbach
(Vice-President)
Company Director, Erlenbach

Stefan T. Bichsel
Limited Partner of Lombard Odier Darier Hentsch & Cie., Geneva

Dietmar P. Binkowska
Chairman of the Management Board of Sparkasse KölnBonn, Cologne

Hans-Jürgen Gutenberger
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Fernand Koch
Former Partner of Lombard Odier Darier Hentsch & Cie., Geneva

Walter Nötzli
Member of the Management Board of LB(Swiss) Privatbank AG, Zurich

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. Heidi Pfister-Ineichen
Lawyer, Pfister Suppiger & Moro Attorneys-at-Law, Luzern

Antonio Sergi
Member of the Management Board of Banca del Gottardo, Lugano

Board of Management

Herbert Mattle
(Chairman)
Dr. Andreas Suter

Deka International (Ireland) Ltd.

Administrative Board

Oliver Behrens
(Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Walter Groll
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

James Scanlon
Partner at Matheson Ormsby Prentice, Dublin

Grainne Walsh
General Manager of Deka International (Ireland) Ltd., Dublin

General Manager

Grainne Walsh

Business division Asset Management Property

Advisory Board Asset Management Property

Peter Kobiela
(Chairman)
Member of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main

Johannes Werner
(Deputy Chairman)
Chairman of the Management Board of Kreissparkasse Ostalb, Aalen

Erich Albertmelcher
Head of Division Real Estate Clients, LRP Landesbank Rheinland-Pfalz, Mainz

Hubert Beckmann
Chairman of the Management Board of Westdeutsche ImmobilienBank, Mainz

Toni Domani
Member of the Management Board of Sparkasse Regen-Viechtach, Regen

Dr. Rudolf Fuchs
Chairman of the Management Board of Sparkasse Mainfranken Würzburg, Würzburg

Lothar Heinemann
Chairman of the Management Board of Stadt-Sparkasse Solingen, Solingen

Johannes Hüser
Chairman of the Management Board of Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück

Matthias Knak
Member of the Management Board of Sparkasse Gießen, Gießen

Dirk Köhler
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

Dr. Klaus Köhler
Chairman of the Management Board of Harzsparkasse, Wernigerode

Herbert Lehmann
Chairman of the Management Board of Sparkasse Staufen-Breisach, Staufen

Siegmar Müller
Chairman of the Management Board of Sparkasse Germersheim-Kandel, Kandel

Andreas Pohl
Global Head Real Estate of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

Dr. Wolfgang Riedel
Member of the Management Board of Sparkasse KölnBonn, Cologne

Dr. Bernhard Walter
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Jörg Wohlers
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

(End of the term of office: 30.06.2009)

Corporate bodies of subsidiaries – business division AMI

Deka Immobilien GmbH

Supervisory Board

Dr. Matthias Danne
(Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Board of Management

Ulrich Bäcker
Gerhard Gminder
Franz Lucien Mörsdorf
Josef Schultheis

Deka Immobilien Investment GmbH

Supervisory Board

Dr. Matthias Danne
(Chairman)
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Board of Management

Wolfgang G. Behrendt
Franz Lucien Mörsdorf
Dr. Albrecht Reihlen

WestInvest Gesellschaft für Investmentfonds mbH

Supervisory Board

Dr. Matthias Danne
(Chairman)
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board
of DekaBank Deutsche Girozentrale,
Frankfurt am Main

Board of Management

Stefan Borgelt
Franz Lucien Mörsdorf
Wolfgang Schwanke

Savings Banks Sales

Fund Sales Advisory Council[1)]

Hans Adler
Chairman of the Management Board of Sparkasse Starkenburg, Heppenheim

Dietmar P. Binkowska
Chairman of the Management Board of Sparkasse KölnBonn, Cologne

Manfred Driemeier
Member of the Management Board of Sparkasse Osnabrück, Osnabrück

Dr. Johannes Evers
Member of the Management Board of Landesbank Berlin AG, Berlin

Martin Fischer
Chairman of the Management Board of Sparkasse Jena-Saale-Holzland, Jena

