Vote of confidence

Annual Report 2010
DekaBank Group

Olympia Partner Deutschland

Finanzgruppe

DekaBank

DekaBank Group at a glance

Business development indicators		31.12.2010	31.12.2009	Change %
Total assets	€m	130,304	133,283	–2.2
Assets under Management (AMK and AMI)	€m	155,222	151,243	2.6
of which: Asset Management Capital Markets (AMK)	€m	132,471	130,115	1.8
of which: Asset Management Property (AMI)	€m	22,751	21,128	7.7
Number of securities accounts	thousand	4,596	4,817	–4.6
		1.1.–31.12.2010	**1.1.–31.12.2009**	
Net sales (AMK and AMI)	€m	908	1	(> 300)
of which: Asset Management Capital Markets (AMK)	€m	–793	–2,478	68.0
of which: Asset Management Property (AMI)	€m	1,701	2,479	–31.4
Performance indicators				
Total income	€m	1,758.0	1,499.9	17.2
of which: Net interest income	€m	422.0	473.0	–10.8
of which: Net commission income	€m	1,061.7	980.8	8.2
Total expenses	€m	832.9	838.1	–0.6
of which: Administrative expenses (incl. depreciation)	€m	835.9	806.0	3.7
Economic result	€m	925.1	661.8	39.8
Net income before tax	€m	876.7	520.2	68.5
Key ratios				
Return on equity [1]	%	26.3	20.3	6.0 %-points
Cost/income ratio [2]	%	49.0	43.5	5.5 %-points
Key regulatory figures		**31.12.2010**	**31.12.2009**	
Capital and reserves	€m	4,358	4,052	7.6
Core capital ratio (incl. market risk positions)	%	12.9	9.7	3.2 %-points
Total capital ratio	%	16.9	13.8	3.1 %-points
Risk ratios				
Total risk-bearing capacity	€m	5,840	5,152	13.4
Group risk (value-at-risk) [3]	€m	2,718	2,917	–6.8
Utilisation of risk-bearing capacity	%	46.5	56.6	–10.1 %-points
Non-guaranteed rating (short-term/long-term)				
Moody's		P-1/Aa2	P-1/Aa2	
Standard & Poor's		A-1/A	A-1/A	
Key employee figures				
Number of employees		3,683	3,667	0.4
Average number of positions occupied		3,174	3,294	–3.6

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

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

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

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Foreword

Dear Shareholders and Investors,

A successful account always comprises several components. With regard to DekaBank's net income for 2010, this is the sum of three decisive success factors. Firstly, higher net commission income thanks to the positive performance of our funds. Secondly, considerably lower requirement for risk provisions in lending business, flanked by revaluations and profits realised on capital market credit products. Thirdly, the increase in income was supported by the consistent implementation of our quality and process campaign. Together, these three components ensured that we once again delivered record annual results for our shareholders. These excellent results have long-term, sustainable substance – and are not affected by any capital refunds not realised at DekaBank which may arise from equity trades carried out during the reporting year. In this respect, we have taken all the necessary measures to fully process the matter in cooperation with the relevant offices.

The most important message precedes the annual financial statements: our business model has been confirmed as a stability anchor and has once again proven its strength, especially in the face of unstable market and competitive parameters. This particularly applies with regard to our sustained earnings power. Since 2006, DekaBank has achieved its target economic result every year, excluding the crisis-stricken year of 2008, when non-recurring factors affected income negatively. This continuous upward trend, combined with low volatility, is an outer reflection of the stability and soundness of our business model. Its financial strength was also affirmed in 2010 as part of the stress test conducted by the European banking supervisory authority, which is an important external sign of confidence.

Internally, the fact that we are firmly anchored within the Sparkassen-Finanzgruppe ensures sustained stability in terms of framework conditions, which are at least equally as important, especially in an environment that remains uncertain. The financial market crisis seems to have been overcome, with the global economy recovering in 2010. However, many uncertainties remain for the international financial and capital markets, including the national debt of some EU member states, the debate surrounding the stability of the euro, inflation control in Europe and the current process of revolutionary change in the Arab countries. These are all exerting considerable pressure, particularly on the financial sector.

In an environment marked by such instability, a clear profile and convincing, future-oriented strategy are much sought-after. Our business model combines these two aspects and focuses on the requirements of the savings banks and their customers. They are the pivot of our activities as central asset manager, both in the investment fund business and the supporting capital market services, for retail customers as well as institutional investors. This sharply defined direction promotes reliability and creates a strong basis for trust. Our partners in the Sparkassen-Finanzgruppe know from their day-to-day operations just how important this level of trust is, especially in the securities business. Long-term satisfactory customer relationships are only feasible if customers have confidence in the expert advice, strong product quality and professional and service-based support.

Alongside specified goals and targets and a well-defined approach, realising a vision first and foremost requires one other element: trust in the vision itself. The savings banks are currently preparing to become the majority shareholders in DekaBank. This will make a longstanding wish come true. With "100% savings bank" on the agenda, DekaBank faces an historical turning point. We will now need to sharpen our profile and align our range of products, sales support and market positioning even more closely with the savings banks. At the same time, this also provides the opportunity to focus on positioning ourselves at the top in the securities business to become the market leader, something the savings banks have already achieved in retail banking. We intend to develop this potential together with the savings banks. After all, record results cannot be "mass produced" without the corresponding sales clout. Using the dual lever as sole shareholder and exclusive sales partner, the savings banks will benefit from greater participation in their sales success in future.

We interpret the intended change in the shareholder structure as a clear sign of trust from the savings banks and their customers. It is one reason why we have chosen the motto "Vote of confidence" for this year's Annual Report. It is also why we have decided to use a composite picture design for the introductory section, which clearly puts the spotlight on savings bank customers. Several customers are presented, who have been able to make a personal wish come true by investing in Deka investment funds. The stories are told by selected staff along the value-creation chain of our funds, from product management to custody account service employees. In their teams, these colleagues make a daily contribution to further strengthening the trust that savings bank customers place in the Deka investment funds. This consolidates the basis for the shared future success of the savings banks and DekaBank.

Sincerely,

Franz S. Waas, Ph. D.
Chairman of the Board of Management of DekaBank

Britta Langer, Dirk Steuernagel and Thomas Gallinger
(DekaBank product managers)

Developing excellent products is hard work. Fortunately, enjoying them is not.

Kristina Berger used to think that saving was rather bourgeois. After all, there was plenty of time to start saving once she had a regular income from work. Today, the student, who lives in Celle, Germany, is glad she took the recommendation from savings bank adviser Björn Espe and invested in the Deka-Euroland Balance mixed fund through a savings plan. She had soon saved enough money to spend a romantic holiday with her boyfriend in Marbella, Spain. After this successful start, the 23-year-old is already focusing on her next project: an extended stay abroad.

This example highlights that regularly saving even small amounts by investing in an investment fund can help make some of your wishes come true. The Deka-Euroland Balance tracker fund, which has already won several awards from rating agencies, is just one of the funds that enable you to save. The proportion of stocks and shares in the fund is adjusted on the basis of a sophisticated mathematical algorithm. Ideas for such funds come from many different sides: local savings banks, the markets and, first and foremost, from DekaBank's own product management unit. Britta Langer, Dirk Steuernagel and Thomas Gallinger are amongst the experts who work there, carefully observing and monitoring market trends as well as changes in investors' requirements on an ongoing basis. Their most important task is to develop precisely tailored product solutions and closely follow the process from idea to market launch. Product management coordinates a large number of activities within the DekaBank Group and involves specialists from fund management, fund administration, legal, custody account services, IT organisation, marketing, sales and the custodian bank. It is a challenging, but very rewarding job.

So it is also thanks to the initiative and innovation of the trendsetters in product management that Deka investment funds regularly win awards for outstanding quality. That is just how it should be, and we want it to stay that way, so that people like Kristina Berger and many other investors can continue to enjoy the sunny side of fund-based saving.

Dr. Andreas Eickhoff and Jhoanna Alba-Harkort
(Deka Investment analysts)

Dry analysis is the basis of many exciting projects.

Building up wealth step by step and then making her and her family's wish come true turned out to be more than just a dream for Rosa Surace. In fact, she has been able to realise several of her family's wishes. As a customer at Stadtsparkasse Wuppertal, Mrs. Surace used her savings from a Deka-FondsSparplan to surprise her future daughter-in-law with a very special gift, a beautiful wedding dress which they chose together. It helped make the wedding an unforgettable day.

Very few investor's wishes are fulfilled as if by magic. The right products need to be available. With regard to securities funds, for example, it is essential to filter out the most suitable option from a wide range of investment opportunities. For our fund managers, the support from analysts is hugely important for this challenging task, in both qualitative and quantitative terms. The MSCI World international equity index alone comprises more than 1,600 different shares, and that is not counting the shares of numerous small and medium-sized companies. At Deka Investment, a total of 20 analysts work in the equity segment alone. They research annual reports, interview board members and examine companies worldwide. Jhoanna Alba-Harkort, Andreas Eickhoff and their colleagues meet with company board members from all over the world approximately 2,000 times a year. Their database of company figures goes back to the 1970s. This close work with companies facilitates accurate assessments of business prospects and trends in the various sectors.

Admittedly, much of the information that our analysts research, collate and evaluate is hidden behind dry figures. However, they can be of decisive importance when it comes to the strong performance of our funds. Which makes it possible for the Surace family and many other investors to transform many exciting projects into reality.

Sandra Ebner, Mario Adorf and Trudbert Merkel
(Deka Investment fund managers)

The whole world in their sights – that's what fund managers and globetrotters have in common.

Exploring the world first hand and not just through a TV screen has long been the ideal for Ingrid and Detlev Haupt. The couple has travelled to many parts of the world, usually on cruises. And they are already planning their next voyage. The Haupt family does not need to worry about funding their hobby. Customer adviser Johannes Wucherpfennig from the Sparkasse Göttingen savings bank recommended a Deka-AuszahlPlan. It makes sure that their travel budget is regularly topped up.

Mr. and Mrs. Haupt share this interest in the world with our fund managers. For example with Mario Adorf, who is responsible for the Deka-GlobalChampions equity fund, which invests across the globe. This interest is also shared by commodity expert Sandra Ebner, who works for Deka-Commodities, trading in contracts for oil, gas, industrial metals and precious metals on the international markets. Tradition and innovation are not mutually exclusive. The best proof of this is our flagship fund, the DekaFonds, which has been managed by Trudbert Merkel for the past 20 years. This classic fund focuses on German blue chip companies and always includes exactly those companies in its portfolio which benefit the most from the export strength and global competitiveness of the German economy.

Across all asset classes, around €104bn are invested in our mutual securities funds. They are backed by many investors who have placed their trust in us, just like the Haupts. Fund managers therefore have considerable responsibility. They need to ensure that they invest investors' money wisely and sustainably in securities with a strong outlook, while always achieving a balanced risk/reward ratio. It is a challenging task, because you never know when the international financial markets will face the next turmoil, and portfolios need to be managed safely and securely during such phases. Fund managers and sailors agree: in both calm and stormy seas, you have to stay on course and always keep your focus on the ultimate goal.

Jörg Sengfelder
(Corporates & Markets, DekaBank)

We work hand in hand to make our funds even better for all of our investors.

At first glance, the needs of investors can vary widely, especially those of private and institutional investors. The Rudomskis are a young couple who have been able to combine studying and family life in a way that makes sure neither their education nor their young son Jakob suffers. Their financial independence is owed to an inheritance, which they invested in Deka investment funds. Following the recommendation of their adviser, Vera Zickermann from Stadtsparkasse Burgdorf savings bank, a share of the inheritance was invested in Deka-GeldmarktPlan to cover regular transfers during their studies. The Rudomskis also made a long-term investment by buying units in guaranteed funds.

Flexibility, security, return and liquidity are also requirements that many institutional customers have when it comes to investments with DekaBank. Such mandates can easily amount to hundreds of millions. The needs of our key account customers are not really that different from those of a family like the Rudomskis. Regardless of whether a fund is a mutual or special fund, modern portfolios have long been far more than just a combination of different shares and bonds. Rather, fund management utilises specialised capital market services, such as complex financial instruments, to meet investor requirements in terms of safeguarding value, generating reliable target returns and tax-optimised income.

The DekaBank Group's investment companies work hand in hand with our Corporates & Markets business division. This approach lets us develop flexible and customised solutions that are distinctly customer-oriented. This is true, for example, in ETF trading, where Jörg Sengfelder and his colleagues ensure that investors can always buy and sell units in the exchange traded funds of our subsidiary, ETFlab, at a fair price. Since our products can be individually adjusted, they are as suitable for the Rudomskis as they are for our institutional investors, thereby proving that asset management "made by Deka" adds value and offers the perfect solution to a wide range of investor requirements.

Andreas Wüstenberg, Stephanie Rüffer,
Hendrik König, Gesa Wilms and Dr. Sven Olaf Eggers
(Asset Management Property)

Working together: the Nilges family and we invest sustainably.

Ute and Friedel Nilges from Bellingen in Germany's Westerwald region had one wish, which was to enjoy a carefree retirement in their new home and at the same time do their share for the environment. Regular investments in the Deka-ImmobilienEuropa fund helped to make it possible. The couple's new home is a "passive house", which uses hardly any energy and actually generates extra power via solar panels. In fact, the house generates more energy than its residents need. Now that's what you call a good investment.

Our investors invest sustainably on a small scale while we do so on a large scale. In recent years, we have gradually increased the share of green buildings in the portfolios of our open-ended mutual property funds to more than 10% of all properties. By 2015, this share is set to rise to around 40%. To implement this and other forward-looking concepts, we rely on a team of more than 450 experienced property experts in our Asset Management Property (AMI) business division. Hendrik König, for example, is the fund manager responsible for the portfolio of the WestInvest InterSelect fund. Andreas Wüstenberg and his colleagues manage the buying and selling of properties for the funds. The tasks related to property management, comprising the commercial and technical management of properties, are in good hands with Gesa Wilms and her team. Sven Olaf Eggers and his team are in charge of coordination and cross-divisional tasks, such as the investment management for property companies. Stephanie Rüffer is a specialist in property finance, which, alongside Asset Management, is the second core business of the AMI business division.

For more than 40 years, we have been at home in the world's property markets, both as investors and finance providers. Our work contributes to realising property projects in many countries and locations. Which in turn enables our investors to fulfil their dream of financial independence – just like the Nilges.

Tanja Strika, Tanja Potzkai and Martin Grammer
(DekaBank Sales)

We in Sales agree with Mr. Weig: passion is what drives us.

Manfred Weig's art reflects a great deal of creativity – and also always reveals passion. And so it made total sense for him to turn his hobby into his profession by opening his own gallery. However, he did not do it naively or on the spur of the moment, but rather planned it carefully and secured it financially. Mr. Weig received excellent advice from his savings bank. Bianca Volkert, his customer adviser, recommended investing the paid-out sum from a life assurance policy in Deka investment funds, applying a structured approach. This has provided Mr. Weig with the necessary financial buffer to enable him to become self-employed.

Manfred Weig can rely on the customer adviser team at the Sparkasse Hanauerland savings bank in Kehl, Germany. And the savings banks can count on the Sales team at DekaBank. Tanja Strika, Tanja Potzkai and Martin Grammer are just three of a total of around 120 colleagues in our Sales team. They represent the direct link to the savings banks and are close to their customers throughout all regions in Germany, on a daily basis. They keep in touch with "their savings banks" and support them in all sales-related matters. For example, they might give a talk about new Deka products during a customer event, or organise a training session for savings bank employees about changes in the legal requirements regarding investment advice. As an alliance partner in the Sparkassen-Finanzgruppe, DekaBank also supports many savings bank campaigns locally, and our colleagues from Sales act as contact partners in this area as well.

We are delighted about this close cooperation and are consistently expanding it. As part of this, we significantly strengthened our sales team in the past three years and recruited 15 new employees, many of whom work as field staff. The close cooperation between the savings banks and DekaBank forms a core element of our business model. As the central asset manager, we provide the savings banks with the products they require for customer-facing business as well as for investments for the savings banks' own account. We also see it as our duty to continuously strive to find ways to improve business. We are as passionate about our job as Mr. Weig is about his gallery.

Diana Pfeiffer and Christoph Borkowski
(DekaBank’s broker and customer service team)

Fast, friendly and competent: our outstanding service.

Petra and Reinhold Engels always knew that they would want to celebrate their daughter Leonie's first communion in style with all their friends and family. It is a family tradition. A party for 80 guests that lasts a whole weekend requires plenty of organising. As parents, they knew very well that it would have its price tag. That is why they also started thinking about the financial side of things at an early stage. They discussed the matter with adviser Jakob Braun at the Sparkasse Düren savings bank and put some money aside every month for four years, investing it in a Deka-Fonds-Sparplan. When the time came, they were in a position to arrange the kind of party which will be a lasting memory for their daughter and the many guests.

In abstract terms, the Engels family wanted to organise a project perfectly, so that many people would benefit. DekaBank's custody account service is based on very similar considerations. Obviously, the dimensions involved are quite different. With around 4.6 million customer securities accounts and more than 48 million transactions a year, the DekaBank Group is one of the largest custody account providers in Germany. Every year, DekaBank's 60-strong broker and customer service team receives approximately 750,000 telephone calls and 25,000 e-mails from savings banks and investors. Diana Pfeiffer and team leader Christoph Borkowski know that what counts is a fast, competent and friendly response. A high standard of service ensures that phone calls are answered quickly and reliable information is provided in response to queries regarding a wide variety of topics, ranging from product concepts to order processing and tax aspects. If a very complex matter requires highly detailed information, it is immediately forwarded to colleagues specially trained in that specific area. That means that we are able to help thousands of customers and savings bank advisers every day, convincing them of our expertise.

The custody account service rounds off the examples we are presenting along the value-creation chain of Deka investment funds. From product idea to supporting investors, our actions are distinguished by expertise, commitment and a service-oriented approach. Thereby, we consistently focus on our customers.

Group management report 2010

At a glance

DekaBank can look back on a very successful financial year in 2010. Despite perceptible pressure due to market and competitive conditions, we achieved another very good result for our shareholders, the savings banks and *Landesbanken*. Compared with the previous year (€661.8m), the economic result rose by 39.8% to €925.1m. Sharpened in the previous year, the Bank's business model has proven its strength in a variety of market constellations.

The sharp rise in the economic result was primarily achieved through the strong performance of our funds. Following an increase in assets under management, portfolio commission surpassed the previous year's level. In addition, the result was boosted by the performance of our credit and capital market credit portfolios, which exceeded expectations. Unlike the previous year, the required allocation to the provisions for loan losses was only minor, while reversals prevailed. Furthermore, significant write-ups and profits realised on capital market credit products, which were mainly attributable to non-core business, also made a contribution. The strategy we embarked on in the previous year of reducing the portfolio while safeguarding assets was therefore rewarded. A third reason for the pleasing result was the cost discipline in all of the Bank's business divisions as part of the quality and process campaign. Despite the considerable additional expenses incurred for realigning the IT system, administrative expenses were only slightly up on the figure for 2009. A decline in net interest income and net financial income, largely due to the current market environment with its low interest rates and a high level of market liquidity, was more than compensated by the positive factors.

The overall sales trend was modest. The sustained rise in prices on the equity markets has not yet revived demand for investment funds to a significant extent. Property funds faced specific market pressure as a result of the serious problems experienced by some providers as well as imminent regulatory changes. Nevertheless, the DekaBank's net sales increased again to a clearly positive figure after the balanced development in the previous year. In the Asset Management Capital Markets (AMK) business division, the decisive factors were the sales success in mixed funds as well as special funds and advisory/management mandates. In addition, repurchases in fund-based asset management were reduced as compared with the previous year. In the Asset Management Property (AMI) business division, our limited sales quotas for open-ended mutual property funds were sold again in financial year 2010. The liquidity position of our three retail funds was comfortable at all times and the performance of all three funds clearly outstripped the sector average at the end of the year.

New strategic aspects were introduced as part of the proven business model in respect of both retail business and institutional customers. We benefited from our excellent cooperation with the savings banks and our exclusive sales partners, as well as the expertise in credit and capital market business. Along with the innovative multi asset funds, the Deka-Vermögenskonzept (Deka Wealth Concept) launched in the first quarter of 2011 and the exclusive range of products and advisory services for affluent customers merit particular mention. It has become considerably more important to target the various groups of savings bank customers with a differentiated and tailored approach. We expanded the range of credit funds for the savings banks, as institutional customers. For funds, savings banks and other institutional customers, we also further developed the structuring expertise with regard to derivatives.