Friedel Höhn
Chairman of the Management Board of Kreissparkasse Saarlouis, Saarlouis

Joachim Hoof
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Wolfgang Kirschbaum
Chairman of the Management Board of Sparkasse Minden-Lübbecke, Minden

Reinhard Klein
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

Jürgen Kösters
Member of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

Hans Martz
Chairman of the Management Board of Sparkasse Essen, Essen

Uwe Perl
Member of the Management Board of Sparkasse Bremerhaven, Bremerhaven

Andreas Peters
Member of the Management Board of Sparkasse Rhein-Nahe, Bad Kreuznach

Markus Schabel
Chairman of the Management Board of Sparkasse Münsterland Ost, Münster

Michael W. Schmidt
Chairman of the Management Board of Sparkasse Worms-Alzey-Ried, Worms

Klaus Schöniger
Member of the Management Board, Die Sparkasse Bremen AG, Bremen

Walter Schubert
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

Klaus Wagner
Deputy Chairman of the Management Board of Kreissparkasse Verden, Verden

Ludwig Wasemann
Deputy Chairman of the Management Board of Kreissparkasse Saarpfalz, Homburg (Saar)

Further Members

Dr. Bernd Kobarg
Chairman of the Management of Deutscher Sparkassenverlag GmbH, Stuttgart

Werner Netzel
Executive Member of the Management Board of the German Savings Banks and Giro Association e. V., Berlin

(End of the term of office: 31.12.2010)

1) At the time of going to press, not yet all members of the Fund Sales Advisory Council had been confirmed.

Regional Fund Committees for Savings Banks

Regional Fund Committee for Savings Banks North/East I

Braunschweigische Landessparkasse, Brunswick
Sparkasse Celle, Celle
Sparkasse Chemnitz, Chemnitz
Sparkasse Holstein, Eutin
Kreissparkasse Freiberg, Freiberg
Sparkasse Gifhorn-Wolfsburg, Gifhorn
Sparkasse Göttingen, Göttingen
Saalesparkasse, Halle
Hamburger Sparkasse AG, Hamburg
Sparkasse Harburg-Buxtehude, Hamburg
Sparkasse Hannover, Hanover
Sparkasse Hildesheim, Hildesheim
Sparkasse Westholstein, Itzehoe
Sparkasse Leipzig, Leipzig
Sparkasse Lüneburg, Lüneburg
Stadtsparkasse Magdeburg, Magdeburg
Kreissparkasse Meißen, Meißen
Sparkasse Emsland, Meppen
Landessparkasse zu Oldenburg, Oldenburg
Sparkasse Vogtland, Plauen
Sparkasse Schaumburg, Rinteln
Sparkasse Mecklenburg-Schwerin, Schwerin
Kreissparkasse Syke, Syke
Sparkasse Uelzen Lüchow- Dannenberg, Uelzen
Sparkasse Oberlausitz-Niederschlesien, Zittau
Sparkasse Zwickau, Zwickau

Regional Fund Committee for Savings Banks North/East II

Kreissparkasse Aue-Schwarzenberg, Aue
Stadtsparkasse Bad Pyrmont, Bad Pyrmont
Stadtsparkasse Bad Sachsa, Bad Sachsa
Stadtsparkasse Barsinghausen, Barsinghausen
Kreissparkasse Bautzen, Bautzen
Sparkasse Elbe-Saale, Bernburg
Bordesholmer Sparkasse, Bordesholm
Spar- und Leihkasse zu Bredstedt AG, Bredstedt
Sparkasse Jerichower Land, Burg
Stadtsparkasse Burgdorf, Burgdorf
Stadtsparkasse Dessau, Dessau
Kreissparkasse Grafschaft Diepholz, Diepholz
Sparkasse Duderstadt, Duderstadt
Sparkasse Barnim, Eberswalde
Sparkasse Elmshorn, Elmshorn
Stadtsparkasse Hameln, Hameln
Sparkasse Hohenwestedt, Hohenwestedt
Kreissparkasse Köthen, Köthen
Sparkasse Wittenberg, Lutherstadt Wittenberg
Sparkasse Neubrandenburg-Demmin, Neubrandenburg
Sparkasse Nienburg, Nienburg
Sparkasse Osterode am Harz, Osterode
Sparkasse Parchim-Lübz, Parchim
Kreissparkasse Peine, Peine
Sparkasse Prignitz, Pritzwalk
Sparkasse Altmark West, Salzwedel
Kreissparkasse Sangerhausen, Sangerhausen
Sparkasse Scheeßel, Scheeßel
Landsparkasse Schenefeld, Schenefeld
Sparkasse Niederlausitz, Senftenberg
Kreissparkasse Aschersleben-Staßfurt, Staßfurt
Sparkasse Märkisch-Oderland, Strausberg
Kreissparkasse Walsrode, Walsrode
Stadtsparkasse Wedel, Wedel
Harzsparkasse, Wernigerode
Sparkasse Mecklenburg-Nordwest, Wismar
Kreissparkasse Anhalt-Zerbst, Zerbst

Further members North/East I + II

East German Savings Banks Association, Berlin
Savings Banks Association Berlin, Berlin
Hanseatic Savings Banks and Giro Association, Hamburg
Savings Banks Association of Lower Saxony, Hanover
Savings Banks and Giro Association for Schleswig-Holstein, Kiel

Regional Fund Committee for Savings Banks Mid I

Sparkasse Aachen, Aachen
Sparkasse Bad Hersfeld-Rotenburg, Bad Hersfeld
Sparkasse Mittelmosel – Eifel Mosel Hunsrück, Bernkastel-Kues
Kreissparkasse Köln, Cologne
Sparkasse Westmünsterland, Dülmen
Kreissparkasse Düsseldorf, Düsseldorf
Stadtsparkasse Düsseldorf, Düsseldorf
Sparkasse Duisburg, Duisburg
Kreissparkasse Heinsberg, Erkelenz
Kreissparkasse Euskirchen, Euskirchen
Sparkasse Oberhessen, Friedberg
Sparkasse Fulda, Fulda
Sparkasse Gera-Greiz, Gera
Sparkasse Gießen, Gießen
Kreissparkasse Groß-Gerau, Groß-Gerau
Sparkasse Dieburg, Groß-Umstadt
Sparkasse Hanau, Hanau
Herner Sparkasse, Herne
Kreissparkasse Steinfurt, Ibbenbüren
Sparkasse Koblenz, Koblenz
Sparkasse Waldeck-Frankenberg, Korbach
Sparkasse Krefeld, Krefeld
Sparkasse Lemgo, Lemgo
Sparkasse Leverkusen, Leverkusen
Sparkasse Vorderpfalz Ludwigshafen a. Rh. - Schifferstadt, Ludwigshafen
Kreissparkasse Schwalm-Eder, Melsungen
Sparkasse am Niederrhein, Moers
Sparkasse Mülheim an der Ruhr, Mülheim
Sparkasse Neuss, Neuss
Sparkasse Neuwied, Neuwied
Stadtsparkasse Oberhausen, Oberhausen
Sparkasse Südwestpfalz, Pirmasens
Sparkasse Vest Recklinghausen, Recklinghausen
Sparkasse Saarbrücken, Saarbrücken
Sparkasse Langen-Seligenstadt, Seligenstadt
Sparkasse Siegen, Siegen
Stadt-Sparkasse Solingen, Solingen
Sparkasse Trier, Trier
Sparkasse Wetzlar, Wetzlar
Stadtsparkasse Wuppertal, Wuppertal