DekaBank's shareholders are currently negotiating a change in the shareholder structure. The two groups of shareholders have reached a basic understanding that the savings banks will acquire the 50% stake in DekaBank from the *Landesbanken* in 2011 via their associations. In this connection, DekaBank is examining whether to make its own contribution within the scope of this transaction by buying shares in the volume of €1bn.

Structure, products and services of the DekaBank Group

DekaBank is the central asset manager for the *Sparkassen-Finanzgruppe*. DekaBank offers integrated asset management services from under one roof for the savings banks, *Landesbanken* and their customers, and provides its partners in the *Sparkassen-Finanzgruppe* with liquidity on a flexible basis at all times.

Through the close cooperation of the AMK, AMI and Corporates & Markets (C&M) business divisions, DekaBank is continually developing its product and service offering. The Bank takes into account key capital market trends as well as the different risk profiles and investment strategies of its customers.

DekaBank's capital market activities serve the customer-based demand for the Bank's own funds, and that of the savings banks and other institutional investors. In line with the definition of core business, capital market business in the C&M business division focuses on the asset classes and core functions that support Asset Management. The suitability of these is regularly reviewed on the basis of market developments. Conversely, non-core business includes positions that are less attractive for Asset Management. The plan is to gradually decrease the volume of this portfolio over the coming years.

Legal structure and corporate governance

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

The DekaBank Group strictly adheres to the principles of responsible corporate management. The corporate governance concept for the management and supervision of the Group defines clear and distinct responsibilities for boards and committees and enables an efficient and streamlined decision-making process. 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 at the business division level and in Sales. The objective is to ensure that all activities are closely integrated, which is facilitated by efficient investment management. DekaBank also actively incorporates the expertise of the *Sparkassen-Finanzgruppe* into its decision-making process via advisory boards and several sales committees which advise the Board of Management. In accordance with the provisions of the Investment Act, the supervisory boards of the German capital investment companies include external supervisory board members with extensive markets experience.

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* and employee representatives as well as representatives from the *Bundesvereinigung der kommunalen Spitzenverbände* (German Federal Association of Central Municipal Organisations), who act in an advisory capacity. The work of the Administrative Board is performed in part by the full Board and in part by various expert committees. To this end, the Administrative Board has formed the General Committee, the Audit Committee and the Credit Committee. The German Federal Minister of Finance has the general governmental supervisory responsibility.

Organisational structure and locations

The business of DekaBank is managed from its head office in Frankfurt/Main. Most of the Group's capital investment and associate companies in Germany are also based there. In addition, WestInvest Gesellschaft für Investmentfonds mbH is headquartered in Düsseldorf, the subsidiary ETFlab Investment GmbH, based in Munich, is responsible for the development, issue, marketing and management of ETFs for institutional investors. Important banks in international financial centres include DekaBank Deutsche Girozentrale Luxembourg S.A. in Luxembourg and Deka(Swiss) Privatbank AG in Zurich. The DekaBank Group also maintains companies and representative offices in Amsterdam, Brussels, London, Madrid, Milan, New York, Paris, Tokyo and Vienna.

Together with the public sector insurance companies, DekaBank offers products and consultancy services relating to company pension schemes via its associated company, S PensionsManagement GmbH in Cologne (DekaBank shareholding: 50%). Fund accounting in Germany and some areas of fund administration are pooled at Dealis Fund Operations GmbH, a joint venture with Allianz Global Investors (DekaBank shareholding: 49.9%). S Broker AG & Co. KG in Wiesbaden (DekaBank shareholding: 30.6%) is an online broker. DKC Deka Kommunal Consult GmbH (DekaBank shareholding: 100%) in Düsseldorf provides advice to local authorities and public sector companies in Germany.

Business divisions and product and service range

Asset Management Capital Markets business division (AMK)

Asset Management Capital Markets (AMK) provides all-round solutions for savings bank customers and institutional investors in capital market-based asset management. This facilitates the implementation of precisely tailored investment strategies that meet all market expectations and encompass the major asset classes. In total, 4.6 million custody clients in Germany, Luxembourg and Switzerland use the DekaBank's fund-based products. Alongside the funds and structured investment solutions of the DekaBank Group, the product range also comprises products from selected international cooperation partners.

For private investors, AMK offers a wide range of investment funds. Currently, 621 mutual funds allow investments in the major asset classes, including equity, bond, money market and mixed funds as well as capital protected funds and any combination of these, sometimes in conjunction with guaranteed, discount and bonus structures. The spectrum covers basic products along with products that meet specific requirements, such as the innovative multi asset funds (see page 23). As at year-end 2010, the DekaBank Group's mutual securities funds, worth €103.9bn in terms of fund assets according to BVI, ranked second place in the German market.

With our fund-based asset management products, we offer comprehensive investment options for private investors. All-inclusive asset allocation across all asset classes lets investors implement their own strategies, in line with their individual risk/reward profile. Structured investment concepts encompass funds of funds and fund-linked asset management. While retail sales of mutual funds are processed by the savings banks, DekaBank additionally pursues direct sales activities in Institutional Sales. AMK manages 364 special funds as well as 136 advisory/management mandates on behalf of institutional investors. The range of services also includes activities of the Master KAG (136 mandates), which institutional customers use to pool their assets under management with one investment company. In the year under review, Master-KAG Deka FundMaster Investmentgesellschaft mbH was merged with Deka Investment GmbH with retrospective effect from 1 January 2010. The management of mutual and special funds and mandate management have therefore been combined under one roof. The merger has reduced complexity and strengthened the efficiency and performance of management and administration in institutional business.

In the segment of private retirement pensions, the range of products and services comprises the fund-based *Riester* products, Deka-BonusRente and Deka-ZukunftsPlan, and the Deka-BasisRente product (*Rürup*).

AMK's services encompass all aspects of the investment custody business, including portfolio management, and contract and order processing. Since 2009, fund accounting and some areas of fund administration in Germany have been combined in Dealis Fund Operations GmbH, a joint venture with Allianz Global Investors. Dealis is the largest provider of administration services in the German market. By year-end 2010, all funds had already been migrated to the new, cost-efficient administration platform.

Asset Management Property business division (AMI)

The DekaBank Group's property expertise is pooled in the AMI business division. It offers property investment products with different risk/reward profiles for private and institutional investors. In addition, customised property financing is offered to professional property investors, which can partially be passed on to institutional investors as an investment. Product quality is decisively enhanced by direct access to the different property assets and investors, currently in 24 countries, and is ensured by the parallel activities in the investment fund business and property financing.

In the investment fund business, the focus is on the purchase, value-oriented development and sale of commercial property suitable for third party use in liquid markets. Within the business division, subsidiary Deka Immobilien GmbH is responsible for the acquisition, sale and management of property worldwide as well as all other property-related services. 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 in the investment fund business includes three open-ended mutual property funds for private customers, thirteen special funds, two individual property funds for institutional customers as well as two real estate equity funds of funds. The individual property funds are not subject to the German Investment Act. They are managed in the legal form of a German joint stock company and are therefore very flexible in terms of their investment policy and investment format. Another open-ended mutual property fund, WestInvest ImmoValue, is available for the proprietary investment of the savings banks. With regard to special funds, they have the option of investing, for example, in property investments with alternative profiles, including single sector funds in the WestInvest TargetSelect fund family and property credit assets as part of Deka Loan Investments (DeLI).

With AMI fund assets (according to BVI) of €21.8bn as at the 2010 year-end, distributed across approximately 440 properties in Germany and abroad, DekaBank is the market leader in Germany for mutual property funds and one of the ten leading property asset managers in Europe.

Real Estate Lending utilises and supplements the existing Asset Management expertise on commercial property, massively broadening direct access for the whole business division to major international property investors. Lending is restricted to loans that are suitable for the capital markets and a major proportion of which can be passed on to institutional investors in the form of syndication or fund assets. This combined business approach stabilises and increases the division's earnings power. In addition, AMI realises more efficient utilisation of the resources required in the fund business and optimum integration with the relevant business partners in the property business. In principle, the financing activities are limited to the same types of use and regions as in Asset Management.

Corporates & Markets business division (C&M)

The C&M business division primarily focuses on extending the value-creation chain for internal and external asset managers. Furthermore, C&M helps expand the range of Asset Management products by producing index funds. C&M supplies the *Sparkassen-Finanzgruppe* with liquidity as required and funds lending via the money and capital markets.

The Markets sub-division is the central service provider for DekaBank's Group and non-Group Asset Management customers. The sub-division is the lead manager for all services in the capital market sector that support Asset Management and meet the requirements of the *Sparkassen-Finanzgruppe*. Product development exclusively targets primary customers. To ensure full utilisation of the platform, the same service is also offered to other institutional clients (banks, insurance companies and pension funds).

Lending business (Credits sub-division) focuses on the origination, management and product launch of credit assets in Germany and abroad. These assets generate reliable cash flows and facilitate long-term planning. This feature makes them attractive for Asset Management and suitable to cover institutional requirements, for example via syndication.

The Treasury sub-division is responsible for DekaBank's liquidity supply and management (Funding & Liquidity) and thus safeguards our role as the central supplier of liquidity in public sector banking and for the Bank's own funds. In addition, Treasury is in charge of bank management and refinancing throughout the Group, a task which comprises the further development of liquidity and interest rate risk management in line with the regulatory requirements.

Savings Banks Sales and Corporate Centres

All business divisions work closely together with Savings Banks Sales, for which a particular Management Board member is responsible within DekaBank. In addition to centralised marketing and sales management, retail 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, with a focus on retail customers. Moreover, the unit is responsible for various central duties, such as product and brand management and sales control. Private Banking Sales support the savings banks with a specific range of products and services for their high net worth customers. In organisational terms, Institutional Sales is allocated to the AMK business division, but the unit performs tasks for all of the business divisions. Products related to company pensions are also sold via S PensionsBeratung, a subsidiary of S PensionsManagement.

The business divisions and Sales unit are supported by a total of nine Corporate Centres (Strategy & Communication, Group Audit, Legal Affairs, Human Resources, Group Risk, Finance, IT/ Organisation, Group COO and the Credit Risk Office) with clearly defined core competencies, business objectives, and management targets and indicators. They function at the cross-divisional level and ensure smooth business operations.

Non-core business

Business activities that are not intended to be used directly in Asset Management or are less suited to leveraging synergies in connection with investment fund business, have been pooled in non-core business since 2009. This segment covers parts of the lending business and credit substitute transactions. Specifically, these comprise securitisation transactions such as asset or mortgage-backed securities, collateralised loan obligations and synthetic products, parts of the loan portfolio and corporate finance in particular, leveraged loans, trade finance and non ECA-covered export finance. In addition, non-core business includes the portfolio of the Public Finance unit, which was discontinued in 2009 and previously formed part of the C&M business division.

Value-oriented strategy and management

DekaBank's mission 2012 gave rise to the Bank's claim of cost-efficiently providing the best possible product and service quality to its sales partners and customers. To achieve this, we pool the competencies and skills of the Group units and ensure close cooperation of the business divisions as part of the comprehensive corporate strategy, which focuses on the requirements of the savings banks and *Landesbanken*. We manage the Bank as a whole with the aim of achieving sustained and value-oriented growth, in order to strengthen our earning power for our shareholders. In summary, we create sustainable added value for the *Sparkassen-Finanzgruppe* and represent a reliable income source for public sector banking.

With our mission 2012, we are firmly embedding our claim of being the integrated bank of choice in all units of the company. The mission sets the standard for employees in all Group units to continually improve their performance while ensuring customer focus and an integrated, holistic approach.

Integrated value creation in the DekaBank Group

Based on the cooperation of the Asset Management Capital Markets, Asset Management Property and Corporates & Markets business divisions, the DekaBank Group develops its product offering in close alignment with key capital and property market trends, broadens access to asset classes and responds to various risk profiles and investment strategies with customised products. Value creation ranges from acquiring attractive assets and investment opportunities to structuring and enhancing them and jointly launching product solutions, which take into account market trends and investor requirements at an early stage. This enables private and institutional investors to implement individual investment strategies in all market scenarios and gear their portfolios towards their own return expectations and risk affinity.

To this end, DekaBank uses its lending and capital market business expertise as well as comprehensive access to the capital and property markets. Via robust technological platforms, we offer an extensive portfolio of solutions comprising products and services in Asset Management for the savings banks and their customers. In addition, as institutional customers, the savings banks benefit from the liquidity and funding strength of DekaBank, as do the investment funds. DekaBank provides liquidity and comprehensive advisory services for the *Sparkassen-Finanzgruppe* and supports the investment funds with the aim of increasing performance by generating additional income. This means that the close dovetailing of the fund, credit and capital market business generates additional income for the *Sparkassen-Finanzgruppe*.

One example of DekaBank's close integration with its partners in the *Sparkassen-Finanzgruppe* is the "*Mittelstandskreditfonds*", a small and medium-sized enterprises (SME) credit fund. This nationwide financing platform for savings banks was developed in cooperation with the *Deutscher Sparkassen- und Giroverband*. The SME credit fund will enable savings banks for the first time to invest in a diversified German SME portfolio in the future and at the same time deliver the new SME loans granted to the fund. The SME credit fund, which was launched for regular operation in September 2010, will acquire new loans which have been granted to SMEs by the savings banks and which fulfil specific requirements in terms of rating, loan term and loan volume. Other savings banks can then subscribe shares in the attractive and diversified SME credit portfolio. Credit experts from the *Sparkassen-Finanzgruppe* are involved in the portfolio management of the buy-and-hold platform. The supraregional platform is designed to enable the savings banks organisation as a whole to efficiently bundle its financing strength and open up a new scope of investments for larger SMEs.

Strategic measures at Group level

The Lean Transformation process launched during the reporting year is aimed at aligning our services even more closely with customer requirements in order to offer exactly the service which creates value for them. The goal of the holistic approach is to enhance processes, promote closer cooperation, expand specialist skills, establish new development prospects and create sufficient latitude within the DekaBank teams. As a result, the continuous and sustained optimisation process not only delivers added value for customers in terms of quality and service but also facilitates the further development and flexibility of the corporate culture and the achievement of mission 2012.

Insight gained from internal and external customers supports the teams and individual employees in setting the appropriate priorities, an approach which reduces inflexibility and wastage to a minimum and creates more leeway for acting independently in the interest of the customers.

After the successful trial run of the system in three pilot projects, the decision was taken in August 2010 to apply the lean approach in all units of the Group up to 2013, in order to leverage optimisation potential. The Lean Transformation approach focuses on flexibility, quality and efficiency. In the long term, this will safeguard the flexibility achieved within the scope of the quality and process campaign, which runs until 2011. In addition, the process is closely linked to developing a forward-looking management culture (see page 46) and the IT vision.

The Group-wide quality and process campaign continued in financial year 2010. With this campaign, DekaBank is securing its long-term competitiveness and expanding its scope for growth-oriented investment in the core business. More than 400 individual measures are aimed at improving process quality and reducing administrative efforts and expenses. Key measures were successfully completed by the end of 2010, with further measures continuing in 2011.

In the reporting year, we also launched the implementation of the programme DekaBank IT mission. By 2013, the complete IT architecture will be migrated to a flexible, controllable application environment, which ensures high system stability and faster adaptation to new market trends at appropriate operating costs. In the long term, these measures will result in a significant reduction in IT costs and risks and make an important contribution towards DekaBank's future competitiveness.

The 15 projects launched at the start of the programme primarily focused on structural matters and issues related to the concept. For example, the restructuring of IT/Organisation was already concluded in March 2010. It is customer-oriented and also provides an organisational system for managing the IT architecture, projects and processes. In the context of Group-wide IT architecture management, several projects for bank management, the trading process and other areas were initiated and the relevant IT vision was defined in concrete terms. A key factor was the integration of the specialist departments as well as limiting implementation risks in the implementation phase. The Administrative Board is regularly informed about the progress of the programme.

Strategy in the business divisions

Strategy in the AMK business division

The AMK business division has continued to fine-tune both its business model in the reporting year as well as the product and advisory spectrum on the basis of the differentiated requirements of the end customer groups of the savings banks. Even more precisely tailored product solutions will be available to private customers in the future, both in mutual funds and asset management, with the solutions customised in line with the respective income and asset situation, risk profile and investment targets. The solutions comprise multi asset funds, which invest in various asset classes such as equities, fixed-income securities and commodities, using a wide range of instruments that include direct investments, funds and derivatives. This makes it possible to gear the fund portfolio to the most attractive investment options in different market phases. In addition, AMK selectively intensifies institutional business in Germany and abroad to stabilise the funds inflow in different market cycles.

For **retail customers**, AMK bases its range of mutual securities funds on the savings banks financing concept with the basic product of fund-linked asset management, which is positioned nationwide, and the funds of funds. In this connection, the product range has been further streamlined. The focus of sales is on straightforward products that are easy to understand and provide a high level of security while also offering attractive yield opportunities, such as the various guaranteed fund concepts. At the same time, attractively designed fund savings plan models are aimed at promoting the long-term loyalty of retail customers to their savings bank.

For **affluent customers** – retail customers with significant income or assets, but who are below the traditional private banking segment – AMK developed the Deka-Vermögenskonzept in close cooperation with Savings Banks Sales in financial year 2010. The product was launched in the first quarter of 2011 and makes professional, tailored asset management investments available to a broad section of customers. In addition, it supports savings banks advisers in gearing their customers' investments towards individually changing targets, life stage planning and risk affinity. Business with individual customers of the savings banks with above-average wealth is to be expanded via exclusive new product and services as well as advisory support for the savings banks. Additional impetus is expected to be generated from the acquisition of the private customer business of LBBW Luxemburg S.A. and WestLB International S.A. by DekaBank Deutsche Girozentrale Luxembourg S.A. with effect from 1 January 2011.

With regard to investments for own account by **institutional customers**, AMK has also further developed its product range and the required infrastructure in cooperation with the other business divisions and Institutional

Sales. Other strategic campaigns focus on advising the savings banks on supporting corporate customers, for example with respect to regulatory changes, and on strategically important customers outside the savings bank sector in Germany and abroad, for example by stepping up the mandate business and marketing globally competitive mutual funds.

Strategy in the AMI business division

The strategy in the AMI business division is based on the effective combination of property fund business and property financing. The available resources are used to buy, sell and manage property as well as for active property loan portfolio management. On the strength of direct access to international property investors in Germany and abroad, AMI ensures consistent product quality and reliable sales and income contributions. The types of property involved (hotels, shopping, office and logistics) and the regions are matched as closely as possible in property fund business and property financing. By using the same local expertise in representative offices and coordinating customer activities, significant synergies are leveraged within the business division in terms of expertise, access and income.

Property fund business

With the exception of WestInvest ImmoValue, the open-ended mutual property funds are consistently geared to private investors. Rather than being growth-oriented, AMI operates a strict stability-driven investment strategy. Investments focus primarily on core and core+ property with long-term rental income. At the same time, care is taken to ensure balanced regional diversification. Properties which no longer meet the requirements are always sold. AMI continues to channel funds received from institutional investors into other types of investments on a targeted basis, in order to strengthen retail products. Sales of open-ended mutual property funds are managed on the basis of sales quotas, whose volume is strictly determined by investment opportunities and the target liquidity ratio of the funds. With this active portfolio management as well as proven management of inflows and outflows, DekaBank was consistently present with "open funds" in the market once again in 2010, more so than any other competitors. In the future, stability of earnings for the funds will continue to be the primary goal of fund management in a competitive environment that remains challenging.

When AMI acquires new core properties, sustainability aspects are a key criterion. In addition, the share of certified green buildings in the portfolio is increased, including through targeted investment in existing properties.

In view of the imminent requirements under the Investor Protection and Functionality Improvement Act, AMI is preparing for the introduction of this new legislation. According to the current discourse, a minimum holding period of two years for new investors and a one-year notice period for all investors are under discussion. The bill is expected to have a wide-ranging impact on demand. Building on its leading market position in retail property funds, the business division is now accelerating the expansion of institutional business.