Regional Fund Committee for Savings Banks Mid II

Kreissparkasse Altenkirchen, Altenkirchen
Stadtsparkasse Borken (Hessen), Borken
Kreissparkasse Westerwald, Bad Marienberg
Stadtsparkasse Bad Oeynhausen, Bad Oeynhausen
Sparkasse Bensheim, Bensheim
Sparkasse Burbach-Neunkirchen, Burbach
Sparkasse Dillenburg, Dillenburg
Sparkasse Odenwaldkreis, Erbach
Sparkasse Werra-Meißner, Eschwege
Stadtsparkasse Gladbeck, Gladbeck
Verbandssparkasse Goch-Kevelaer-Weeze, Goch
Sparkasse Gronau, Gronau
Sparkasse Grünberg, Grünberg
Sparkasse Gütersloh, Gütersloh
Sparkasse Gummersbach-Bergneustadt, Gummersbach
Kreissparkasse Halle, Halle (Westfalen)
Sparkasse Hattingen, Hattingen
Sparkasse Germersheim-Kandel, Kandel
Sparkasse Kleve, Kleve
Stadtsparkasse Lengerich, Lengerich
Kreissparkasse Limburg, Limburg (Lahn)
Stadtsparkasse Lippstadt, Lippstadt
Kreissparkasse Mayen, Mayen
Stadtsparkasse Porta Westfalica, Porta Westfalica
Stadtsparkasse Remscheid, Remscheid
Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück
Sparkasse Rietberg, Rietberg
Sparkasse Donnersberg, Rockenhausen
Kreissparkasse Saalfeld-Rudolstadt, Saalfeld
Kreissparkasse Saale-Orla, Schleiz
Kreissparkasse Schlüchtern, Schlüchtern
Stadtsparkasse Schwalmstadt, Schwalmstadt
Sparkasse Sonneberg, Sonneberg
Kreis- und Stadtsparkasse Speyer, Speyer
Sparkasse Stadtlohn, Stadtlohn
Stadtsparkasse Versmold, Versmold
Sparkasse Warstein-Rüthen, Warstein
Verbands-Sparkasse Wesel, Wesel
Sparkasse der Homburgischen Gemeinden, Wiehl
Stadtsparkasse Witten, Witten

Further members Mid I + II

Rhineland Savings Banks and Giro Association, Düsseldorf
Savings Banks and Giro Association of Hesse-Thuringia, Frankfurt am Main and Erfurt
Savings Banks and Giro Association of Rhineland-Palatinate, Mainz
Savings Banks and Giro Association of Westphalia-Lippe, Münster
Savings Banks Association Saar, Saarbrücken

Regional Fund Committee for Savings Banks South I

Sparkasse Aschaffenburg-Alzenau, Aschaffenburg
Sparkasse Bad Tölz-Wolfratshausen, Bad Tölz
Sparkasse Zollernalb, Balingen
Kreissparkasse Biberach, Biberach
Sparkasse Kraichgau, Bruchsal
Stadt- und Kreissparkasse Erlangen, Erlangen
Kreissparkasse Esslingen-Nürtingen, Esslingen
Sparkasse Freiburg-Nördlicher Breisgau, Freiburg
Sparkasse Bodensee, Friedrichshafen and Konstanz
Sparkasse Fürth, Fürth
Kreissparkasse Göppingen, Göppingen
Sparkasse Heidelberg, Heidelberg
Sparkasse Karlsruhe, Karlsruhe
Sparkasse Allgäu, Kempten
Kreissparkasse Ludwigsburg, Ludwigsburg
Sparkasse Rhein Neckar Nord, Mannheim
Sparkasse Memmingen-Lindau-Mindelheim, Memmingen
Kreissparkasse München Starnberg, Munich
Sparkasse Neumarkt i.d.OPf.-Parsberg, Neumarkt
Sparkasse Neu-Ulm - Illertissen, Neu-Ulm
Sparkasse Nürnberg, Nuremberg
Sparkasse Offenburg/Ortenau, Offenburg
Sparkasse Pforzheim Calw, Pforzheim
Kreissparkasse Ravensburg, Ravensburg
Kreissparkasse Reutlingen, Reutlingen
Kreissparkasse Rottweil, Rottweil
Sparkasse Schwäbisch Hall-Crailsheim, Schwäbisch Hall
Baden-Württembergische Bank, Stuttgart
Sparkasse Tauberfranken, Tauberbischofsheim
Kreissparkasse Tübingen, Tübingen
Kreissparkasse Tuttlingen, Tuttlingen
Sparkasse Ulm, Ulm
Kreissparkasse Waiblingen, Waiblingen
Sparkasse Hochrhein, Waldshut-Tiengen
Sparkasse Mainfranken Würzburg, Würzburg