Real Estate Lending

The strategic focus in Real Estate Lending (REL) is financing commercial properties in countries in which the investment companies also invest. In the current market environment, with the aim of increasing synergies and reducing risks, REL is particularly focusing on countries in which the Bank is represented via its own locations. Loans are only granted if they are eligible for capital market transactions, in other words if they are eligible for syndication. New business is only conducted with respect to property types for which the business division has longstanding expertise (hotels, shopping, office and logistics). REL concentrates on financing properties that facilitate third party use and which are passed on pro rata to savings banks, banks, funds and/or institutional investors. The role of REL as a credit provider for credit funds and syndication arranger for the savings banks and *Landesbanken* is set to be expanded further, also with a view to diversifying earnings. In addition, broad and direct access to key international property business partners provides a significant advantage for the business division as a whole and therefore for our investors. Very few of our competitors in property investment business can claim to offer this advantage.

Strategy in the C&M business division

The following tasks are pooled in the C&M business division:

- In the Markets sub-division: share, bond and derivatives brokerage, short-term products as well as ETF issuance and market making.

- In the Credits sub-division: access to credit funds, assets and public sector finance.

- In the Treasury sub-division: liquidity supply and management as well as bank management and refinancing.

As a service provider, C&M is consistently geared to expanding and optimising the value-creation chain in Asset Management. To this end, primary customers and other institutional clients are offered execution services and asset generation as required.

On the basis of DekaBank's role within the *Sparkassen-Finanzgruppe*, the provision of liquidity to the *Landesbanken* and savings banks is a key factor in C&M's mission.

Markets sub-division

In **share, bond and derivatives brokerage**, the Markets sub-division provides services as part of implementing the asset management decisions of the funds, savings banks and other institutional clients. Starting from its strong position in traditional commission business with shares, bonds and derivatives, Markets is developing into an integrated provider of customised structured products for managing performance and hedging risks in the share, bond and derivatives brokerage business. The sub-division has responded to demand from customers for non-linear structures for guaranteed capital funds by intensifying the development and marketing of relevant products. The expansion of the business with bonds and derivatives enables C&M to offer institutional customers convincing fixed-income solutions from a single source. Particular attention is paid to expanding the structuring expertise. Structured multi asset solutions are used for professional risk hedging and straightforward representation of asset classes in funds and the savings banks and, amongst others, are utilised in guaranteed products and funds with clear yield target ranges. One example is the Delta 1 certificate, which makes it possible to subsequently add a stop loss feature to linear products.

In addition, commission business is offered in shares, bonds and exchange traded derivatives on behalf and for the account of intra-Group and external customers. In the medium to long-term, a significant share of derivatives which today are still traded off the floor are expected to be transferred to regulated markets with centralised clearing facilities. C&M's declared goal is to establish a high-performance infrastructure for centralised clearing.

Short-term products (money market and repo/lending) make two essential contributions for primary customers and other institutional clients of DekaBank.

- They generate and supply liquidity for the savings banks.
- They generate additional income for customers by lending securities from the portfolios of the investment funds and the Depot A (A securities account) of the savings banks and other institutional counterparties.

The business segment ensures its own collateralised refinancing in the maturity band of up to two years. This minimises counterparty risks in the interbank market. Furthermore, the aim is to supplement securities lending more extensively with synthetic instruments.

In addition, Markets is stepping up business in **exchange traded funds (ETFs)** for institutional customers. The ETFlab subsidiary is responsible for developing, setting up, marketing and managing the products, while market making and sales are bundled in the Linear Equity Risks and ETF Sales units of DekaBank in Frankfurt/Main; the units work closely with Institutional Sales. The strategic spectrum of ETFs is continually being further developed. In concrete terms, the plan is to launch bond ETFs in the bond markets of some eurozone countries and in various regions in the equity market. ETFlab will continue to pursue its conservative product philosophy, which benefits investors. At the same time, it will proceed with investments in market making and portfolio trading processes that are eligible for retail business. We also intend to expand product sales and thus support the savings banks in increasingly reflecting their passive investment through ETFlab products.

Credits sub-division

In the lending business (Credits sub-division), we are continuing our development from traditional finance provider to credit investor and risk manager for our own account as well as credit asset manager for institutional investors. The focus is on selected transactions with conservative structures. This relates in particular to the infrastructure, aircraft, cargo vessel and export finance credit segments.

The **public sector finance** segment comprises the financing of savings banks in Germany and, selectively, the public sector in Germany. Some of these financing transactions are used in the cover register for *Pfandbriefe* and covered bonds.

By offering tailored credit fund solutions, we enable our partners to participate in attractive credit assets. Depending on the level of external placement achieved, a moderate increase in new commitments will be a possibility from 2012 onwards, with the aim of supplying the various credit funds and alternative product formats with the requested assets.

Treasury sub-division

Liquidity supply and management ensures that DekaBank is in a position to provide public sector banks and its own funds with the required liquidity at all times. In view of the short-term demand, this function necessitates a sufficient liquidity reserve subject to stringent requirements in terms of turning the individual positions into ready cash.

The core function of bank management and funding is the implementation of DekaBank's liquidity positioning and liquidity risk management. Another key task is the responsibility for the funding throughout the entire banking business, using national and international money and capital markets, including the *Pfandbrief* business. Finally, bank management ensures the management of interest rate risks relating to DekaBank's bank book.

Strategy in Savings Banks Sales

Savings Banks Sales plays an important part in the Group's extensive market presence. It is the link between Asset Management and the customer advisers in the savings banks. Backed by an in-depth understanding of end customer requirements, Savings Banks Sales supports customer advisers in raising retail customers' awareness of the key strategic investment products as well as the underlying trends, for example during adviser and customer events. In 2010, the unit focused on supporting the savings banks in their differentiated customer approach. On the product side, fund-linked asset management and mixed fund concepts were at the forefront. These initiatives will be continued in 2011, including in connection with sales campaigns for the Deka-Vermögenskonzept, securities-based saving plans and fund-linked old-age provisioning in the affluent customer segment.

Strategy in non-core business

In non-core business, the Bank's strategy is still based on reducing the portfolio volume while safeguarding assets at the same time. Securities are regularly analysed in terms of their value and expected cash flow. Depending on market prospects, potential write-ups and risk parameters, including probability of default and spread fluctuations, the individual securities are examined to determine whether disposal in the short term or holding the securities to maturity is more advantageous. This approach is in line with DekaBank's value-oriented long-term strategy.

Sustainable business policy

DekaBank has adopted a sustainability strategy to reconcile the economic, environmental and social aspects of our business. The strategy is based on DekaBank's mission 2012, which reflects the Bank's commitment to a sustainable business policy. We intend to provide a forward-looking response to global and social challenges while at the same time exploiting economic opportunities in the interests of our shareholders – with a long-term, risk-oriented and responsible approach.

Our sustainability-related activities extend across four pillars: environmental management/sustainable banking, sustainable HR management, sustainable banking products and social responsibility. In the year under review, we aligned our business even more closely to the criteria defined in the sustainability strategy. Transparent and open communication of results and progress is one of the main criteria of our sustainability strategy. DekaBank is therefore publishing a sustainability report for the second time in accordance with the standards of the Global Reporting Initiative (GRI). By incorporating it in the Annual Report 2010, DekaBank is documenting that sustainability is an integral component of the Group's business activities and provides a fundamental point of reference as well.

Social responsibility

In line with the social policy objectives of the *Sparkassen-Finanzgruppe*, wide-ranging social commitment is a matter of course at DekaBank. Our focus is on promoting contemporary art and architecture as well as science, social projects and sports. As part of our social commitment and involvement, we work in close cooperation with renowned art and cultural organisations. Continuity and sustainability are key criteria for us in this regard. We invest in long-term partnerships in our own name and also support our employees' personal commitment in the community. Our Sustainability Report, which is incorporated into our Annual Report 2010, reports on specific activities related to our social commitment that we undertook in the year under review.

Risk and profit management at the DekaBank Group

By focusing its business model and taking measures to increase efficiency and earnings, DekaBank intends to pursue sustainable and value-oriented growth, thereby achieving an appropriate risk/reward ratio in the long term as well as an attractive return on equity. We use non-financial and financial performance indicators to measure our progress in this respect. Comprehensive reporting on 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.

Key indicators in Asset Management (AMK and AMI business divisions) and Savings Banks Sales are

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

- Assets under management (AuM). Key elements include the income-related volume of mutual and special fund products in the AMK and AMI business divisions, direct investments in cooperation partner funds, the cooperation partner fund, third party fund and liquidity portions of fund-based asset management and the advisory/management mandates. For comparative purposes within the scope of the BVI statistics, we continue to use the fund assets according to the BVI.

- Fund performance and the fund rating to measure product quality; the average development period for new products and the share of new products in the sales results are used to measure innovation strength and innovation-related efficiency.

- The ratio of intra-alliance business (share of our products in total fund sales of the savings banks and *Landesbanken*) to measure our acceptance in the *Sparkassen-Finanzgruppe* and the payments to the alliance partners, which in combination with the economic result reflect 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, as well as the rental income across all properties. Additional key indicators measure our success in Real Estate Lending, for example the risk and income structure in new business and the share of loans syndicated to alliance partners and institutional investors.

In the C&M business division, along with financial performance indicators, key indicators which facilitate the measurement of the quality of processes and our risk management are especially relevant. These involve, for example, compliance with and utilisation of risk limits, the structure of the loan portfolio and the quality of the trading portfolio.

For Corporate Centres, control systems have been developed which ensure that exacting service standards with regard to internal customers are adhered to. These systems are not used in external reporting.

We also establish staff-related key indicators, such as the age structure of our workforce (see page 46), and develop indicators to measure the implementation of our sustainability strategy.

Financial performance indicators

The financial performance indicators are influenced by the non-financial performance indicators as a result of various cause and effect mechanisms.

The DekaBank Group's risk, earnings and capital management is essentially illustrated by two central financial indicator concepts. The monthly analysis of risk-bearing capacity involves comparing the Group's risk cover funds that may be used to cover losses with the Group risk that has been established across all types of risks that have an impact on profit or loss (see page 57). In addition, DekaBank strives to increase its corporate value through a sustained increase in the economic result.

In principle, the economic result is based on the IFRS accounting standard and, along with net income before tax, includes changes to the revaluation reserve before tax as well as the interest rate-related valuation result from original lending and issuance business. This central management and performance variable was introduced in financial year 2005. As a result of the mixed model approach, net income before tax under IFRS is impacted by the different principles used for the valuation of the various assets and liabilities. This in turn means that not all income components which are relevant to the management's assessment of the profit situation are taken into account. In particular, net income before tax excludes both the revaluation reserve, which reflects the valuation result for securities in the available for sale category, and the interest rate-induced valuation result from hedged underlying transactions (loans and own issues) outside of hedge accounting under IAS 39.

The economic result has already been used in external reporting at the Group and business division level for several years. Consequently, DekaBank complied with the provisions of IFRS 8 (Operating Segments) one year earlier than required. In accordance with IFRS 8, internal management data must be transferred to the segment reporting (management approach). The valuation and reporting differences with regard to the consolidated financial statements under IFRS are clearly explained in note [2], where they are reported in the reconciliation column relating to Group net income before tax. This ensures reconciliation with net income before tax at all times.

Moreover, the economic result forms the basis for calculating adjusted, long-term economic Group net income. This variable, which is adjusted for non-recurring factors and any components that are not sustainable, forms the basis for the corporate valuation of DekaBank as part of medium-term planning. To this extent, the concept is also linked to DekaBank's business strategy, which focuses on sustainability (see page 26).

Other financial performance indicators used are return on equity and the cost/income ratio. The total capital ratio in accordance with the Solvency Regulation (SolvV) and the core capital ratio are of primary importance for assessing the adequacy of the total amount of regulatory capital and reserves of the DekaBank Group.

Economic environment

Overall economic trends

The recovery in the global economy, which had started in mid 2009, continued in 2010. By the start of the second half of the year, production had already returned to pre-financial market crisis level. Supported by robust company profits, considerably better economic data from the United States and pleasing financial results in Europe and the emerging markets, gross domestic product (GDP) in the key national economies initially rose faster than expected. However, the strong growth recorded in the first half of the year slowed significantly in the remaining six months of the year. For a time, there were concerns that the economy would slide back into recession. In addition, difficulties in the US labour and property markets persisted. Nevertheless, fears of a double dip recession soon proved to be unfounded.

In the USA, expansionary monetary and financial policy resulted in dynamic growth in investments in the corporate sector. Consumer spending by private households also increased. However, given that the labour market situation remained difficult and employment figures unexpectedly rose only conditionally, consumption remained at a low level. The US property market was also marked by further problems. Overall, with a 2.9% rise in the GDP, the economic upturn in the United States was more dynamic than in the eurozone, yet failed to meet expectations. The wait for a self-sustaining upturn therefore continues.

Conversely, the emerging markets recorded above-average growth. In most industrialised countries, production capacity was underutilised and the unemployment rates therefore remained high. At the same time, the emerging markets benefited from a stable economic environment, low market interest rates and a low inflation rate. During the year under review, the Asian national economies, in particular, continued the strong growth trend of previous years, whereas Brazil and Russia experienced a moderate cooling off. At 10.3%, China recorded the greatest growth – partly as a result of substantial investment activity. India primarily profited from strong domestic demand. Demand for goods on the part of the emerging markets also had a perceptible impact on the industrialised countries, significantly boosting GDP in the highly export-oriented industrialised economies of Germany and Japan. Japan, whose economic growth increased by 4.3% during the reporting year, was nevertheless affected by a currency that was too strong. Here, growth – at least in the third quarter of 2010 – was based in part on the government's economic programme.

In total, global GDP rose by 4.9% during the reporting period. Within the eurozone, Germany emerged as the economic engine with an increase in GDP of 3.6%. Thanks to its focus on exports, the German economy benefited more than average from the global recovery in the year under review. For the first time in years, the contribution to economic growth from the rise in exports was accompanied by significant momentum from domestic economic activity. Although there was a lack of government incentives for consumers with regard to private consumption, it rose sharply on the previous year's level. The fact that the unemployment rate started to drop again for the first time as well as prospects of higher wage and salary increases and the lower inflation rate all had a positive impact.

Growth in the German economy was about double that of the rest of the eurozone, where the economic recovery was muted in the second half of the year due to the national debt crisis in the peripheral eurozone countries. In the reporting year, the single currency market faced growing tension regarding the financing terms in the capital markets for some of its member states. The European Stability Mechanism resolved at the extraordinary EU summit in May 2010 provides a rescue package totalling up to €750bn, which can be used to prevent eurozone countries from defaulting and which stipulates more stringent monitoring of the Stability and Growth Pact. In addition, the European Central Bank (ECB) intervened in the government bond markets to maintain liquidity. However, these decisions have also changed the nature of the European Monetary Union. It has been acknowledged for the first time that in addition to the cohesion aid by the EU, individual regions within the monetary union may require assistance from other regions. This aid is provided in the form of loans, which are repayable with interest and linked to economic policy conditions. Consequently, the EU Commission and International Monetary Fund have imposed stringent austerity measures on Greece and Ireland.

The national debt crisis ultimately resulted in a split between the member states. On one side, there are the PIIGS countries (Portugal, Ireland, Italy, Greece and Spain), which are curbing their growth potential and wage and salary increases for years to come with a strict savings policy aimed at restructuring the public sector. On the other side, countries such as Germany, Austria, Finland and the Netherlands are benefiting from the very low interest rate level in the eurozone, rising wages and salaries, investments and a stable labour market. However, the other eurozone countries and the UK have also started to consolidate their budgets, in order to secure long-term access to international capital. These savings measures put considerable pressure on the economy in some cases. Yet, a double dip recession is not to be feared in either the eurozone or the world as a whole.

In view of the unexpectedly severe national debt crisis and the economic pressure it triggered, the financial markets – especially in the eurozone – were dominated by the question of whether monetary and financial policy will truly consistently and quickly reduce liquidity and national deficits, so that the national economies will not depend on economic policy stimulus in the future. In our opinion, it will still take some time before the distortions in the financial sector and their impact have been completely eliminated. The problems in the financial markets and with regard to public finances keep flaring up. Many countries also face extensive structural changes and a consolidation of national finances. It is likely that the European stability mechanisms will be tested again, with the debt crisis remaining the greatest risk to Europe. However, we do not doubt that policy will ultimately take hold in the markets and that the euro will survive. Although it is no longer inconceivable that recommendations will be made for certain countries to leave the monetary union and others to be excluded, it remains highly unlikely.

Trends in capital markets

Over the course of the year, the capital markets benefited overall from the recovery in the global economy. During the reporting period, the quarterly figures reported by companies were more positive again. Banks also succeeded in improving their earnings, despite being affected by write-offs in traditional lending business. However, even though the annual reports published by companies provided a positive surprise for investors in the USA and Europe, therefore generating fundamental buy signals, most investors held back on opportunity-oriented investments for a long time. Concerns about the sustainability of the upturn and the stability of the financial system never eased completely, given the national debt crisis and the turmoil surrounding the euro. Accordingly, the stock markets fluctuated between pessimism and confidence for a long time. In the second half of the year, the upward trend finally prevailed. Particularly over the last few months of 2010, equity markets benefited from the good mix of high liquidity levels resulting from the expansionary monetary policy of the central banks, rising company profits and continued economic growth. The DAX, the German benchmark index, which started 2010 on a weak note, rose sharply and closed with 6,914 points at the end after climbing 16.1% on the 2009 year-end level.

Although conditions were generally positive for the equity markets, they proved rather more difficult for the bond markets. In the first six months of the year, the national debt crisis resulted in credit spreads widening in some eurozone countries. When the credit ratings of Greece, Portugal and Ireland, in particular, were downgraded, credit spreads for these countries rose sharply. In early May 2010, Greece was cut off completely from capital market financing and subsequently received bridge loans from the International Monetary Fund and the other countries in the European Monetary Union. The capital market was facing the possibility of investors losing all confidence in it, necessitating far-reaching resolutions on monetary and financial policy. The situation eased temporarily as a result of the Stability Growth Pact agreed on in May as well as the acquisition of government bonds from highly indebted eurozone countries by the ECB. However, investors were largely sceptical again in the second half of the year with regard to future developments in the eurozone. The consequence was a further widening of spreads on government and bank bonds. November and December 2010 especially saw widening of spreads, in some cases dramatic, on bonds from Greece, Ireland, Portugal and Spain as well as Italy and Belgium. Corporate and bank bonds subsequently also came under substantial selling pressure. Financials in particular were affected by the greater aversion to risk. Banks therefore increasingly used covered bonds to meet their funding requirement, as they could be easily placed with investors on the strength of their added security. This boosted new issuance activity, with industrial companies and financial institutions rushing to the market for new issues to benefit from the low interest rate level. The wave of issues in covered bonds continued uninterrupted.

German government bonds and US Treasuries remained in demand as a safe haven and yields repeatedly went from one record low to the next, especially at the short end of the yield curve. German Bunds had already reached a low with respect to yields in the summer, while US Treasuries turned upwards in the autumn after the Federal Reserve (Fed) launched an additional government bond buying programme.

With the debt crisis escalating in the eurozone, the single currency was dragged into an accelerating downward spiral. The nosedive of the euro only halted after the major rescue package of the EU Commission was in place and showing signs of success; that was when the currency's cautious recovery started. However, the euro's upward revaluation against the US dollar stopped in October after Quantitative Easing II was implemented in the USA. On the one hand, this was seen as a "dollar-friendly" impetus for the US economy, but on the other side, the markets quickly looked for a new "euro-critical" topic and the renewed European national debt crisis shifted into focus.

In the past year, the money market in the eurozone reflected the policy of the European Central Bank, which made liquidity available on a large scale. The savings bank sector's requirement for additional short-term funds was therefore limited. At the same time, demand for long-term funds for refinancing purposes remained high. In the future, the refinancing requirement will increase significantly, not least as a result of the new liquidity and funding requirements under Basel III.

Although commodity prices rose during the reporting year, they largely remained within the scope of what can be explained as part of the dynamic growth in global economic activity. Pre-crisis levels have yet to be achieved again in some cases. There were double-digit increases in the price of some precious metals, industrial metals and soft commodities. Gold was in great demand as a safe haven currency, the result being that the price of this precious metal has approximately doubled since the beginning of the crisis in the summer of 2007, both in US dollars and in euros, and has repeatedly reached all-time highs. The demand for silver and palladium increased as cheaper alternatives to gold and platinum. The soft commodities markets continued to be affected by production losses, which meant that prices rose there as well. The oil price also climbed in the reporting year – partly because the willingness to take risks slowly returned in the commodities markets. At the same time, the upswing of the global economy resulted in greater demand for oil worldwide.

Trends in property markets

At the European level, the office property markets developed better than expected during the reporting year. This applies, in particular, to the premium segment. Since investor demand focused predominantly on these core properties, the price gap between prime and secondary properties drifted farther apart. At the same time, the downturn in yields accelerated. In relation to the respective highs, the cities of London and Paris recorded the most marked decline in yields. Although the transaction volume rose again in the investment markets, it remained far below the level of the pre-crisis years. This is further proof that demand was primarily related to a limited number of top properties.

The rental markets also performed more positively than forecast in most European countries during 2010. With few exceptions, the decrease in rent was only minor and the cases where rent levels stagnated were also rare. London recorded growth in top rents again for the first time in two years. Rents in Paris also increased during the year under review. As a result of rising demand and a low volume of new construction, vacancy rates stabilised in most European markets. However, the average vacancy rate in Europe rose slightly. The supply only increased in

Barcelona, Madrid and Luxembourg. In our view, the gap in terms of demand will continue to widen in the future between European countries with slow growth and countries with a strong structure. We expect demand to decrease in countries with limited growth potential and rise in high-growth countries.

In Germany, the transaction volume of commercial properties increased considerably in 2010 as compared with the previous year. The willingness of investors to take risks also remained low in this segment, with investors continuing to focus on core properties. The high demand for top properties resulted in a decline in top yields. Although Germany was below the European average in terms of total income, less volatility in total income means that the commercial investment markets in Germany are regarded as attractive and robust. Top rents in the key office markets in Germany largely remained stable, or in some cases fell slightly. Moderate decreases were recorded in Frankfurt/Main, Cologne and Munich in particular. The process to consolidate space in the German office markets mainly continued in the first half of 2010. For cost and efficiency reasons, companies concentrated their dispersed locations in one place, or relocated to more favourably priced sub-markets. However, this did not lead to a significant rise in vacancy rates. This was helped by the modest level of new construction, which remained approximately at the previous year's level. A large proportion of new office properties constructed were already pre-let or owner-occupied.

In the reporting year, the European markets for retail property in prime locations generally proved resilient to the crisis. The high level of demand from international and national retailers met with a limited supply. As a result, vacancies in retail space remained an exception. Conversely, secondary sites and poorly located shopping centres faced a more difficult situation. In the wake of the crisis, these recorded higher vacancy rates and a decline in rents. The recovery in the investment market progressed far more rapidly than in the rental market. Following a prolonged absence from the market, international investors increased their exposure again in Germany. Within the core segment, rising investment pressure combined with limited supply resulted in a slight decline in yields on retail as well as logistics and hotel properties.

Transaction volumes also rose in non-European countries in 2010. Similar to the European markets, mostly yields were considerably compressed for core properties. Developments in the rental markets outside of Europe varied substantially. Sharper rises in rents were recorded especially in Asia. With the exception of Tokyo, hardly anywhere in the Far East saw a decline in rent levels. Despite the pleasing trend in the level of employment, demand for high-quality office space in Tokyo has yet to recover to any significant extent. Consolidation and cost cutting remained the priority for many companies. Consequently, the vacancy rate in Japan climbed to its highest level since 2000. In contrast, Hong Kong and Shanghai succeeded in reducing the number of vacancies. In the investment market, a stable price base formed in 2010. The focus on new development of office property has shifted to Asia since the financial market crisis. This resulted in a relatively sharp increase in office space, which is likely to persist in the region for some time. We believe that this growth in available space will put considerable pressure on some of the Asian rental markets.

In the USA, demand for office space in the class A segment rose perceptibly after a weak start at the beginning of the year, reaching the highest level in three years in the fourth quarter of 2010. At the same time, the completion rate fell to the lowest value for six years and the vacancy rate was therefore down again in this segment for the first time. However, the decline happened at a high level. Rent levels also continued to drop in most locations in 2010, due to the ongoing high vacancy rate. Conversely, investment market activities slowly started to increase once more. The market recovery gradually spilled over from the top locations on the east and west coast to secondary locations. In many markets, average initial yields (cap rates) already fell to low levels in some cases. However, there were some latecomers. For example, rising yields were recorded in the US office markets of Miami and Los Angeles. Refinancing difficulties remained a key issue in the investment market. Although there were already signs of the situation easing in individual market segments, the refinancing gap for commercial property had not yet been completely closed with new capital.

In Australia, office markets in the major cities recovered in parallel with growth in employment. Despite the financial market crisis, the Australian commodities market defied expectations and remained relatively strong, resulting in new construction projects which meant that the supply of rental space in Brisbane and Perth had already expanded again, despite the substantial rise in vacancy rates. Depending on the percentage of completion, the higher volume of new construction pushed up vacancy rates in some cases. Accordingly, the net face rent, i.e. top rents, declined. Top yields were also down.

Investor attitudes and sector development

The investment statistics of the *Bundesverband Investment und Asset Management* (BVI) reported considerably higher net funds inflows into mutual securities funds in 2010 than in the previous year. After net funds outflows of €1.5bn in 2009, funds attracted a net inflow totalling €17.7bn in the year under review. The primary reason for the higher net funds inflow was the demand for low-risk mixed funds and bond funds, which at €13.8bn and €9.9bn respectively were significantly up on the figures for 2009. The historically low interest rate level continued to have an impact, particularly on money market funds, which once again recorded funds outflows in the reporting year, although at €–16.8bn, these were on a smaller scale than in the previous year (€–30.2bn).

Investors' risk affinity remained comparatively low over the course of 2010 and they held back on promising investments for a long time. Despite the pleasing funds inflow in the fourth quarter, the amount from equity funds, totalling €10.2bn, fell short of the previous year's figure (€14.4bn). The volume of equity funds rose considerably thanks to their strong performance. Mixed funds also benefited from the share price boost. Investment fund companies attracted a net volume of €1.6bn with open-ended mutual property funds, commensurate with approximately half of the previous year's figure (€3.2bn). This figure reflects the ongoing pressure in the sector; some open-ended mutual property funds stopped issuing units, in order to prevent the outflow of funds and secure liquidity for the investment fund companies. In addition, the market was affected by the discussion about the Investor Protection and Functionality Improvement Act (see below).

At €70.9bn, special funds for institutional investors recorded approximately double the funds inflow of the previous year (€34.1bn). This reflects the sharp rise in demand from insurance companies and pension funds.

According to data from the *Deutsches Aktieninstitut* (German Equities Institute, DAI), the number of shareholders and holders of fund units declined to 8.2 million in 2010 (previous year: 8.8 million). This equates to a share of 12.6% of the population. Particularly noticeable was the drop in the number of equity fund investors, which fell from 6.6 million to 6.0 million within one year. Only mixed funds were able to win over new investors during the course of 2010.

Regulatory provisions

With regard to current new legislation, the *Anlegerschutz- und Funktionsverbesserungsgesetz* (Investor Protection and Functionality Improvement Act) is of particular importance to DekaBank. After protracted discussions, this act is expected to come into force in the first quarter of 2011.

The act provides for a minimum holding period of two years and a one-year period of notice for open-ended mutual property funds. In our view, this regulation may have a negative effect on demand for fund units. Conversely, the act could stabilise the situation in the sector and contribute to restoring investor confidence. DekaBank has promptly implemented the documentation requirements resulting from the act with regard to fund units bought and redeemed. This also applies to the other provisions stipulated in the act, which relate to the provision of product information leaflets and the key investor information required for investment funds.

In 2010, the Basel Committee for Banking Supervision (BCBS) adopted new standards on the availability of adequate equity, the leverage ratio and on liquidity standards (Basel III). These are to be implemented swiftly at the European and national level and are scheduled to be binding starting in 2013. With the new regulations, the Committee has responded to the experience gained from the financial market and economic crisis.

The requirements in terms of the amount and quality of equity will gradually be made more stringent over the coming years. An initially unchanged minimum equity backing of 8% will be followed by an increase in the core capital ratio from the current 4% to 6% in the period from 2013 to 2015. Tier 1 capital (share capital, capital reserves and the reserve from retained earnings) accounts for 75% of this. In addition, a capital preservation buffer of 2.5% must be set up by early 2019, also consisting of tier 1 capital. The result is that tier 1 capital must amount to at least 7% from 2019 onwards, with the regulatory required total capital ratio amounting to 10.5%. Maintaining the capital ratios is made more difficult by the tighter requirements regarding the different types of capital (particularly including silent capital contributions) and also the fact that capital deductions will primarily affect tier 1 capital. In addition to qualitative and quantitative changes in capital, the introduction of capital requirements for risks arising from credit valuation adjustments (CVA) and the rise in the risk weighting of transactions with a central counterparty and companies in the financial sector will result in an increase in the risk weighted average of derivative transactions.

The stricter capital requirements for market price risks in the trading book, which will already take effect on 31 December 2011, are not relevant to DekaBank, since it applies the standard approach.

Basel III includes two new ratios for the implementation of higher liquidity standards. The liquidity coverage ratio (LCR) is aimed at ensuring that, in a stress scenario, the highly liquid liquidity reserve is able to compensate for a massive funds outflow for 30 days. The net stable funding ratio (NSFR) safeguards long-term sound funding. The ratios will be mandatory as of the start of 2015 (LCR) and 2018 (NSFR) respectively.

Finally, the leverage ratio stipulates that the ratio of tier 1 capital to total borrowings (non risk-weighted assets) must be a minimum of 3%. After a five-year observation period, the leverage ratio is to be integrated into pillar 1 (capital requirements) of Basel III at the beginning of 2018.

Although Basel III will not apply until 2013, DekaBank is already making extensive preparations for the new regulatory requirements. In 2010, DekaBank participated in the quantitative impact study on the future introduction of Basel III (QIS 6), in order to be aware of the impact and required action at the earliest possible stage. DekaBank will also take part in the repeat of the impact study planned for this year as part of the finalisation of Basel III requirements. Furthermore, project activities to implement the new requirements have already started. During this process, the interests of our alliance partners are taken into account. This includes developing products that are tailored to the requirements of the savings banks and comply with the Basel III standards as well as answering technical questions.

The *Gesetz zur Restrukturierung und geordneten Abwicklung von Kreditinstituten, zur Errichtung eines Restrukturierungsfonds für Kreditinstitute und zur Verlängerung der Verjährungsfrist der aktienrechtlichen Organhaftung* (German act on the restructuring and proper winding-up of banks and financial institutions, the establishment of a restructuring fund for banks and financial institutions and the extension of the limitation period for officers' liability under stock corporation law), called the Restructuring Act, came into force at the turn of the year. The act expands the rights of the banking supervision to intervene in the necessary restructuring of banks that are relevant to the system and facilitates the transfer of system-relevant business divisions to a government bridge bank in separate insolvency proceedings. Moreover, the Federal Agency for Financial Market Stabilisation (FMSA) is setting up a restructuring fund with a target volume of €70bn, which is funded by contributions from the banking industry. Financial institutions in Germany will be required to raise a total of around €1bn per year, with the bank levy for each financial institution specified each year, based on its business volume, size and corporate ties. A reasonability limit of 15% of the respective bank's net income for the year is planned. However, no pertinent legislation had been passed by the editorial deadline of this Group Management Report.

Business development and profit performance in the DekaBank Group

Overall assessment by the Board of Management

Tailored to the requirements of the savings banks and their customers, DekaBank's business model once again proved its stability under the changed market conditions in 2010. The increase in the economic result to €925.1m largely resulted from higher net commission income due to the positive performance of the Deka fund products and the opportunity to write back provisions for loan losses in the wake of positive market developments. Write-ups and profits on capital market credit products also contributed substantially to this result. Some of these developments will not recur in 2011.

Overall, demand for our mutual securities funds remained restrained. Although we assess the slight rise in net sales as positive, we had higher expectations, also in view of the strong performance of our funds. We therefore launched and continued a series of measures in the reporting year, with the aim of meeting the requirements of our various customer groups as individually as possible with innovative products and offering even more targeted support to advisers in the savings banks. We also participate in sector-wide initiatives to strengthen the role of investment funds in the formation of financial assets. An additional focus is on institutional business, where we have not yet sufficiently utilised our existing potential.

On the whole, our funds profited very well from the price boost on the stock exchanges. At year-end, 34.4% of our equity and bond funds featured higher than average ratings. The year-on-year increase in assets under management (AMK and AMI) from €151.2bn to €155.2bn has underpinned our good market positioning. In terms of fund assets, according to the BVI, the DekaBank Group remained in second place for mutual securities funds in the

German market at year-end 2010. With regard to open-ended mutual property funds, we have maintained our position as the market leader.

At 77.5%, the ratio of intra-alliance business, or the share of our products in total fund sales of sales partners, was at a high level, but did not match the previous year's figure (81.3%). In close cooperation with our partners in the *Sparkassen-Finanzgruppe*, we are working on improving this ratio over the long-term, both through new products and intensified sales. At €0.9bn, payments to the alliance partners were at the previous year's level (€0.9bn). The added value contribution of DekaBank to the *Landesbanken* and savings banks, which comprises payments to the alliance partners and the economic result, climbed from around €1.5bn in the previous year to €1.8bn in financial year 2010.

In line with expectations, the C&M business division failed to match the previous year's result, which was achieved under extraordinary market conditions. The trading result came in below our forecast. Similar to other market players, we had assumed that the ECB would substantially restrict its unlimited liquidity supply in the course of the year. Moreover, customer trading activities fell well short of expectations in 2010.

DekaBank's financial strength was confirmed in the reporting year, including by the results of the stress test conducted by the Committee of European Banking Supervisors (CEBS). Under stringent scenario conditions, the DekaBank Group significantly exceeded the 6% lower threshold set by the supervisory authorities with a comfortable tier 1 ratio of 8.4% as at the end of 2011. The result of the stress test confirms the strong capitalisation of DekaBank, even in extreme crisis situations.

Standard & Poor's and Moody's, the leading international rating agencies, affirmed their strong ratings for DekaBank. The rating for long-term unsecured debt continued to be A (by S&P) and Aa2 (by Moody's), with both agencies stating a stable outlook.

Profit performance in the DekaBank Group

The economic result rose by 39.8%, to €925.1m, as compared with 2009 (€661.8m). Growth in net commission income and the opportunity to write back risk provisions as well as revaluations on capital market credit products, primarily in non-core business, made a decisive contribution to the higher result.

Core business accounted for €742.4m (previous year: €789.2m) of the economic result. Non-core business made a contribution of €182.7m (previous year: €–127.4m) to Group income, partly as a result of revaluations. Total income of €1,758.0m (previous year: €1,499.9m), was countered by expenses amounting to €832.9m (previous year: €838.1m).

Despite the overall reduction in new Asset Management business, net commission income of €1,061.7m exceeded the previous year's figure (€980.8m) by 8.2%. Accordingly, with around 60%, net commission income remained the key income component in the DekaBank Group. As a long-term income component, this was almost exclusively attributable to core business. Commission from banking business failed to maintain the previous year's level and declined by 6.3%. This was mainly due to lower income from securities management. Conversely, we achieved an 11.6% growth in commission from investment and fund transactions, which contributed more than 80% to net commission income. The decisive factor was a sharp rise in portfolio-related commission, which resulted from higher average assets under management over the course of the year. The consistently strong fund performance and resultant performance-related commission also played a part in the positive net commission income. Commission from fund sales and portfolio fees were similar to the respective previous year's figures and had little impact overall.

Risk provisions amounted to €52.0m and were therefore in the positive range. Moderate transfers to specific valuation allowances for individual loan commitments were offset by higher write-backs of specific valuation allowances and provisions which were no longer required. In the previous year, risk provisions (€–352.4m) reflected high valuation allowances for individual commitments in the wake of the financial market crisis.

Conversely, at €422.0m, net interest income was down 10.8% on the comparative figure for 2009 (€473.0m). Nevertheless, this figure slightly exceeded our forecast. As a result of the low interest rate level, the contribution from the investment of own funds remained below the previous year's figure. Under these conditions, the profit contribution from Treasury activities was also lower than in the previous year. In addition, the volume had a moderate impact due to the further reduction of the loan portfolio in non-core business. In contrast, net margin income from customer business in the C&M business division (Credits) and in AMI (Real Estate Lending) was up, partly as a result of new high-income business in property financing. In general, maturity transformations were largely refrained from.

As expected, net financial income of €250.9m, which comprises trading and non-trading positions, remained significantly below the previous year's level (€392.2m).

Trading positions accounted for €139.6m of the above figure (previous year: €340.6m). The very high level recorded in the previous year was essentially attributed to liquidity premiums, which were still high in 2009 following the Lehman crash in 2008. At the same time, substantial market volatility resulted in greater income contributions from customer trades in fixed-income securities in 2009. In contrast, market conditions largely returned to normal in 2010, although the national debt crises in the eurozone and the associated widening of credit spreads affected the situation. The resultant restraint on the part of customers led to lower income from customer business. Income from the repo/lending business fell short of the previous year's figure, which was ascribed to the expanded liquidity supply by the European Central Bank and considerably better market liquidity in general as compared with the previous year. Net financial income from non-trading positions amounted to €111.3m (previous year: €51.6m). This figure includes the valuation result from capital market credit products, which was up from €40.0m to €115.2m, mainly as a result of market-driven revaluations in non-core business.

Other income decreased to €–28.6m (previous year: €6.3m). This also includes provisions for expenses relating to properties used by the Bank.

Administrative expenses rose by 3.7% to €835.9m (previous year: €806.0m). Cost savings were achieved by implementing the quality and process campaign and through lower write-downs. At the same time, personnel expenses and additional expenses for the IT realignment increased.

At €379.3m, personnel expenses were 3.2% up on the comparable figure for 2009 (€367.5m). In view of the positive profit development, higher provisions were set aside for performance-based special payments. Furthermore, allocations to old-age provisions increased year-on-year due to the reduced actuarial interest rate applied in calculations (see note [38], page 133). However, expenses for wages and salaries remained at the previous year's level.

As a result of the increase in the provisions for restructuring measures in the previous year, expenses for the socially responsible reduction in staff capacity were fully covered. Accordingly, restructuring expenses decreased to €–3.0m (previous year: €32.1m).

At €423.7m, operating expenses (excluding depreciation) were up 6.8% on the previous year's level (€396.8m). This was mainly attributable to higher expenses in connection with the new IT measures and increased expenses for fund accounting and administration.

In the reporting year, depreciation fell to €32.9m (previous year: €41.7m). This figure included unscheduled amortisation of around €16m (previous year: €25m) on the goodwill for the shares in WestInvest GmbH acquired in 2004 (Fig. 1).

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

€m	2010	2009	Change	
Net interest income	422.0	473.0	–51.0	–10.8%
Risk provision	52.0	–352.4	404.4	114.8%
Net commission income	1,061.7	980.8	80.9	8.2%
Net financial income[1]	250.9	392.2	–141.3	–36.0%
Other income[1]	–28.6	6.3	–34.9	(<–300%)
Total income	**1,758.0**	**1,499.9**	**258.1**	**17.2%**
Administrative expenses (including depreciation)	835.9	806.0	29.9	3.7%
Restructuring expenses	–3.0	32.1	–35.1	–109.3%
Total expenses	**832.9**	**838.1**	**–5.2**	**–0.6%**
Economic result	**925.1**	**661.8**	**263.3**	**39.8%**

[1] The previous year's figures have been adjusted due to reclassification with no impact on Group net income. For details, please refer to note [2].

Business development and profit performance in the AMK business division

Despite further pressure on the capital market and a continuing marked restraint on the part of investors in terms of securities investments, the AMK business division succeeded in further stabilising new business and achieving added value for customers. Irrespective of some positive sales trends, total net sales remained slightly negative as in the previous year. Net funds outflows from money market and bond funds were not entirely compensated by successful sales results in mixed funds and target return funds as well as net funds inflows into special funds and mandates.

Net sales performance and assets under management

AMK's net sales performance totalled €–0.8bn. Compared with the previous year's figure (€–2.5bn), institutional business, in particular, recorded growth (Fig. 2).