Regional Fund Committee for Savings Banks South II

Sparkasse Bad Kissingen, Bad Kissingen
Sparkasse Bonndorf-Stühlingen, Bonndorf
Sparkasse Bühl, Bühl
Sparkasse im Landkreis Cham, Cham
Kreissparkasse Ebersberg, Ebersberg
Sparkasse Rottal-Inn, Eggenfelden and Pfarrkirchen
Sparkasse Eichstätt, Eichstätt
Sparkasse Engen-Gottmadingen, Engen
Sparkasse Ettlingen, Ettlingen
Sparkasse Freising, Freising
Kreissparkasse Freudenstadt, Freudenstadt
Sparkasse Gaggenau-Kuppenheim, Gaggenau
Sparkasse Gengenbach, Gengenbach
Sparkasse Günzburg-Krumbach, Günzburg
Sparkasse Haslach-Zell, Haslach i.K.
Sparkasse Ostunterfranken, Haßfurt
Kreissparkasse Heidenheim, Heidenheim
Kreissparkasse Höchstadt, Höchstadt
Kreis- und Stadtsparkasse Kaufbeuren, Kaufbeuren
Sparkasse Hanauerland, Kehl
Sparkasse Hohenlohekreis, Künzelsau and Öhringen
Sparkasse Lörrach-Rheinfelden, Lörrach
Sparkasse Markgräflerland, Müllheim and Weil am Rhein
Sparkasse Neuburg-Rain, Neuburg an der Donau
Bezirkssparkasse Reichenau, Reichenau
Sparkasse Schopfheim-Zell, Schopfheim and Zell i.W.
Sparkasse Singen-Radolfzell, Singen (Hohentwiel)
Bezirkssparkasse St. Blasien, St. Blasien
Sparkasse Staufen-Breisach, Staufen
Sparkasse Hochschwarzwald, Titisee-Neustadt
Kreis- und Stadtsparkasse Wasserburg am Inn, Wasserburg am Inn
Sparkasse Wolfach, Wolfach

Further members South I + II

Savings Banks Assocation of Bavaria, Munich
Savings Banks Assocation of Baden-Wuerttemberg, Stuttgart and Mannheim

Glossary

ABS (Asset backed securities)
Securities (mainly bonds or promissory note loans) issued by a special purpose vehicle and secured by assets (primarily receivables). ABS papers are issued in different tranches, which are subordinate to each other. The claims to repayment and interest for the respective senior tranches are serviced first from the incoming payments received by the special purpose vehicle (waterfall principle).

Advanced Measurement Approach (AMA) for operational risks
With this approach, the regulatory capital requirement for operational risks is calculated using an internal risk model. The capital requirement is determined on a VaR basis.

Advisory/management and asset management mandate
External fund which is managed by an investment company (KAG) of the DekaBank Group. For advisory mandates, the KAG acts only as an adviser, i.e. the external management company must verify compliance with investment regulations in advance. For management mandates, however, investment decisions are made, verified and implemented by the KAG of the DekaBank Group. For asset management mandates, investors' assets are managed in line with their individual investment goals and in compliance with all restrictions following the conclusion of an asset management contract.

Assessor
Decentralised process expert who updates the evaluation of the strategic risk profile of a survey unit. At DekaBank, this update is conducted quarterly. Each group unit consists of one or several survey units.

Assets under Management (AuM)
AuM essentially comprise the income-relevant volume of public and special fund products in the Asset Management Capital Markets (AMK) and Asset Management Property (AMI) divisions, direct investments in cooperation partner funds, the share of fund-based asset management attributable to cooperation partners, third party funds and liquidity as well as the advisory/management and asset management mandates.

Cap rate
Ratio of the net rental income (rental income less apportionable ancillary costs) to the total purchase prices (purchase price plus usual ancillary costs). Equivalent cap rates are quoted in the USA.

Collateralised debt obligation (CDO)
Securitisation backed by a diversified portfolio – consisting mostly of receivables from loans and bonds. As a rule, a CDO is split into various tranches of different creditworthiness. The CDO is a special form of ABS.

Collateralised loan obligation (CLO)
Securitisation whose performance depends on a portfolio of corporate loans. The CLO is a sub-form of the CDO.

Collateralised synthetic obligation (CSO)
Securitisation whose performance depends on a portfolio of credit default swaps (CDS).

Commercial mortgage backed securities (CMBS)
Securities collateralised by the cash flows from a mortgage or a pool of mortgages on commercial property.

Commission business
Trading and processing of financial instrument transactions on behalf of customers (bank trading on behalf of third party).

Confidence level
Probability that a potential loss will not exceed an upper loss limit defined by means of the value-at-risk (VaR).

Constant proportion portfolio insurance (CPPI)
Dynamic portfolio insurance concept facilitating participation in rising markets with simultaneous protection against losses in nominal value depending on an asset allocation strategy agreed in advance. The extent of investment is managed so that in the event of a worst case scenario, the minimum portfolio value does not fall below a predetermined level.

Correlation
A correlation reveals the extent of synchronisation by indicating both the strength and direction of the relationship between two risk factors. The standard sizes of a correlation range in value between –1 (perfect negative correlation) and +1 (perfect positive correlation).

Cost/income ratio (CIR)
The CIR is a productivity indicator, providing information about the amount that has to be spent in order to earn €1 in profit. In the DekaBank Group, this indicator is calculated from the ratio of total expenses (excluding restructuring expenses) to total income (before risk provision) in the financial year.

Credit default swap (CDS)
A credit default swap is a credit derivative for trading default risks on loans, bonds or borrower names. Normally, the protection buyer pays a regular (often quarterly or half-yearly) fee and when the credit event defined on contract conclusion takes place, e.g. default on a payment due to the insolvency of the borrower, the protection buyer receives a compensation payment from the protection seller. The CDS is similar to a loan insurance transaction and gives banks and other investor groups a flexible instrument for trading credit risks and hedging portfolios.

Emerging markets
A summary term for a group of countries which are in the process of turning into industrialised countries. Their main features are political-economic reforms, high industrial growth, declining but still relatively high inflation rates, large foreign debt and in some cases, limited political stability.

Equity method
The shares in associated companies or joint ventures are included in the consolidated balance sheet when they have a material impact on acquisition costs. In subsequent years, the equity figure carried in the balance sheet is updated by the Group share of changes in the associated company's equity. The proportional net income of the relevant company is posted to the consolidated income statement as income from equity investments.

Euro commercial paper programme (ECPP)
Programme for issuing bonds with terms lasting from a few days to under two years. They are issued by banks and large companies to flexibly cover short-term credit requirements for loans on a revolving basis as part of the agreed total volume. Commercial paper is generally issued as discounted paper. Yields are geared to representative money market interest rates over similar maturities.

Euro medium term note (EMTN) programme
Programme for issuing bonds which can be issued as tap issues in the medium to long-term segments. They are placed with institutional investors by the banks advising on the issues. The EMTN programme uses standardised documentation and represents the contractual framework for the individual issues.

Exposure
In the monitoring of credit risks, exposure is understood as the sum of all risk positions in the transactions of an economic borrower group with the constituent partners.

Fair value
The amount at which an asset is exchanged between knowledgeable, willing parties in an arm's length transaction or the amount at which a liability can be paid. Depending on the case in question, the value concept is fleshed out by measures of value, such as market value, or in the absence of such a benchmark, by internal valuation models.

Fair value hedge
This primarily concerns fixed-interest items (e.g. loans or securities) that can be hedged against changes in fair value by derivatives.