AMK sales performance *(Fig. 2)*

€m	2010	2009
Direct sales mutual funds	−3,553	−3,755
Fund-based asset management	−1,534	−1,769
Mutual funds and fund-based asset management	**−5,087**	**−5,524**
Special funds and mandates	4,294	3,046
Net sales AMK	**−793**	**−2,478**
For information purposes:		
Net funds inflow AMK (according to BVI)	**−3,066**	**−6,099**

Net sales of mutual securities funds and fund-based asset management amounted to €–5.1bn (previous year: €–5.5bn). Approximately two-thirds of the net funds outflows occurred in the first half of the year, and thus funds outflows were slightly lower in the second half of the year. The low interest rate level and discontinuation of the previous preferential treatment of existing portfolios of tax-optimised money market funds resulted in an extensive return of fund units in this fund category. With regard to bond funds, the inflow of funds was affected by uncertainty amongst investors following the national debt crises in the eurozone. In contrast, mixed funds and in particular total return products were popular with security-oriented investors and attracted substantial inflows. Launched in financial year 2010, the Deka-Wertkonzept product series accounted for the highest share of direct sales and was also a prominent factor for Sales (see page 37). Net sales of target return funds also exceeded the previous year's performance. Total net sales of equity funds were just in the negative range, however, with a rising trend in sales in the second half of the year. In fund-based asset management, net sales also increased on the previous year (€–1.8bn); however, at €–1.5bn, they still closed in the negative range. The upward trend was mainly achieved by reducing outflows from the Sparkassen-DynamikDepot, primarily as a result of concept-related changes implemented in the previous year, and from funds of funds.

Sales of special securities funds as well as Master KAG and advisory/management mandates climbed 41% to €4.3bn (previous year: €3.0bn) and therefore contributed significantly to the increase in total net AMK sales. The sales performance of Master KAG mandates was the decisive factor here; as a result of the high level of customer satisfaction at the savings banks and institutional customers, these recorded net funds inflows of €2.6bn (previous year: €0.9bn). Special funds realised net sales totalling €0.1bn (previous year: €0.9bn) while net sales with regard to advisory/management mandates rose to €1.5bn (previous year: €1.2bn). These developments demonstrate that AMK is making good progress with the realignment of its institutional business and has continued to restore investor confidence on the strength of the enhanced product and support quality.

Following the marked rise in 2009, assets under management in the AMK division increased by a further €2.4bn, to €132.5bn, in the reporting year. Decisive factors here included the high level of net funds inflows recorded in respect of special funds and mandates as well as the strong performance (Fig. 3).

With regard to mutual funds and fund-based asset management, the volume of assets under management totalled €90.4bn (previous year: €90.9bn). Money market funds, which two years ago accounted for a share of around 29% of total assets, only accounted for 14% of assets under management, whereas the share of equity funds increased from approximately 18% to 25%.

The DekaBank Group achieved a 16.7% share of the mutual securities funds market in terms of assets according to the BVI. We thus maintained our second place market position amongst the BVI members, despite minor losses in the market share.

Assets under management AMK *(Fig. 3)*

€m	31.12.2010	31.12.2009	Change	
Equity funds	22,183	19,900	2,283	11.5%
Capital protected funds	6,085	6,245	–160	–2.6%
Bond funds	25,905	28,070	–2,165	–7.7%
Money market funds	12,429	17,148	–4,719	–27.5%
Mixed funds	9,501	6,389	3,112	48.7%
Other mutual funds	4,563	4,405	158	3.6%
Owned mutual funds	**80,666**	**82,157**	**–1,491**	**–1.8%**
Partner funds, third party funds/liquidity in fund-based asset management	7,505	6,851	654	9.5%
Partner funds from direct sales	2,181	1,855	326	17.6%
Mutual funds and fund-based asset management	**90,352**	**90,863**	**–511**	**–0.6%**
Special securities funds	29,412	28,426	986	3.5%
Advisory/management mandates	12,707	10,826	1,881	17.4%
Special funds and mandates	**42,119**	**39,252**	**2,867**	**7.3%**
Assets under management AMK	**132,471**	**130,115**	**2,356**	**1.8%**
For information purposes:				
Fund assets – mutual funds AMK (according to BVI)	**103,890**	**105,521**	**–1,631**	**–1.5%**
Fund assets – special funds AMK (according to BVI)	**49,962**	**45,893**	**4,069**	**8.9%**

With respect to special funds and mandates, assets under management rose by around 7%, to €42.1bn (previous year: €39.3bn). With an increase of 18%, to €20.6bn, Master KAG mandates also recorded substantial growth in assets.

Expanded product range

In financial year 2010, AMK further developed its range of financial asset formation products for savings bank customers. As was already the case in 2009, individual funds and fund unit classes were closed or merged on a tax-neutral basis. At the same time, new products were launched in all major fund categories, which met with a high level of demand overall. In particular, AMK focused on responding to the fact that investors are first and foremost still seeking security, and concentrated on a differentiated approach to the various customer segments.

Mixed investment funds offer a mix of asset classes and a wide range of instruments to respond specifically to investors' need for a reliable return in conjunction with limited risk. In view of the growing demand, we have expanded the spectrum of mixed funds to include an innovative total return product series, which was positioned in the market under the Deka-Wertkonzept name.

The range of guaranteed funds was also further developed. Deka-DeutschlandGarant 2 and 3 were newly launched with considerable success. These funds facilitate participation in the German equity market in combination with the security of capital protection. With regard to equity funds, the new Deka-DividendenStrategie needs to be mentioned: this fund invests on a global level in listed companies which provide above-average dividend quality. The Deka-Staatsanleihen Europa fund was added as a new bond fund. This fund exploits different interest rate trends by investing in selected government bonds and state-backed securities from eurozone countries and western European countries outside the eurozone, thus taking into account the changed conditions in the government bond market. The new Deka-Währungen Global fund launched as an alternative investment represents an attractive portfolio addition. With a focus on foreign currency, there is little correlation with other asset classes, and it provides a hedging option against devaluation of the euro.

We have updated our product assortment as well as the comprehensive advisory approach for wealthy private customers of the savings banks. Developed in the reporting year, the Deka-Vermögenskonzept (see page 23) represents another further development with respect to the affluent customer segment of the savings banks.

Fund performance and rating

As at year-end 2010 and in a highly volatile market environment, 48.9% of our equity funds and 71.7% of our bond funds outperformed their relevant benchmark. The positive performance also had a favourable impact on fund ratings, with 34.4% of our funds featuring an above-average rating from investment research firm Morningstar in the three to ten-year monitoring period at the end of 2010.

In key performance comparisons of providers of mutual securities funds, the DekaBank Group consistently achieved an excellent ranking during the year under review. At the €uro Fund-Awards, twelve of our funds were amongst the top three products. The four funds which came in first place in their categories included the Deka-Convergence Aktien fund, with above-average performance over a five-year period. At the Feri EuroRating Awards 2010, the fund was also distinguished as "Best Central/Eastern Europe Equity Fund".

AMK achieved other top rankings at the Lipper Fund Awards in March, winning awards for consistent investment success of five funds. Deka-Euroland Balance CF, a mixed fund, received two prizes for best performance over a three and five year period. At the Morningstar Fund Awards in April 2010, Deka Investment was named best major provider of bond funds – after attaining second place in the previous year. Deka Investment demonstrated the best five-year performance amongst 15 providers. In total, 28 bond funds were rated. We were also successful at the first ever VisioFund-Awards. These awards honoured the most successful asset management-based funds of funds in 2009. We finished as best provider with 22 awards for 15 different funds.

Profit performance in the AMK business division

With an economic result of €428.0m, the AMK business division exceeded the figure for 2009 (€316.6m) by 35.2%. Alongside the significant rise in income to €800.0m (previous year: €687.9m), administrative expenses rose only moderately.

Net commission income climbed by 11.8% to €799.1m (previous year: €714.7m). Average assets under management were up during the year, and this was reflected in an increase in portfolio-related commission. On the basis of market-driven growth, we brought in significantly higher income. Performance-related income, which resulted from the strong performance of our funds, equally contributed to the robust net commission income.

Other income of €0.9m was up on the previous year's figure (€–26.8m). The income figure comprises a tax refund which was countered by the write-down of equity investments. In 2009, other income essentially reflected the write-down of an equity investment.

Administrative expenses (including depreciation) rose slightly to €368.5m (previous year: €362.4m). We reduced costs by continuing the quality and process campaign. However, higher project costs mainly arose in connection with implementing the IT mission project to renew and upgrade the overall IT architecture. Processing costs were also up on the previous year's figure. Here, additional expenses were incurred for the migration to a new platform at Dealis Fund Operations GmbH (Fig. 4).

AMK profit performance *(Fig. 4)*

€m	2010	2009	Change	
Net commission income	799.1	714.7	84.4	11.8%
Other income	0.9	–26.8	27.7	103.4%
Total income	**800.0**	**687.9**	**112.1**	**16.3%**
Administrative expenses (including depreciation)[1]	368.5	362.4	6.1	1.7%
Restructuring expenses	3.5	8.9	–5.4	–60.7%
Total expenses	**372.0**	**371.3**	**0.7**	**0.2%**
Economic result	**428.0**	**316.6**	**111.4**	**35.2%**

[1] The previous year's figures have been adjusted due to reclassification with no impact on Group net income. For details, please refer to note [2].

Business development and profit performance in the AMI business division

DekaBank's close integration with the savings banks ensured that the AMI business division remained on course, despite massive market pressures. Our open-ended mutual property funds consistently remained open and achieved a further increase in fund assets, while other providers were forced to suspend acceptance of returned fund units due to liquidity difficulties or even had to remove their funds from the market. Good utilisation of sales quotas and the exploitation of opportunities to buy at favourable conditions meant that the liquidity ratios remained in the target range. In addition, excellent sales were achieved in the recovering property market, thus optimising the portfolio. Thanks to the letting ratio, which exceeded forecasts, vacancy rates changed only to a negligible extent under difficult market conditions. Worth highlighting here is the long-term re-letting agreement for the major *Poseidon* bank office building in Frankfurt/Main, with more than 40,000 square metres of total floor space, which was signed in December 2010. Targeted investments in portfolio properties, including the revitalisation of a department store in Vienna, additionally contributed to creating the basis for positive property performance over the long run.

The streamlining of the range of retail products in the previous year – Deka-ImmobilienFonds was merged with Deka-ImmobilienEuropa and WestInvest 1 with WestInvest InterSelect – resulted, as planned, in even more robust structures of the managed portfolios. Institutional business was stepped up in 2010 according to schedule. However, the supply of properties which meet our quality requirements is still insufficient. As a result, the limited volume of acquired properties remains an obstacle to growth. In Real Estate Lending, the gross loan volume increased slightly on the previous year, mainly driven by currency movements. The focus continued to be on acquiring business which can be passed on to other institutional investors. This was successfully achieved via various external placement channels. Syndication business with banks and funds once again proved very successful.

Net sales performance and assets under management

Net sales of the AMI business division remained at a high level with €1.7bn after €2.5bn in the previous year. A substantial share was attributable to the fixed and limited sales quotas of open-ended mutual property funds, which were agreed on with the savings banks. By year-end, the quotas had been largely utilised, despite the nervous market sentiment and the debate surrounding regulation, whose dampening effect also impacted on our business. Direct sales of retail fund units totalled €1.5bn. Although these were down on the previous year's figure of €2.2bn because of the significantly lower quotas, they exceeded our forecasts. On the basis of the net funds inflow according to the BVI, market leader DekaBank achieved almost a third of the sales of all competitors, with positive funds inflows on the whole (Fig. 5).

AMI sales performance *(Fig. 5)*

€m	2010	2009
Mutual property funds	1,472	2,166
Property funds of funds	–11	0
Special funds (incl. credit funds)	222	191
Individual property funds	18	122
Net sales AMI	**1,701**	**2,479**
of which to institutional investors	486	406
For information purposes:		
Net funds inflow AMI (according to BVI)	**1,670**	**2,257**

In institutional property fund business, the open-ended ImmoValue property fund and the TargetSelect series attracted new funds amounting to €389m. For the special and individual funds, which tend to make smaller investments, the buy markets were not yet sufficiently profitable. New funds acquired in respect of these products only totalled €199m (previous year: €457m).

After distributions of €646m, assets under management in the AMI business division rose by 7.7% on year-end 2009 (€21.1bn), to around €22.8bn. Open-ended mutual property funds contributed €20.0bn (end of 2009: €18.7bn)

Assets under management AMI *(Fig. 6)*

€m	31.12.2010	31.12.2009	Change	
Mutual property funds	19,996	18,743	1,253	6.7%
Property funds of funds	94	107	–13	–12.1%
Special funds	2,324	1,959	365	18.6%
Individual property funds	337	319	18	5.6%
Assets under management AMI	**22,751**	**21,128**	**1,623**	**7.7%**
For information purposes:				
Fund assets AMI (according to BVI)	**21,848**	**20,312**	**1,536**	**7.6%**

to assets under management. On the basis of fund assets according to the BVI, the market share increased from 21.6% to 23.3% within a year (Fig. 6).

The open-ended mutual property funds utilised the available financial leeway to acquire further attractive properties, with a particular focus on certified green buildings. All property acquisitions were handled on a centralised basis by Deka Immobilien. Overall, the funds secured contracts for buying 27 properties in the reporting year worth €2.4bn (previous year: €2.1bn) and located in 10 countries. This once again made the DekaBank Group one of the major property investors worldwide. In addition, Deka Immobilien sold 16 properties from the funds, located in 7 countries, with a volume totalling €0.8bn – at a profit for investors.

Expanded offering

After positioning the WestInvest TargetSelect product family and the two credit funds, Deka Infrastrukturkredit and Deka Realkredit Klassik, on the market in the previous year, DekaBank no longer focused on further expanding its range of products in the reporting year. The primary aim was to leverage the existing potential in institutional business to an even greater extent and acquire properties and loans in the market with a risk/reward profile that is suitable for the funds.

Fund performance and rating

With an average volume-weighted yield of 2.4%, our open-ended mutual property funds outstripped the sector average. However, the previous year's performance (3.0%) was not matched, mainly as a result of the low interest on existing liquidity. In relation to the benchmark, the Deka-ImmobilienGlobal, Deka-ImmobilienEuropa and WestInvest ImmoValue funds occupied top positions again in the reporting year.

In rating comparisons, the stability of our open-ended mutual property funds was also convincing. In the analysis published by the agency Scope Analysis in May 2010, all three open-ended mutual property funds of the DekaBank Group were rated investment grade. In the reporting year, Deka-ImmobilienGlobal was once again given the accolade of best global fund for private investors and WestInvest ImmoValue received the award for best property portfolio. Scope also distinguished the management quality by giving strong ratings for the DekaBank Group's two property capital investment companies. With regard to Deka-ImmobilienGlobal, the commitment at an early stage and against the cyclical trend in the global markets beyond Europe was praised.

Real Estate Lending

In Real Estate Lending (REL), we continued to concentrate on markets, property types and business partners which are also relevant to our property funds. We were most active in those markets where we have representative offices. In addition, loans were granted to DekaBank's own and third party open-ended property funds which are governed by the German Investment Act.

Loans were granted on a strictly risk-aware basis and consistently focused on capital market eligibility. The volume of new business arranged totalled €2.5bn at year-end and was up on the previous year's level (€2.0bn). This figure comprises extensions of €0.2bn each. A pleasing amount of €1.3bn was successfully placed externally (previous year: €1.1bn). The gross loan volume rose to €7.7bn by year-end 2010 (end of 2009: €6.9bn), largely due to currency effects. Commercial property financing accounted for a share of €5.3bn and property fund financing for €1.9bn. The remaining amount was attributable to the financing of public sector construction projects, a segment which is being phased out. The average rating in the portfolio showed a slight upward trend as compared with the previous year. In new business, lower loan-to-value ratios meant that ratings continued to be excellent, whereas the portfolio-based business, as expected, saw further migration to weaker ratings.

Profit performance in the AMI business division

AMI achieved an increase in the economic result before non-recurring effects to €88.3m as compared with 2009 (€57.0m), significantly exceeding the forecast. After non-recurring effects, which do not pertain to the core activities of the business division (goodwill impairment relating to WestInvest GmbH, which was acquired in 2004, and other expenses for buildings used by the Bank) totalling around €33m, the business division generated income in the amount of €55.1m in the current financial year (2009: after comparable non-recurring effects of around €38m, income was €19.4m).

Total income, which stood at €209.7m, was up by €37.6m on the previous year's figure of €172.1m (excluding non-recurring effects). At €72.4m, net interest income was slightly down on the corresponding figure for 2009 (€77.5m). This figure was affected by the highly selective approach to property financing. However, the higher margin in new lending business had a favourable impact. The average margin of existing financing was approximately 5 basis points up on the figure for the previous year and already surpassed the figure for 2008 by 15 basis points.

Net commission income of €164.7m almost matched the previous year's figure (€165.8m). Portfolio-related commission outstripped the good level achieved in the previous year following the positive placement of sales quotas in the first half of the year and the stronger performance. At the same time, the contribution from fees for buying and selling decreased from €24.1m in the previous year to €17.8m in financial year 2010. Despite the higher transaction volumes in 2010, this resulted from the fact that in many cases, the date of the contract signature differed from the due date for the commission. Net commission income from property financing business amounted to €14.6m (previous year: €11.3m).

Net financial income declined from €–2.9m to €–6.4m. This downturn was predominantly caused by currency hedging transactions in REL.

Other income amounted to €–6.6m. The previous year's figure (€14.4m) comprised the positive effect of the reversal of provisions in the investment fund business. In 2010, expenses of €11.0m were incurred due to delays related to a project managed by Deka Immobilien GmbH for one of the major mutual funds. Conversely, a tax refund from the previous year affected other income with €3.2m.

Administrative expenses (including depreciation but excluding non-recurring effects) rose slightly from €117.7m to €119.5m. Alongside the measures already launched in 2009 as part of the quality and process campaign, which were reflected in lower production and processing expenses, sales and project costs – including those for Group-wide measures taken to improve the infrastructure – were up on the previous year (Fig. 7).

AMI profit performance *(Fig. 7)*

€m	2010	2009	Change	
Net interest income	72.4	77.5	–5.1	–6.6%
Risk provision	–14.4	–82.7	68.3	82.6%
Net commission income	164.7	165.8	–1.1	–0.7%
Net financial income	–6.4	–2.9	–3.5	–120.7%
Other income (excluding non-recurring effect)	–6.6	14.4	–21.0	–145.8%
Total income	**209.7**	**172.1**	**37.6**	**21.8%**
Administrative expenses (including depreciation but excluding non-recurring effect)[1]	119.5	117.7	1.8	1.5%
Restructuring expenses	1.9	–2.6	4.5	173.1%
Total expenses	**121.4**	**115.1**	**6.3**	**5.5%**
Economic result (excluding non-recurring effect)	**88.3**	**57.0**	**31.3**	**54.9%**
Non-recurring effect[2]	33.2	37.6	–4.4	–11.7%
Economic result (including non-recurring effect)	**55.1**	**19.4**	**35.7**	**184.0%**

[1] The previous year's figures have been adjusted due to reclassification with no impact on Group net income. For details, please refer to note [2].
[2] Essentially comprises unscheduled amortisation of goodwill relating to the shares in WestInvest GmbH, acquired in 2004, and expenses for properties used by the Bank.

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

The capital markets were dominated by the national debt crises in Europe resulting from the financial market crisis. This will have an impact on global growth for years to come. In a changed market environment, the volume of trading and sales activities reflected a downward trend. The decrease in derivatives brokerage was countered by the commission business, which exceeded expectations. With regard to ETFs, net sales were up on the previous year's level. In line with expectations, C&M's economic result fell short of the previous year's figure. The economic result included measures taken to compensate for the negative valuation result from capital market credit products in non-core business.

Business development in the C&M business division

Markets sub-division

In **share, bond and derivatives brokerage**, customer trading activities declined overall. In particular, demand from capital investment companies and other institutional customers for the derivative product solutions offered by C&M was down on the previous year's figures. On the one hand, funds outflows from money market funds affected the figure. On the other hand, interest rate derivatives brokerage was primarily affected by the collapse of the primary market in bonds. The high comparative volumes achieved in customer trading in the previous year, which related to fixed-income securities under new corporate bond issues, resulted from the substantial market recovery which followed the peak of the financial market crisis as well as from a high level of volatility.

Traditional commission business delivered a steady performance at a high level and exceeded forecasts. The business division benefited from higher demand on the part of capital investment companies resulting from the greater fund volume and temporarily higher market volatility.

Margins in repo/lending business (**short-term products**) came under significant pressure in financial year 2010. This was essentially caused by the ECB's extensive provision of liquidity. Nevertheless, we succeeded in generating additional income for the savings banks and funds during the reporting year. Synthetic transactions accounted for a higher share than in the previous year. In the second half of the year, we also experienced growing demand for collateralised short-term credit lines – partly in view of expectations that the liquidity supply by the ECB would be restricted and in light of the future provisions under Basel III regarding the weighting of risk assets, short and long-term refinancing and the maximum leverage ratio.