Fund assets (according to BVI)
Fund assets according to BVI comprise the fund assets of the public and special funds and funds-of-funds as well as the Master-KAG mandates in the AMK and AMI business divisions. Direct investments in cooperation partner funds, the proportion of products for fund-based asset management attributable to cooperation partners, third party funds and liquidity as well as the advisory/management and asset management mandates are not included.

Fund-based asset management
Generic term for structured investment products such as funds-of-funds and fund-linked asset management products.

Fund-of-funds
Investment fund that invests indirectly in securities, i.e. via other funds. The investment policy of a fund-of-funds is mostly geared to the steady reproduction of a certain portfolio structure on the basis of a defined risk/reward profile.

Goodwill
In a shareholding acquisition or a company takeover, the difference arising from offsetting the acquisition cost against the fair value of assets and liabilities is called goodwill.

Hybrid capital
Mixed form of borrowed capital and equity making it possible to find an optimum position in balancing interests between the desire to assume risk and the constraints placed on corporate management. Typical representatives of hybrid capital are subordinated loans, silent capital contributions or participating certificates.

Impairment
Unplanned write-down of asset values such as goodwill, receivables and property, plant and equipment due to anticipated decline in value of the corresponding assets.

IFRS (International Financial Reporting Standards)
In addition to the standards designated as IFRS, "IFRS" also includes the existing International Accounting Standards and the interpretations of the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC), as well as the Standards and Interpretations to be published by the IAS Board in the future.

IRB basic approach
Approach to calculating the equity requirements for a credit risk, in which the risk weightings of the loans depend on the bank's own credit ratings. Where the probability of default for each rating class and borrower is calculated by the bank, while all other risk parameters are set by the supervisory authority, this is referred to as the IRB basic approach.

MaRisk (German minimum requirements for risk management)
Mandatory requirement by the German Federal Financial Supervisory Authority (BaFin) for the risk management practices of German financial institutions. As the supervisory authority concerned with implementing Section 25a (1) of the German Banking Act (KWG), BaFin has established the MaRisk by consolidating, updating and supplementing the minimum requirements for the trading activities of financial institutions (MaH), the minimum requirements for conducting internal audits (MaIR) and the minimum requirements for credit transactions (MaK). MaRisk was published in December 2005 and came into effect on 1 January 2007.

Master KAG
An investment company functioning as a specialised service KAG (capital investment company) in which portfolio management tasks for individual mandates are outsourced to various external asset managers but reporting to institutional investors is prepared on a uniform basis. This enables institutional investors to bundle all their administered assets with a single investment company.

Net funds inflow (according to BVI)
Difference between the funds inflow from the sale of units and the outflow from the redemption of units. Unlike net sales performance, this figure does not include the funds of cooperation partners or advisory/management and asset management mandates. However, the net sales from own investments are taken into account in the net funds inflow.

Net sales performance
Performance indicator of sales success. This results essentially from the total of direct sales of public and special funds, fund-based asset management, the funds of cooperation partners and the Master KAG, advisory/management and asset management mandates. Sales generated through own investments are not taken into account.

N-th to default (NTD)
Credit derivative for a basket of names which is linked to the n-th default.

Payments to the alliance partners
Payments made by the DekaBank Group to the savings banks and *Landesbanken*. These include the transfer of the front-end load from the sale of funds as well as the corresponding sales performance compensation, asset management fee and sales commission.

Primary/secondary market
The primary market (also known as the new issue market) is the capital market for the initial issue of securities. Trading of issued securities, especially bonds and shares, occurs on the secondary market (usually in organised trading on stock exchanges).

Primary/secondary cover funds
Primary cover funds are composed of the annual net income contribution, IFRS balance sheet equity and atypical silent capital contributions. Secondary cover funds consist of subordinated debt capital positions that can also be used to cover primary receivables.

Rating
Standardised creditworthiness/risk assessment of companies, countries or the debt instruments they issue based on standardised qualitative and quantitative criteria. From a bank's point of view, the result of the rating process provides the basis for establishing the probability of default, which must in turn be incorporated in calculating equity requirements for the credit risk. Ratings can be issued by the bank itself (internal ratings) or by specialised rating agencies such as Standard & Poor's, Fitch or Moody's (external ratings).