We expanded the exchange traded funds (ETF) product range of our subsidiary ETFlab on the basis of the requirements of our target customers and their various investment strategies. Due to the high demand from institutional customers for bond ETFs in the core markets, the focus of activities was on the fixed-income side. Two new ETFs launched provide access to a broadly diversified pool of euro-denominated corporate bonds and the highly liquid German jumbo *Pfandbrief* market. The total number of available ETFs rose to 35. Additional index funds, which will selectively target the bond markets of individual countries within the eurozone as well as euro-denominated corporate bonds excluding financials, were in the pipeline as at year-end. Net sales of €1,177m exceeded the previous year's figure (€1,030m). We benefited from this, reducing our own portfolio of ETFlab fund units. The total volume amounted to €5.0bn at year-end 2010 (end of 2009: €4.7bn). The Bank's own portfolios accounted for 38.7% (previous year: 45.4%) of the total volume. They are used to ensure a liquid and efficient market and support customers in complying with investment limits.

As part of an investor survey conducted by investment magazine *Börse online*, ETFlab was distinguished as best ETF provider of 2010. According to the final ranking, the company enjoys the highest level of trust among all ETF providers and also achieved top scores for innovative products, low fees, cost transparency as well as for easy accessibility and personal availability of our staff. The company's conservative philosophy is also rewarded by many investors. Wherever possible, ETFlab fully replicates the underlying indices.

Credits sub-division

In the Credits sub-division, the gross loan volume amounted to €30.5bn at year-end 2010, which represents a decline of 10.8% on the previous year (end 2009: €34.2bn). In financial year 2010, a major proportion of risk capital once again related to **public sector financing**. As at the reporting date, the gross loan volume attributable to our partners in the *Sparkassen-Finanzgruppe* totalled €15.5bn (end of 2009: €15.6bn). A further €4.4bn (end of 2009: €5.7bn) was granted to other public sector borrowers in Germany, with loans to local authorities accounting for the largest share. On the strength of this volume, DekaBank consolidated its position as one of the banks of choice for the long-term refinancing of savings banks.

In addition, Credits continues to concentrate on ensuring **access to credit fund assets** for Asset Management. The focus was on the evaluation of credit segments and collateral formats that are eligible for Asset Management. In this context, we paid particular attention to the external placement of loans in funds. In the infrastructure finance segment, we started implementing the credit fund business model. The first loans were successfully placed with customers under the umbrella of the Deka Loan Investment Fund (DeLI), enabling us to subsequently enter into new commitments again based on a cautious approach.

In the year under review, Credits started to actively pass on loans. The launch of DeLI funds and other customised Asset Management solutions for ship and aircraft financing and ECA-covered export finance is scheduled to start in 2011. Based on the steady cash flow, an extremely low default rate and sound financing throughout the entire term, these credit assets are generally ideal for fund and loan syndication models.

Treasury sub-division

The Treasury sub-division pools the tasks related to **liquidity supply and management** and ensures that DekaBank is in a position to provide public sector banks and its own funds with the required liquidity at all times. In view of the short-term demand in each cases, this function necessitates a sufficient liquidity reserve with stringent requirements in terms of turning the individual positions into ready cash.

The core functions of **bank management and refinancing** are the implementation of DekaBank's liquidity positioning as well as liquidity management and the responsibility for refinancing throughout the entire banking business. The gross volume in Treasury remained at a high level of €20.8bn as at the 2010 reporting date (end 2009: €23.5bn). The net volume of the non-structured capital market credit products in the core business that are held by the Treasury sub-division amounted to €5.5bn at the 2010 year-end (end of 2009: €7.4bn). This corresponds to a decline of 25.7%.

Profit performance in the C&M business division

C&M's economic result totalled €247.1m and was down on the previous year's figure (€517.2m). In 2009, the result included extraordinarily high profit contributions from customer trading in fixed-income securities and very positive net financial income (non-trading) in Treasury. Overall, the performance of the C&M business division and non-core business achieved a 10.3% increase in the economic result as compared with the previous year.

Net interest income was down 18.3%, to €250.9m, as compared with the previous year's level (€307.2m). The downturn in volumes and margins relating to liquidity investment was rooted in the liquidity oversupply in the market. Nevertheless, the contribution from the lending business to net interest income increased slightly.

The reversal of risk provisions resulted in a positive net profit contribution in the amount of €12.2m. The previous year's figure of €–178.9m essentially comprised increased risk provisions for various Iceland exposures.

The rise in net commission income to €96.3m (previous year: €94.4m) reflects the pleasing trend in the commission business, which exceeded the forecast.

Net financial income was down to €117.0m (previous year: €513.3m). This decrease mainly resulted from lower income from traditional repo/lending trading activities as well as from trading with fixed-income securities. Unlike the previous year, net financial income (non-trading) did not report any positive changes in valuation in financial year 2010. The background of this development includes the national debt crises in the eurozone, which led to a significant widening of spreads on individual bonds.

At €233.1m, administrative expenses were up 6.8% on the corresponding figure for 2009 (€218.3m). The decisive factors here were additional expenditures related to the realignment of IT and the modernisation of business processes (Fig. 8).

C&M profit performance *(Fig. 8)*

€m	2010	2009	Change	
Net interest income	250.9	307.2	–56.3	–18.3%
Risk provision	12.2	–178.9	191.1	106.8%
Net commission income	96.3	94.4	1.9	2.0%
Net financial income	117.0	513.3	–396.3	–77.2%
Other income	4.2	0.3	3.9	(> 300%)
Total income	**480.6**	**736.3**	**–255.7**	**–34.7%**
Administrative expenses (including depreciation)[1]	233.1	218.3	14.8	6.8%
Restructuring expenses	0.4	0.8	–0.4	–50.0%
Total expenses	**233.5**	**219.1**	**14.4**	**6.6%**
Economic result	**247.1**	**517.2**	**–270.1**	**–52.2%**

[1] The previous year's figures have been adjusted due to reclassification with no impact on Group net income. For details, please refer to note [2].

Business development and profit performance in non-core business

In non-core business, we pursued our strategy of reducing the portfolio while safeguarding assets at the same time. The gross loan volume of lending business and credit substitute transactions that do not represent core business decreased from 18.5% to €6.6bn within a year (end of 2009: €8.1bn). The most marked decrease was in the securitisation portfolio, which amounted to a volume of €2.1bn at year-end 2010 (end of 2009: €2.9bn). In addition to expiring products and selected sales, early repayment by counterparties also impacted on this figure. The loan portfolio in non-core business was down to €3.8bn (end of 2009: €4.4bn), while the volume relating to the former Public Finance sub-division amounted to €0.7bn (end of 2009: €0.8bn). In line with the volume development in the course of reducing the portfolio as well as due to tightening spreads, the risk level has decreased considerably in non-core business.

At €182.7m, the economic result in 2010 significantly exceeded the negative figure reported in the previous year (€–127.4m). Net financial income (non-trading) of €–87.9m was reported in 2009, which was primarily attributable to the valuation result for capital market credit products. However, in the reporting year, this was countered by a positive profit contribution of €78.0m. Moderate valuation discounts in the portfolio of the former Public Finance sub-division were more than compensated by the revaluation of securitised products. In addition, profits realised on early repayments also had a favourable impact. As a result of the reduced volume of lending business and capital market credit products, net interest income decreased by €6.5m, to €59.3m. Conversely, the level of risk provisions improved, from €–90.8m to €54.2m. In the previous year, valuation allowances were required in lending business. However, in financial year 2010, some existing risk provisions that were no longer required were reversed (Fig. 9).

Financial position and assets and liabilities

Balance sheet changes

Compared with the previous year, the total assets of the DekaBank Group decreased by approximately 2%, or €3.0bn, to €130.3bn. The total amount due from banks and customers was around 51% of total assets and rose by €4.0bn, to €66.7bn. The increase was attributed to expanded money transactions (money on call and time deposits as well as securities repurchase transactions). Financial assets valued at fair value through profit or loss dropped to €56.6bn (previous year: €63.2bn) and accounted for around 43% of total assets. The decrease chiefly stemmed from a reduction in various fixed and floating rate bonds and debt securities. Conversely, the market values of derivative financial instruments in this position increased by €0.6bn to €21.8bn.

On the liabilities side, amounts due to banks and customers rose overall by €3.9bn, to around €51bn, and accounted for 39% of liabilities on the balance sheet. The determining factor here was a rise in the volume of money transactions, in particular money on call and time deposits and securities repurchase transactions. Financial liabilities valued at fair value fell by €5.9bn to €47.9bn, mainly due to reduced activities in securities trading business

Profit performance of non-core business *(Fig. 9)*

€m	2010	2009	Change	
Net interest income	59.3	65.8	–6.5	–9.9%
Risk provision	54.2	–90.8	145.0	159.7%
Net commission income	2.1	4.1	–2.0	–48.8%
Net financial income	78.0	–87.9	165.9	188.7%
Other income	0.1	0.0	0.1	n/a
Total income	**193.7**	**–108.8**	**302.5**	**278.0%**
Administrative expenses (including depreciation)[1)]	10.7	18.2	–7.5	–41.2%
Restructuring expenses	0.3	0.4	–0.1	–25.0%
Total expenses	**11.0**	**18.6**	**–7.6**	**–40.9%**
Economic result	**182.7**	**–127.4**	**310.1**	**243.4%**

[1)] The previous year's figures have been adjusted due to reclassification with no impact on Group net income. For details, please refer to note [2].

(€–4.5bn). The market values of derivative financial instruments included in this position were down on the previous year by €1.1bn, to €29.7bn.

On-balance sheet equity increased by €0.6bn to €4.1bn in the reporting year. This figure does 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.

Change in regulatory capital

The DekaBank Group's capital and reserves in accordance with the German Banking Act (KWG) amounted to approximately €4.4bn as at 31 December 2010, which represents an increase of €0.3bn on the previous year (Fig. 10).

The regulatory capital and reserves are established on the basis of the individual financial statements of the companies included in the scope of consolidation, taking into account the relevant national accounting regulations, and therefore differ from equity under IFRS. Capital and reserves consist of core capital, supplementary capital and tier III capital. Core capital also includes the silent capital contributions (€0.6bn), which essentially have a permanent character.

Capital adequacy is determined in accordance with the Solvency Regulation (SolvV). In addition to default risks and market risk positions, amounts for operational risks are taken into account when calculating capital adequacy.

Breakdown of equity *(Fig. 10)*

€m	31.12.2010	31.12.2009	Change
Core capital	3,317	2,839	16.8%
Supplementary capital	1,041	1,213	–14.2%
Tier III capital	–	–	n/a
Capital and reserves	**4,358**	**4,052**	**7.6%**
Default risks	18,500	20,713	–10.7%
Market risk positions	5,575	6,975	–20.1%
Operational risks	1,650	1,725	–4.3%
%			**Change %-points**
Core capital ratio (including market risk positions)	**12.9**	**9.7**	**3.2**
Total capital ratio	**16.9**	**13.8**	**3.1**

The capital and reserves principle under banking supervisory law was complied with at all times throughout 2010, both at the Bank and Group level.

DekaBank's liquidity ratio was between 1.4 and 1.8 in the year under review, remaining above the minimum requirement of 1.0 at all times.

Employees

Changes in the staff complement

Following a marked decrease in the number of employees in the previous year, this figure remained almost constant in the reporting year. At year-end 2010, the number of employees in the DekaBank Group amounted to 3,683, and was thus virtually the same as in the previous year (3,667). However, at 3,174, the average number of positions filled was 3.6% down on the previous year (3,294). The main reason was the reduction in staff capacity in the comparative year as part of the Group-wide quality and process campaign launched in 2009. The staff capacity was primarily reduced through retirement agreements and voluntary redundancy options. The different development in the number of employees and staff capacity should be seen in connection with the increase in part-time positions, which are also in line with the targets defined in the quality and process campaign. Furthermore, the number of employees rose in some areas of the bank during the second half of the year, with the expanded commitment to our activities in Luxembourg and the launch of major projects especially having an impact.

On average for the year, 85.3% (previous year: 86.3%) of the staff employed were in full-time posts. The average employee age was 40.2 years (previous year: 39.7 years).

Management culture and leadership

In the second quarter of 2010, we invited employees to take part in a survey, including individual manager feedback. Both of these tools provide us with a differentiated view of the management culture lived in the Group. As a result of the representative findings, previously unutilised potential relating to leadership in the Group was clearly identified. The evaluation of the questionnaires was followed by discussions with the relevant teams, during which concrete development measures were agreed on. These will extend until 2012.

Building on this, we started a Group-wide project for the development, introduction and binding implementation of a uniform concept and understanding of management responsibility within DekaBank. All of the relevant units are involved in the project. Among other things, the aim is to describe management roles and decision-making processes in detail, define the appropriate priorities in day-to-day business to ensure efficient team management and make the measurement of leadership quality more precise using suitable instruments, indicators and ratios. The process is set to result in a consistent yet flexible management system and produce a forward-looking management culture. The measures taken are also linked to the Lean Transformation process (see page 22), which is aimed at enhancing workflows and processes in all Group units.

Transparent remuneration system

In response to the financial market crisis, the G20 nations have agreed to create a joint framework for common remuneration regulations in the financial services sector, in order to put the remuneration of employees in the financial sector on a more sustainable footing and prevent misguided incentives. As part of the implementation of these provisions, various regulatory campaigns were launched, some of which have now been implemented. They also affect the companies within the DekaBank Group. The new regulatory requirements regarding the remuneration systems of financial institutions – first specified in a circular from BaFin in December 2009 – are included in the new Remuneration Ordinance for Institutions, which came into force in October 2010.

We started revising our remuneration system in the reporting year. In addition to responding to the various regulatory requirements, the key objective is to develop the most uniform remuneration system possible for all companies within the DekaBank Group, so that implementation of the adjusted system can also be recommended to subsidiaries. The new system is also flexible with regard to future adjustments and facilitates success and performance-based remuneration in line with market conditions.

The Remuneration Management Committee is responsible for revising the remuneration system. This committee was already set up in February 2010 as the remuneration committee for the entire Group. Its remit is to develop the basis for a sustainable and practicable remuneration system, continuously monitor its suitability and submit proposals for improvements to the Board of Management as required. All of the indicators and ratios used to measure the Group's performance have been and will continue to be reviewed. Since financial year 2009, we have been providing annual information regarding the remuneration structure on DekaBank's website. The 2010 remuneration report for 2009 is already available there.

Projects

In financial year 2010, various major projects were launched throughout the Group, such as the Lean Transformation project, in which the Corporate Centre Human Resources was involved.

As part of the Lean Transformation project (see page 22), the HR unit essentially supported the recruitment of "lean navigators" and will also be responsible for their further development in the DekaBank Group. In addition, supporting the organisational units during the Lean Transformation phase was a key task of the Corporate Centre Human Resources.

Life stage-based HR policy

DekaBank meets the challenges of the demographic change by implementing the concept of a life stage-based human resources policy, which covers all phases, from career choice to retirement from professional life. Our policy has a role model function within the *Sparkassen-Finanzgruppe*, and the DSGV based its Staff 2020 project on this policy.

In the reporting year, a particular focus was on occupational health management. A specific evaluation project affirmed the sustained positive impact that sport has on the health of employees. The training programmes carried out at the Deka Health Centre, which follow sports science-based instructions, had the most significant effect on the health data collected.

An important milestone in promoting mental health was the introduction of the Employee Assistance Programme (EAP). As part of this programme, all employees and any family members in their households can consult doctors, psychologists and other counsellors from an independent counselling service around the clock if they find themselves in a difficult situation in their professional or private life. Both the contact with the service and any advice given are treated in the strictest confidence. To support employees who are unable to work for a longer period of time or are repeatedly incapacitated, we have revised our company integration management. Our aim is to identify overload and stress at an early stage, preventing long sickness-related absences to the greatest extent possible. In a voluntary meeting with the affected employee, measures for enabling him or her to return to work are discussed.

In November 2010, DekaBank's occupational health management system received recognition at the Corporate Health Awards for the second time. After receiving the *Prädikat-Siegel* distinction in 2009, we were awarded the *Excellenz-Siegel* in 2010 for continuous improvements. This put us in second place nationwide in the finance/insurance company category.

Equal opportunities and family-friendly policy

DekaBank is committed to equal career opportunities for men and women and continually enhances the general conditions which enable employees to further improve their work-life balance. Via a cooperation partner, DekaBank makes crèche and daycare spaces available to employees at its location in Frankfurt/Main. Furthermore, employees throughout Germany benefit from an emergency childcare service when their regular childcare arrangements are not available. Advisory and agency services related to childcare supplement this offering. The expansion of the eldercare services financed by DekaBank is also aimed at promoting the work-life balance. These counselling services are available to employees who are responsible for family members who require care. In recognition of this commitment, DekaBank has repeatedly been awarded the "*audit berufundfamilie*" certificate.

One of the objectives of the equal opportunities plan, which has been in force since 2008, is to significantly increase the proportion of women in management positions. At the end of 2010, this proportion was 14.1% (previous year: 16.0%). Initial measures to counter this downward trend were already taken in the reporting year. Numerous information events and seminars on "Success management for women" were offered to interested female employees in the Group. A new Equal Opportunities Officer was elected in financial year 2010.

Professional training and continuing education for employees

In 2010, a total of 20 trainees successfully completed their training in the DekaBank Group.

Along with investment fund sales staff, DekaBank trains young employees to become real estate specialists, earn their Bachelors of Science (in applied information technology), IT specialists (application development), and provides office communications qualifications. In addition, we offer employees the opportunity to study for bachelor degrees alongside their job and support employees who are studying to earn a degree in investment management (*Investmentfachwirt/Investmentfachwirtin*) at the Frankfurt School of Finance & Management. We also meet our responsibility towards young people prior to training and studying. For example, we gave pupils advice and tips on applying for their first jobs and provided presentation skills training as part of the Maltese Social Day, a charity event.

Post balance sheet events

As at 1 January 2011, DekaBank Deutsche Girozentrale Luxembourg S.A. took over the retail business of LBBW Luxemburg S.A. after DekaBank was awarded the contract following the bidding process. Also with effect from 1 January 2011, our subsidiary in Luxembourg acquired WestLB International S.A. By acquiring the company, DekaBank is ensuring that customers will continue to have access to the existing range of products and services. In addition, they will be able to speak to the advisers they are already familiar with.

No other major developments of particular significance occurred after the 2010 balance sheet date.

Forecast report

Overall bank strategy

DekaBank will pursue its current strategy in financial years 2011 and 2012 at both the Group level and at the level of its business divisions (see pages 23 to 26) and add significant value to the *Sparkassen-Finanzverbund* on the basis of the close integration of Asset Management and supporting capital market business.

The following aspects play a central role across all business divisions:

- A differentiated customer approach in Asset Management and the development of customised solutions for investment and provisioning for the relevant target groups. The new approaches developed through the cooperation of the business divisions and Sales, such as the Deka-Vermögenskonzept, represent a new quality level for managing end customer securities accounts in line with individual investment objectives and risk profiles.

- Promoting institutional business by expanding the range of products and advisory services for investments by the savings banks for their own account and to meet the requirements of other institutional customers in Germany and abroad – the aim here is also to provide the best possible support to customers with regard to implementing Basel III.

- Further development of the product portfolio in Asset Management – on the one hand by appropriately streamlining the range of funds and on the other, by launching innovative products in the market which respond to the high level of market demand for multi asset solutions and non-linear structures.

- The customer-oriented alignment of our banking platform and making it sustainable for the future by investing in a high-performance IT infrastructure as well as increasing efficiency, quality and flexibility at all levels throughout the Bank.

Forward-looking statements

We plan our future business development on the basis of assumptions that seem the most probable from today's standpoint. In spite of this, our plans and statements about future growth are fraught with uncertainties, more so than ever in the current market environment. The actual trends in the international capital, money and property markets, or in the DekaBank business divisions may diverge markedly from our assumptions. For the purpose of providing a balanced presentation of the major opportunities and risks, these are 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

Expected macro-economic trends

Even three years after the financial market crisis started, its impact continues to affect the economy, and the path to expansion in terms of potential growth is proving longer and more arduous than after normal phases of economic weakness. However, a massive crisis of confidence among entrepreneurs and consumers is unlikely. According to our assessment, the upturn will continue over the next two years and the global economy is expected to grow by 4.2% in both 2011 and 2012. Since production capacities are still not being fully utilised in 2011, especially in the western industrialised countries, it is unlikely that monetary policy will hinder the upturn. However, many countries, and not only in Europe, face considerable structural changes and a consolidation of national finances. For the European Union, the main question in the current year will be how to deal in the future with the mountain of debt that some member states have. Since the Stability and Growth Pact alone will not be sufficient, the planned insolvency procedure in 2011 represents the most important European reform project.

In our view, major developments in 2011 will include the continually widening gap within the global economy, which is splitting into two different camps. Many of the emerging markets and Asian countries, as well as Australia, Canada and some European countries including Germany, Finland and the Netherlands, will exploit the low interest rates environment, gradually increasing economic growth worldwide, and return to pre-crisis levels or possibly even exceed them. In countries with structural difficulties, however, growth rates will be considerably lower than prior to the financial market crisis. This second group includes peripheral eurozone countries, such as Greece and Portugal, which need to reduce their budget deficits to ensure future access to capital market finance. However, there is a risk that this might drag these countries back into recession.

In 2011, we expect China to make the strongest contribution to growth of all the national economies, with 9.5%. China is therefore set to account for a third of global economic growth. Although the upswing is underway in the USA, it is not yet self-sustaining. While large international companies are investing again and generating profits, the situation remains difficult for banks, in the property market and with regard to the budget, and growth is therefore forecast to remain at a comparatively low level. At least for the first three months of 2011, the economy will remain divided. For 2011 as a whole, we expect the GDP in the USA to grow by 3.3%.

We believe that the eurozone will see an intact upswing in 2011, although marked regional variations are to be expected. Economic growth will be more broadly based, with the processing and manufacturing industry joined by services providers in the current year. In addition, the revival in 2011 will be supported more strongly by private consumption than was already the case in 2010.

Germany, whose economy accelerated considerably in the reporting year, is again set to emerge as Europe's economic driving force in 2011. This is partly due to the country's significant strength in exports and partly to private consumption, which is now gathering pace. Here, we expect growth of 1.5% during 2011. Nevertheless, the rate of economic growth is likely to decelerate slightly, so we therefore assume that Germany's GDP will increase by 2.5% in 2011. From 2012 onwards, we believe that substantially stronger domestic demand will make an even greater positive impact on economic growth.

Unemployment is likely to decrease further in Germany in 2011, with fewer than three million people expected to be unemployed on average. The unemployment rate is estimated at 7.1%, which would be the lowest rate to date since the German reunification. Both the short-term economic conditions and long-term demographic development also indicate that the era of high unemployment rates in Germany is likely to be a thing of the past for the time being.

Future economic developments will largely depend on whether the European debt crisis will again become more critical in 2011, as this could result in further problems in the financial markets and a crisis of confidence amongst investors. The consequences would be restricted lending by financial institutions to the rest of the economy and the resultant lack of investment opportunities for companies. However, we expect the European debt crisis to be resolved at the political level in the course of the year. In our view, structural weaknesses in the political foundation of the euro need to be eliminated in order to contain debt in the eurozone more effectively in the future than is possible with a Stability and Growth Pact.

With generally underutilised production capacities and deflationary pressure in some regions within the European Monetary Union, inflation does not present a significant threat in Europe or the USA in the medium term. We expect the inflation rate in the eurozone to be 1.5% in the current year. Consequently, the Fed and ECB will have enough time to gradually retreat from their quantitative monetary policy before the first interest rate hikes will become necessary. We assume that interest rate adjustments will not be made in 2011 and do not expect to see initial interest rate increases until mid 2012, first by the ECB and subsequently by the Fed.

Expected trends in the capital markets

In our opinion, the capital markets will remain jittery in 2011. The results of the comprehensive bank stress tests in Europe, published in July 2010, reassured investors and contributed to improving market conditions in the long term. However, sustained stabilisation of the financial markets will essentially depend on whether a solution to the debt crisis in the eurozone is found in the current year and whether the budget consolidation started in Europe will take hold. These are the prerequisites for restoring the market players' confidence in the capital markets. Initially, investors will therefore have to be prepared that capital markets will remain volatile.

Spreads on government bonds from the eurozone countries concerned narrowed again slightly at the end of the reporting year. However, it is to be expected that some capital market players will test the rescue package once more in the coming months. Since resolving the national debt crisis is likely to necessitate a high level of consolidation of debt in the eurozone, we expect that risk premiums will not only widen in the affected eurozone countries in 2011, but also in the core eurozone countries. This may also put pressure on yields in Germany. Conversely, emerging market spreads will decrease slightly again. We also expect a further decrease in risk premiums on corporate bonds.

The development of yields on US bonds and Treasuries still depends heavily on the investors' need for security. Initially, the short end of the bond curve is set to benefit from the expectation that banks will continue to have a very high level of surplus liquidity, with a steep rise in the yield curve. Interest on bonds and Treasuries will therefore increase, particularly in the short term. By year-end, the economy and labour market should have stabilised to the extent that an end to the period of extremely low central bank rates should be up for discussion. We therefore anticipate yields on US Treasuries to rise again in the second half of the year, especially at the short end of the yield curve.

As long as the global economic upturn proceeds as expected in 2011, share prices will also increase further in the current year. However, greater fluctuations occurred during the reporting year and, in our opinion, this trend will continue in 2011. For 2011, we expect a stock market yield of around 5%.

Expected trends in the property markets

The impact of the financial market crisis on the property markets is still evident. Volatile locations are likely to perform better in 2011, since prices in these markets fell more sharply in 2009. Financing conditions for property market investors will remain very favourable in 2011. However, positive market expectations overall will be accompanied by significant risks. These include, in particular, the European debt crisis.

Due to split economic developments, the gap will also continue to widen in the European commercial property markets in the medium term. Countries with weaker growth rates will experience lower demand for space in the future and record weak nominal growth in rents, whereas countries with a robust structure will see an opposite trend. In Europe, we expect accelerated increases in rents for the office markets in London and Paris in 2011, with a decrease in rents on a larger scale only probable in Barcelona and Madrid. For Germany, we assume an average increase in office rents of around 2% in the current year. Although this is below the average for the eurozone countries, the downturn in rents and rise in yields was far less substantial in locations in Germany during the financial crisis than it was in the major cities of neighbouring countries. Volatility in total income in Germany is therefore also significantly lower, which underlines the market's reputation as an attractive and stable investment location.

In the European and US investment markets, the evident polarisation will continue between core properties in prime locations and secondary properties in peripheral locations. The high level of demand for core properties coupled with a limited supply means that initial yields in most European markets are likely to decrease further in 2011. We believe that yields will be at a low between 2011 and 2012, depending on the market. This should be followed by slight increases. In terms of total income, the City of London and Warsaw will lead the way in Europe until 2015. In addition, Madrid, Paris, Brussels, Luxembourg, Barcelona and Prague are attractive locations from an income standpoint. In the USA, high-tech oriented locations which are not particularly dependent on the housing market and where the refinancing pressure is below average are likely to benefit. We expect that San Francisco and Boston will record the highest total income, whereas Downtown New York is likely to deliver the poorest performance.

In Asia, we forecast slightly negative total income for Tokyo and Singapore. In contrast, the Latin American markets of Santiago de Chile and Mexico City as well as Perth in Australia are expected to generate income in excess of 10%. And in our opinion, Australia's primary markets, Melbourne and Sydney, also promise high income levels in the current year.

The recession in Europe's labour markets had a major impact on retail markets. However, for 2011, we only anticipate a marked downturn in rents in Ireland and Spain. The Scandinavian countries as well as France and Germany are likely to offer the best prospects. Here, we expect to see a rise in rents for prime city locations starting in 2011. With regard to yields, further decreases are assumed, although they should be of a lesser extent.

The demand for logistics space recovered significantly in 2010 as a result of the global economic upturn and increase in industrial production. Export-oriented countries such as Germany and the Netherlands benefited in particular from these developments. For 2011, we do not expect any noteworthy rise in rents. Only locations where bottlenecks had already arisen before 2011 due to low vacancy rates are likely to see increases. Yield compression should weaken further in 2011.

Expected business development and profit performance

Based on economic conditions, only relatively limited external impetus, if any, is to be expected for DekaBank's business development and profit performance. The ongoing growth and stability risks in the wake of the financial and economic crisis combined with continuing low interest rate and yield levels in the money and bond markets for the foreseeable future mean that from today's perspective, we cannot expect to repeat the strong result for 2010 in either of the next two years. With regard to net commission income, the extent to which we will benefit from a positive market trend remains to be seen. In terms of net interest income, the volume effect resulting from the reduction of the portfolio in non-core business may partly curb growth.

At the same time, administrative expenses will be higher than in the previous year following the implementation of the IT mission, expenses related to the acquisition of the business activities of LBBW and WestLB in Luxembourg and the costs associated with regulatory measures.

Nevertheless, our business model will provide the opportunity to achieve a strong positive economic result again in 2011 and contribute significant added value for our alliance partners as well. On the basis of our current medium-term planning, we expect growth in profit contributions in financial years 2012 and 2013 as compared with 2011. Net commission income will continue to play a decisive role in the future. It is not possible to make a reliable forecast with regard to the trend in risk provisions, since the situation is not yet stable. The income statement may also be affected once again by unforeseeable spread developments in the bond markets.

In connection with the aid procedure under EU Community law applied to WestLB AG, the Federal Republic of Germany has proposed several possible solutions to the European Commission. These include a concept for splitting and the proper winding up of WestLB. As part of this concept, selected business activities of WestLB that are relevant to the savings banks would be transferred to a new alliance bank to be established. Parts of this alliance bank would then be sold on, transferred to other units or wound up over a longer period of time. The savings banks and *Landesbanken* in Germany have declared that they are willing in principle to make a contribution towards establishing the alliance bank as part of the overall concept and become the joint owners of the alliance bank together with the savings banks associations in North Rhine-Westphalia. The precise ownership structure of the alliance bank was still being discussed at the time this Group management report was prepared. According to the current status, the savings banks and *Landesbanken* are considering an involvement in the alliance bank on the basis of their protection schemes or by granting guarantees to the alliance bank. As a member of the guarantee fund of the *Landesbanken* and *Girozentralen*, DekaBank would be sharing in the costs of such measures.

AMK business division

The AMK business division will strengthen its profile for the various customer groups and its market position in both retail and institutional business. The range of mutual securities funds is to be expanded, including through security-oriented multi asset products and guaranteed funds. We are confident that investors will increasingly create yield opportunities by using several asset classes while at the same time aiming to actively minimise loss risks. In addition, incentives will need to be offered for long-term securities-based saving. Selected closures and tax-neutral mergers of funds and fund unit classes will further optimise the product assortment. Despite the distinct risk aversion amongst investors, AMK nevertheless expects moderate growth in assets under management.

Tailored to the requirements of affluent customers, the Deka-Vermögenskonzept (see page 23) is to be established as the key growth driver of fund-linked asset management. The market launch of this individually configurable investment concept in the first quarter of 2011 was flanked by wide-ranging sales campaigns. System-generated advisory tips will support savings banks advisers in the future to bring in line the need for security and yield orientation of investors. In institutional business, AMK intends, among other things, to expand the mandate-based business in multi asset fund mandates and also intensify those activities in selected regions. Furthermore, the range of services is to be systematically supplemented with appropriate solutions for adjustments that are driven by regulatory changes. In this respect, AMK works in close cooperation with the other business divisions.

Starting in 2011, the income generated by AMK is expected to be relatively steady in the subsequent years. Expenses are set to increase as a result of the acquisitions in Luxembourg and the implementation of the IT mission. Nevertheless, the business division will once again make a significant contribution to the DekaBank Group's economic result in 2011 and 2012.

The level of risk in the business division will rise due to the additional business activities in Luxembourg. Risk related to future developments can occur in particular if the capital market trend is weaker than expected, as this may result in funds outflows and a downturn in yields across the sector. Opportunities arise, for example, from the sharpened profile vis-à-vis customers.

AMI business division

The AMI business division will continue to adhere to liquidity and yield-oriented fund sales management in financial year 2011. Sales to customers of units in the open-ended mutual property funds for private customers should reach approximately the previous year's level on the basis of agreed-on sales targets. Nevertheless, net sales will be down in line with expectations. This is partly due to the fact that, similar to previous years, we will direct any institutional investors with existing investments towards products which are more appropriate for their requirements. It is still uncertain to what extent the tense situation in the sector – especially the winding up of individual funds and the final version of the Investment Act – will have an impact on demand. Continuing low interest rates on liquidity will result in further pressure. However, if the market recovers, this should stabilise or slightly increase the value of properties. In view of the fact that some of the influencing factors are opposed, it is particularly difficult to provide a market forecast for open-ended property funds in 2011.

Institutional business is set to be expanded, including via our new investment products such as WestInvest TargetSelect and DeLI. Growth in special property funds will require sufficiently high transaction volumes with the appropriate quality. We will be focusing on this aspect in 2011. For Real Estate Lending, we expect a development similar to that in the year ended. We will pursue the already successful strategic direction of this sub-division.

AMI forecasts that the economic result before unforeseeable factors will continually rise slightly in subsequent financial years. Risks arise, amongst others, from the uncertainty relating to the development of values and rents in the various regions as well as specific pressures in the sector, which may significantly affect acceptance and sales conditions. In contrast, there is a chance that in the long term, investor confidence will not only return, but also be considerably strengthened as a result of new regulations pertaining to open-ended mutual property funds, and the focus of investment decisions will return to fundamental market developments. In Real Estate Lending, unscheduled risks with an impact on income are most likely to arise in connection with the follow-on financing of some loans granted in 2006 and 2007.

C&M business division

With its capital market and financing activities, which are primarily geared to funds and savings banks, C&M is favourably positioned in terms of meeting the future challenges of the financial markets and the more stringent regulatory conditions.

We expect higher demand for services related to share, bond and derivatives brokerage in financial year 2011 as a result of the expansion of structured multi asset solutions and our strengthened role as custodian bank for capital investment companies. The market trend may also be a contributing factor here. Following the recovery in the real economy, we expect the ratings of bond issuers to improve and as a consequence, anticipate a revival of bond market activities. At the same time, the liquidity requirement of banks and non-banks, which is set to rise in the long term, is likely to result in an increase in primary market activities.

In the segment of short term products, an upward trend in demand from savings banks and other counterparties is emerging as a result of the more restrictive liquidity policy of the ECB that have been announced and new regulatory requirements. This could be met in part by stepping up repo/lending activities while strictly limiting counterparty risks, especially since the funds are also likely to show a growing interest in securities lending in the wake of market developments.

On the basis of the enhanced range of investments and intensified product sales, we intend to expand our ETF business. We have primarily identified potential with respect to investments by the savings banks for own account and non-Group institutional counterparties, such as asset management providers. The medium to long-term target is to increase the total volume to €10bn.

In the lending business, in addition to public sector finance, C&M will continue in the future to focus on tailor-made fund solutions for participating in attractive credit assets. Building on the acceptance of infrastructure funds, the DeLI concept will also be applied to other credit asset classes. Depending on the success achieved with external placements, the volume of new commitments may cautiously be increased once again to utilise margin potential and supply the various credit funds with the required volume of assets.

On the basis of steady income with a long-term upward trend, the business division plans to make a significant contribution to the economic result of DekaBank in the future while at the same time limiting counterparty and market risks. This development is supported by the long-term investment of liquidity, which promises steady profit contributions up to 2015. For financial year 2011, a moderate increase in administrative expenses is expected, based on the additional costs arising in connection with implementing the IT mission and strengthening the C&M Sales units, which work in close cooperation with AMK's Institutional Sales. In addition, C&M has initiated further steps to optimise new product processes with the aim of ensuring sales success.

In terms of future developments, risks for C&M arise, in particular, from potential unfavourable changes in the capital market environment, which remains fragile. For example, if the national debt crises in the eurozone broaden, previously unaffected segments of the bond market may face high risk premium spreads, which would result in negative valuation effects and a higher level of risk. In particular, opportunities will emerge if the money and capital markets normalise as a result of the ECB adopting a less expansionary interest rate and liquidity policy. The liquidity and funding requirement will increase in the coming years, as the banking sector prepares to implement the Basel III regulations.

Non-core business

In non-core business, we will pursue our successful strategy of reducing the portfolio while safeguarding assets at the same time. In all three sub-segments (Capital Market Credit Products, Loan Portfolio and Public Finance), substantial reductions of the portfolio volume are envisaged in the coming financial years. Decisions regarding selling, holding or hedging specific positions will continue to be made on a case-for-case basis, taking into account the expected revaluation, default risk and contribution to net interest income.

Risk report

Risk-oriented overall bank management

Risk policy and strategy

Following the realignment of its strategy, DekaBank is more than ever pursuing a business model with strictly limited risks. Risk positions are only entered into if they arise in connection with customer transactions and can be hedged in the market, or if they are accepted in order to leverage synergies in Asset Management.

The Bank uses a systematic strategic process to regularly review its business strategy, management and structure, as well as the divisional and sales strategies, and ensure that they are consistent, complete, sustainable and up-to-date. The strategies are transferred to a target system as part of DekaBank's management system. On the basis of this target system, DekaBank implements an appropriate risk/reward ratio in the long term with the aim of achieving a sustained increase in corporate value.

The policies defined for all material types of risk are derived from the corporate strategy for the Group and the strategies for the business divisions. Within the framework of these overall strategies, the risk policies provide specific details regarding risk monitoring and management. They are reviewed at least once a year, adjusted if necessary 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 on the audit findings from Internal Audit.

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, described in detail, assessed according to 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 its risk positions (Fig. 11). The full Board of Management of the DekaBank Group plays a central role here: the Board is responsible for establishing, further developing and monitoring the efficiency of the risk management system. The full 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 divisions on the other (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 business divisions on an annual basis.

DekaBank has specified limits for all material risks and has implemented consistent risk management.

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 risk positions. The ALMC includes the managers of the Markets and Treasury sub-divisions in the C&M business division, the head of the Corporate Centre Group Risk, the head of the Corporate Centre Finance as well as the members of the full Board of Management responsible for these units. The Committee also includes a representative each from the Macro Research unit of the AMK business division and from the Compliance unit in the Corporate Centre Legal. The C&M business division is then solely responsible for implementing the strategic guidelines.

The C&M business division is responsible for the Group-wide management of credit risks. The Corporate Centre Credit Risk Office assumes the role of the administration office for the early identification of credit risks. This office is also responsible for the market-independent second recommendation, preparing and/or approving credit rating analyses and ratings, regularly monitoring credit ratings, checking specific items of collateral, setting up limits for specific borrowers as well as monitoring the transaction and processing management of non-performing and troubled loans.

The respective managers in the Group units are responsible for managing operational risks in their units. A detailed description of their risk management is provided under the different risk types.

Risk control

In organisational terms, Risk Control is part of the Corporate Centre Group Risk. 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 procedures are 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 immediately reported to the full Board of Management.

Not all risks can be quantified, but they are equally important. DekaBank therefore also carries out qualitative controls, which include unquantifiable risks.

Risk reporting

Each quarter, the Board of Management and Administrative Board receive a risk report in accordance with the MaRisk (Minimum Requirements for Risk Management). 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 are provided with report extracts containing key information on the current risk situation on a daily or at least monthly basis, depending on the type of risk.

Internal Audit

As a unit which is 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 is 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.

Organisational structure of risk management in the DekaBank Group *(Fig. 11)*

		Market price risk	Liquidity risk	Credit risk	Operational risk	Business risk	Property risk/ property fund risk	Shareholding risk
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 - Responsible for Group-wide risk management system - Sets return on equity target and allocation of risk capital to risk types and business divisions - Sets overall limit and approves limits within risk types	●	●	●	●	●	●	●
ALMC[1]	- Specifies framework for management of strategic market price risk position - Proposes overriding limits	●	●					
AMK business division	- Conducts transactions in line with strategic guidelines			●		●		
AMI 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 and specifies limits within Markets/Treasury - Manages Group-wide credit risk	● ●	● ●	● ●				
Credit Risk Office (Corporate Centre)	- Administrative office for early risk identification - Market independent second recommendation - Prepares/approves ratings - Checks certain collateral - Monitors transaction management for non-performing and troubled loans			●				
Risk control (Corporate Centre Group Risk)	- Development/update of system to quantify, analyse and monitor risks - Report to Board of Management and Administration Board - Determines/monitors risk-bearing capacity - Monitors approved limits	●	●	●	●	●	●	●
Equity Investments (Corporate Centre Strategy & Communication)	- Manages equity investment portfolio							●
Compliance (Corporate Centre Legal Affairs)	- Monitors compliance with rules of conduct under capital market law and consumer protection in securities business				●			
Corporate Security Management (Corporate Centre IT/Org)	- Ensures IT security and is responsible for business continuity management				●			
DekaBank Group	- Identifies, measures and manages operational risks on a decentralised basis				●			
Internal Audit (Corporate Centre)	- Audits and evaluates all activities/processes (especially risk management system)	●	●	●	●	●	●	●

[1] ALMC = Asset Liability Management Committee (composition: head of Markets, head of Treasury, head of Corporate Centre Group Risk, head of Corporate Centre Finance, responsible members of Board of Management, Macro Research (AMK) and Compliance (Corporate Centre Legal Affairs)).