Ratio of intra-alliance business
Proportion of DekaBank Group products in the fund sales of the savings banks and *Landesbanken* as a measure of acceptance in the *Sparkassen-Finanzgruppe*.

Residential mortgage backed securities (RMBS)
Securities collateralised by the cash flows from a mortgage or a pool of mortgages on residential property.

Return on equity (RoE)
Economic income related to equity including atypical silent capital contributions at the beginning of the year. The RoE reflects the interest paid on the capital provided by shareholders.

Revaluation reserve
The revaluation reserve includes fair value measurement effects from financial instruments in the available for sale category and their deferred tax effects with no impact on profit or loss.

Securities finance
Covers all repo and securities lending transactions as well as securities lending substitute transactions with derivatives. Repos are repurchase agreements concluded as part of a repurchase agreement transaction (securities repurchase agreement). Under a repo, securities are sold and an agreement is reached at the same time to repurchase them on a fixed date at a price defined ex ante. The term of a repurchase agreement can vary from one night to 24 hours, a few days or several months. In securities lending transactions, securities are loaned for a limited period of time in return for a fee. The borrower of the securities undertakes to return securities of the same type and quality at the end of the term (maximum 6 months). Consequently, this constitutes lending in kind in accordance with Section 607, German Civil Code (BGB). The lender of the securities is positioned as if he remains the owner of the securities. For the temporary loan of the securities, the lender receives a fee from the borrower. If necessary, the borrower furnishes collateral.

Service KAG
A service KAG is an investment company that, to begin with, concentrates its service provision on the administrative coordination and management of investments, including investment fund accounting, reporting and financial controlling, thus making it possible for an investor to issue special and public funds.

Spread
Difference between the purchase price and the selling price of certain financial products (e.g. foreign currency, certificates, futures, etc.).

Subprime loans
Loans to borrowers with a low credit-standing, usually on a mortgage basis. The collateral on subprime loans is of lower quality than standard real estate finance and higher interest rates are charged to offset the increased risk. Accordingly, mortgage bonds backed by subprime loans offer a higher return but also a greater price risk than conventional mortgage bonds.

Syndication/syndicated loans
A loan collectively awarded by a group of banks (consortium), otherwise known as a consortium loan. Syndication provides an opportunity for several banks to share the overall risk involved in a loan.

Utilisation of the risk-bearing capacity
Indicator of the relationship between the Group risk (business, market, credit, participation, property, property fund and operational risk) and the cover funds.

Value-at-risk (VaR)
The VaR of a financial instrument portfolio identifies the possible loss that might arise within a prescribed period (= holding period, for example 10 days) and probability (= confidence level, for example 95%) in the case of presupposed changes in market risk factors (for example interest rates, currencies and share prices).

Variance covariance method
Procedure for determining the value-at-risk. In the context of this method, which is also known as the parametric, analytic or delta-normal method, risk factor volatilities and correlations are used to determine the value-at-risk. It is assumed that the fluctuations in the risk factors conform to a normal distribution.

Volatility
Measure of the fluctuation intensity of a risk factor over a predefined period. A distinction is made between historical and implied volatility.

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Financial calendar

Financial year 2008	**18 March 2008**	Annual press conference 2007 Annual Report 2007 (German version)
	1 April 2008	Annual Report 2007 (English version)
	August 2008	Interim Report June 30, 2008 (German version)
	September 2008	Interim Report June 30, 2008 (English version)

Publication dates are preliminary and subject to change.

Internet website

German and English versions of our annual reports and interim reports are available for download from our website at www.dekabank.de under "Investor Relations/Reports".

Ordering reports

We would be pleased to send you a printed copy of this annual report. If you would like to receive our annual reports or interim reports on a regular basis, please contact our Internal Communication & Media department:
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Our group companies in Luxembourg and Switzerland, DekaBank Deutsche Girozentrale Luxembourg S. A. and Deka(Swiss) Privatbank AG, publish their own annual reports.

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