New regulatory provisions

The German Federal Financial Supervisory Authority (BaFin) further developed the MaRisk once again in the past year, taking into account the causes of the financial market crisis. The amendment to the act came into force on 15 December 2010 and must immediately be applied. Accordingly, financial institutions need to, for example, revise their stress tests and make them comprehensive, so that they also include risk concentration and diversification effects between individual types of risks and identify potential additional causes of risks that might jeopardise the Bank's existence. Taking risk concentration into account, tolerance levels have to be specified for all material risks and the impact across the risk types of such concentration must also be analysed.

A further amendment relates to the future-oriented structure of the risk-bearing capacity analysis. This analysis must now also take into account any planned future adjustment in business activities and strategic targets as well as expected changes in the market environment. In addition, a procedure must be implemented for planning, adjusting, implementing and evaluating the overall bank strategy and the individual policies derived from it, which facilitates an accurate comparison of the current status with regard to goals and targets versus the level of implementation achieved.

The new MaRisk also comprise specific requirements for the liquidity management of capital market-oriented banks. They must have sufficient additional funds in place and highly liquid assets that are eligible as security for central bank borrowing, enabling them to bridge a short-term refinancing requirement in a stress scenario for a minimum of one week. For a period of at least one month, further components of the liquidity reserve may be used, provided that they can be turned into cash without significant loss in value and regulatory requirements are complied with. The new requirements have been introduced in the context of the liquidity and refinancing requirements under Basel III (see page 33).

DekaBank already implemented key elements of the new MaRisk, such as the strategic planning process, some time ago. We have comprehensively evaluated the requirements regarding liquidity management and found that, given DekaBank's liquidity position, no funding risks are considered to be material. We believe that the advanced liquidity management mechanisms already being used (see page 72) remain acceptable and sustainable against the backdrop of the new MaRisk.

The same applies to the structure of macro-economic stress tests. We already started further developing our set of macro scenarios in 2009 and then derived various scenarios in 2010, defined their parameters and quantified their impact on the basis of new calculation modules. The expanded stress test scenarios now enable us to even better assess the sensitivity of planning assumptions from a scenario perspective. As part of the risk-bearing capacity analysis, the stress tests now provide more comprehensive alternative risk calculations which supplement the value-at-risk approach (see page 58). Accordingly, they will be included in our external reporting for the first time in the Annual Report 2011.

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

Market price risk

Market price risk describes the potential financial loss caused by future market parameter fluctuations. Market price risk comprises interest rate risk (including credit spread risk), currency risk and share price risk.

In line with DekaBank's business strategy, transactions mainly relate to customer transactions (customer business) and to a small extent to the Bank's own portfolio (investment portfolio, liquidity reserve and trading portfolio). Overall, this should generate a sustained economic result for the Bank.

Both the strategic positions in the investment book and the more short-term positions in the trading book entail market price risks.

Credit risk

We define credit risk as the risk that a borrower, issuer or counterparty will not fulfil his contractually agreed services or fulfil them on time and that DekaBank will incur a financial loss as a result.

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 assessed in particular by the creditworthiness of the respective contracting partner, as well as replacement risk and open positions. The advance performance risk represents the threat that a business partner will not pay the contractually agreed-upon consideration after advance performance rendered by DekaBank.

Credit risks arise primarily in the C&M business division and to a lesser extent in the AMI and AMK business divisions.

The C&M business division is divided into the Credits, Markets, and Treasury sub-divisions. The main tasks of the Credits sub-division are to accumulate and manage credit assets in the investment book, which can be made available in the form of funds or other participation formats. The activities of the Markets sub-division comprise spot trading and derivatives brokerage, market making for exchange traded funds and generating additional income for customers by lending securities from the portfolios of the investment funds via repo/lending transactions. The issuer and counterparty risks arising from trading activities in the Markets sub-division primarily relate to financial institutions, funds and corporates. The Treasury sub-division pools DekaBank's own investments and is responsible for managing market price risks relating to the investment book and liquidity risks. In Treasury, credit risks mainly arise from asset and liability management.

Further credit risks result from Germany and international property finance in the AMI business division as well as the guaranteed funds in the AMK business division.

Operational risk

Operational risk describes potential losses resulting from the use of internal processes and systems that are inappropriate or susceptible to failure as well as from human error and external events. This also includes changes to political and legal framework conditions. Where losses occur due to an error by the Bank, other risks frequently arise whose potential for damage 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 mismatch of maturities in assets and liabilities. In principle, the Bank distinguishes between insolvency risk and liquidity maturity transformation risk.

Insolvency risk describes the risk of not being able to meet DekaBank's current and future payment obligations on time. The insolvency risk therefore constitutes the risk that the Bank's obligations will exceed the available liquid funds at a specific point in time.

The liquidity maturity 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 ratios are primarily used for liquidity and refinancing forecasts.

Business risk

Business risk is particularly important in Asset Management. It comprises potential financial losses resulting from changes in customer behaviour, competitive conditions or the general economic framework conditions. DekaBank considers all factors to be material if they unexpectedly have a negative impact on the earnings trend as a result of volume and margin changes and are not attributable to any of the above risks.

Shareholding risk

DekaBank defines shareholding risk as the risk of a potential financial loss due to impairment of the portfolio of equity investments, insofar as they are not consolidated in the balance sheet and therefore already included under other types of risk.

Property risk

The property risk describes the risk of a drop in the value of property held in the DekaBank Group's own portfolio.

Property fund risk

The property fund risk results from the possibility of an impairment in the value of property fund units held in the Bank's own investment portfolio.

Risk measurement concepts

Risk-bearing capacity

DekaBank determines its Group risk across all significant risk types that have an effect on income. Group risk is measured as the amount of capital that with a high level of probability will suffice to cover all 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. The calculation of the VaR with a holding period of one year is carried out for various confidence levels. A confidence level of 99.9% is essential for internal management and external communications.

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 risk-bearing capacity of DekaBank is guaranteed at all times. The risk-bearing capacity analysis is conducted monthly and the results are 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 is essentially composed of 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 comprise 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 performed 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 market price risk positions (interest rate, credit spreads, share prices and exchange rates), liquidity risk and credit risk positions. Furthermore, stress scenarios which reflect extreme market conditions across the various types of risks are regularly calculated.

Stress tests are also used in the calculation of risk-bearing capacity. The additional risk arising in the stress scenario is combined with Group risk and compared to the overall risk-bearing capacity.

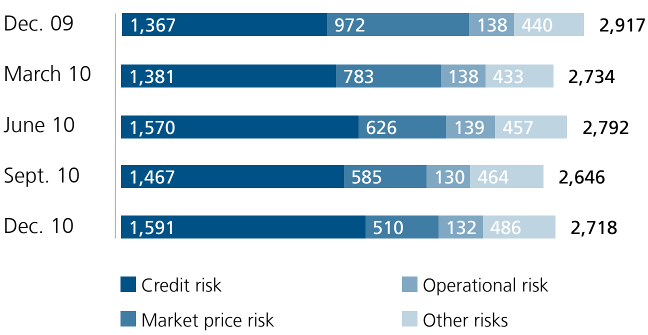
The macro-economic stress tests newly defined in the year under review, which have been quantified since January 2011, relate to historical scenarios (for example, the financial market crisis and terrorism risks), to hypothetical stress scenarios – such as the significant widening of spread curves in individual eurozone countries after debt restructuring in a highly indebted country – and the collapse of a bank which is essential to the system.

Overall risk position in financial year 2010

Group risk for DekaBank decreased considerably in the past financial year. The value-at-risk with a confidence level of 99.9% and a time horizon of one year amounted to €2,718m at year-end 2010 compared with €2,917m one year earlier (Fig. 12 and Fig. 13). This was due to the lower market price risk, which alongside the reduction in risk positions reflected reduced spread volatility and correlations. Conversely, credit risk rose moderately as a result of unfavourable developments in ratings and in the public sector finance segment.

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

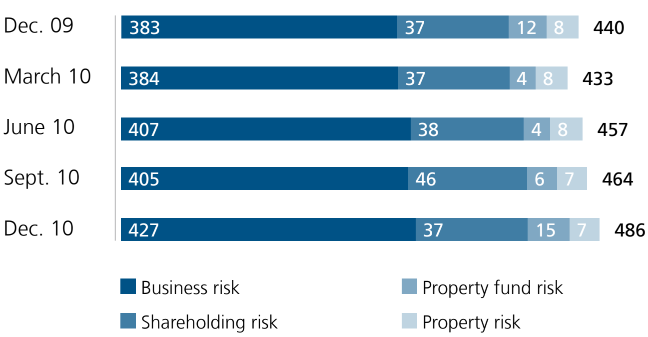
€m



Our risk models therefore adequately and promptly reflect current market developments in the wake of the financial market crisis – not least because they take comprehensive account of migration risks. The weakening of the spread crisis is illustrated, as are the subsequent crisis in the real economy and the downgrading of company ratings, which

Change in Group risk over the course of the year – other risks *(Fig. 13)*

€m



started with some delay, and the European national debt crisis. It is to be expected that the economic recovery will eventually generate better ratings again and an easing in terms of credit risk.

The worsening of the national debt crisis in 2010 overall only had a negligible impact on DekaBank's risk position. Only around 4% of the Bank's gross loan volume was attributable to the PIIGS countries, i.e. Portugal, Italy, Ireland, Greece and Spain. No losses were recorded in the reporting year as a result of issuer default in these countries.

€2,057m of the Group risk (end of 2009: €2,093m) was attributed to core business. The lower figure in non-core business, which was down from €824m in the previous year to €662m, reflects the lower spread volatility and the reduction in the portfolio of capital market credit products while safeguarding assets at the same time.

The primary risk cover potential increased slightly to €4,431m (end of 2009: €3,748m), due to the higher net income contribution for the year and higher reserve from retained earnings. The utilisation rate relating to primary cover potential decreased from 77.8% at the end of 2009 to 61.3% as at the 2010 reporting date. The risk-bearing capacity was guaranteed at all times during the reporting period.

Even under stress conditions, the risk position improved on the previous year. In the stress scenario, the calculated Group risk totalled €3,228m (end of 2009: €3,713m). This yields a utilisation rate of overall risk-bearing capacity of 55.3% (end of 2009: 72.1%). The overall risk-bearing capacity of €5,840m (end of 2009: €5,152m) comprises the secondary risk cover potential of €1,409m in addition to the primary risk cover potential. Excluding the stress scenario, overall risk-bearing capacity was only utilised to 46.5% (end 2009: 56.6%).

Market price risks

Risk management and monitoring

DekaBank's market price risk strategy stipulates the parameters for the Bank's trading transactions and all other transactions entailing market price risk. It specifies the policy for the markets in which we operate, regulates responsibilities and the nature and extent of the transactions carried out and also provides specifications for risk management, control and reporting. Furthermore, the trading strategy forms an integral part of the market price risk strategy.

The ALMC defines the parameters for managing strategic market price risk positions in line with the limits specified by the full Board of Management. In principle, the committee meets twice a month to discuss the current strategic risk position. Daily risk monitoring and reporting is carried out by the Market Risk Control unit in the Corporate Centre Group Risk. In the event of limit overruns, Market Risk Control immediately informs the full Board of Management. The Risk Models unit in the Corporate Centre Group Risk is responsible for development of the methodology, quality assurance and validation of the processes used to quantify market price risks.

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, which distinguishes in particular between the banking book and trading book. Each transaction is immediately allocated to a portfolio after it has been concluded.

To minimise risks, DekaBank primarily uses established products and markets which usually have sufficient market liquidity and depth as a result of their international acceptance. No transactions in precious metals or commodities were carried out during the reporting year.

Risk positions are generally limited at the portfolio level using risk ratios derived from the VaR process described below. In addition to these risk limits, stop loss limits are defined for trading books in order to effectively limit losses. The basis for calculating the utilisation of the stop loss limits is the accumulated net income for the year determined by the unit Desk Performance Corporates & Markets in the Corporate Centre Finance. If the loss exceeds the stop loss limit, the open positions in the corresponding portfolios have to be closed out immediately.

Quantifying market price risks

In line with the extent of the interest rate and equity positions as well as the impact of credit spreads changes on the valuation of capital market credit products, DekaBank puts a special priority on monitoring related market price risks. The systems to measure and monitor risks are continually refined and further developed.

The value-at-risk ratios are determined daily, using a sensitivity-based Monte Carlo simulation. The input parameters for this risk model are the sensitivity variables delta, gamma and vega ("the Greeks"). These first and second-ranking sensitivities express the price sensitivity of financial instruments on the basis of changes and the implicit volatility of the underlying basic value and facilitate the assessment of the overall risk of linear and non-linear products. In addition to quantifying risk, they are also used as management variables, for example to limit risk positions and estimate the risk of new products.

The model ensures an accurate mapping of all risk factors, which is closely aligned with the trading strategy, including non-linear and credit spread risks. Daily risk measurement is integrated for all risk types related to market price risk, both in the trading book and investment book. This guarantees a comprehensive view of all market price risks, while adequately taking into account diversification effects by including correlations across all portfolios and risk types.

Value-at-risk (VaR)

While the VaR in the risk-bearing capacity analysis is calculated with a confidence level of 99.9% and a holding period of one year, to determine utilisation of the operating limits, the VaR is determined for a holding period of ten days (for trading one day) and a confidence level of 95%. The operating VaR therefore corresponds with a probability of 95% to the maximum loss on a position held over a period of one or ten trading days.

The Monte Carlo simulation is comprehensively used across all portfolios, including credit spread-sensitive portfolios in particular. The calculation is based on volatilities and correlations determined using historic changes in market parameters. We take into account market correlations within the interest rates and credit spreads and currencies and equities risk categories as well as correlations between the risk categories.

To calculate the share price risk, each actual share is included as an individual risk factor and considered accordingly when determining risk. The specific interest rate risks (credit spread risks) are calculated on an integrated basis using the sensitivities of the underlying creditworthiness-specific spread curves.

The ratios are calculated daily for all risk categories and all portfolios and compared to the associated portfolio-related limits.

Sensitivities

Risk measurement on the basis of the value-at-risk procedure is supported by establishing and reporting risk type-specific sensitivities on a daily basis. This method is used to determine the sensitivities for the general interest rate risk: delta, as the basis point value, and gamma. The basis point value expresses price changes in relation to shifts in yields. The interest rate vega, which is also determined each day, describes price changes in relation to the implicit volatility of a position. Sensitivities are determined and analysed according to both the different currency areas and the relevant maturity bands.

In terms of credit spread risk, we also conduct a differentiated analysis according to currency areas and maturity bands, similar to the procedure for the general interest rate risk. Specifically, the analysis is broken down into rating and industry-specific segments. In order to take adequate account of basis risks, a separate analysis is prepared for credit default swap (CDS) and bond markets.

With regard to currency and share price risk, we determine the delta, gamma and vega sensitivities as a change in value based on a 1% change in the underlying risk factors.

Scenario analysis

Alongside the analysis of risks as part of the value-at-risk procedure, scenario analyses are also important for managing and monitoring risk. In terms of scenario analyses, we distinguish between sensitivity analyses and stress scenarios.

Sensitivity analyses are defined as simple shifts in the various risk factors relating to changes in interest rates, credit spreads, share prices and exchange rates. As well as the classic parallel shifts, the analyses include other scenarios such as twisting, tipping or a bend in the yield curve. The sensitivity analyses are used for the operating management of risks from trading and Treasury positions.

Stress scenarios are used to analyse the impact of historic and hypothetical scenarios which affect several risk factors at the same time. To analyse interest rate risk positions, we regularly perform currency-specific and segment-specific stress tests derived from historic movements in interest rates.

Together with the Macro Research unit, Market Risk Control also analyses the actual effect on earnings based on the Bank's current interest rate expectations and applies the scenarios to interest rate risks in the investment book in line with the regulatory requirements.

In light of the turmoil in the financial markets, the stress scenarios for credit spread risk were continually further developed. We currently analyse four different stress scenarios. They include scenarios for which the model parameters used were stipulated based on the historic movement in credit spreads for various asset and rating classes during the financial market crisis. At the same time, hypothetical scenarios are calculated. The potential loss arising from expected changes in market value in the scenarios is calculated using extreme risk premiums on various capital market credit products against swap rates.

Backtesting of VaR ratios

In addition to detailed validation of the individual assumptions used in the model, we regularly conduct backtesting for various portfolio levels in order to test the validity of our VaR forecast. In this process, the daily results, which are 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 figures for the previous day. We also use the backtesting results to further develop the risk model. Market Risk Control reports the results to the ALMC on a quarterly basis.

Reporting of market price risks

Market 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, the Corporate Centres Group Risk and Finance, the heads of the Group Risk, Finance, Treasury and Markets units as well as the COO of the C&M division on a daily basis about market risk positions in the trading and investment books and about the trading results as at close of business. A report is submitted to the ALMC every two weeks and to the full Board of Management on a monthly basis. Limit overruns are immediately reported to the full Board of Management. The Administrative Board is informed quarterly.

Current risk situation

Market price risks in the Group arise in the form of interest rate risks (credit spread risks and general interest rate risks), share price risks and currency risks (Fig. 14). The overall market price risk (holding period of 10 days and confidence level of 95%) decreased in the course of 2010 from €96.0m to €44.8m.

The considerably lower interest rate risk, which at €43.3m (end of 2009: €96.7m) continues to be the most important market price risk for DekaBank by far, was the decisive factor. The credit spread risks comprised in the interest rate risk were down from €96.9m to €43.2m. In the investment book (Treasury including capital market credit products), the credit spread risk amounted to €39.2m (end of 2009: €89.6m) whereas it totalled €6.7m (end of 2009: €16.7m) in the trading book. The decrease was essentially due to the reduction of positions in capital market credit products in conjunction with lower market volatility. The reduced nominal volume is attributable to repayments as well as final maturities and selling. Details are provided in the separate section on capital market credit products on pages 75 to 77.

The general interest rate risk totalled €2.4m and largely resulted from euro-denominated positions as in the previous year (€4.2m). In particular, the decrease reflects the

Value-at-risk at the DekaBank Group[1] (Confidence level 95%, holding period 10 days) *(Fig. 14)*

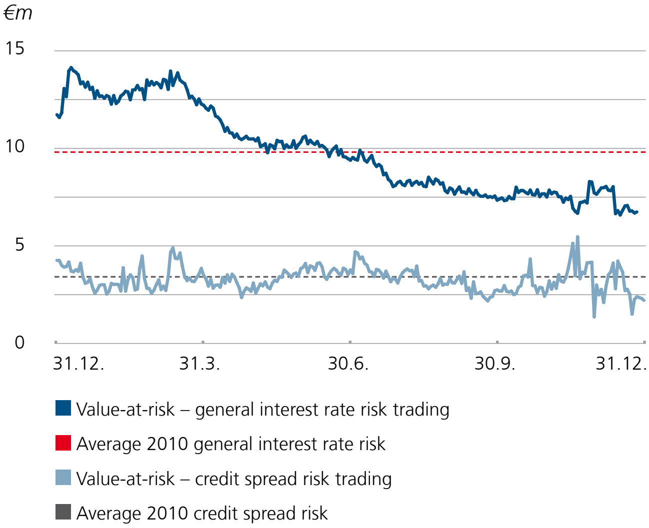
€m

Category	Core business	Non-core business	31.12.2010 Group	Core business	Non-core business	31.12.2009 Group	Change in risk
Interest rate risk	31.2	25.5	43.3	54.3	66.1	96.7	–55.3%
Interest rate – general	2.1	2.1	2.4	4.2	2.0	4.2	–44.1%
Spread	30.8	25.7	43.2	54.2	66.2	96.9	–55.4%
of which in capital market credit business	14.1	25.1	28.0	26.4	65.6	76.2	–63.2%
Share price risk	8.9		8.9	9.0		9.0	–1.9%
Currency risk	2.0	2.5	4.2	2.0	4.9	6.6	–36.9%
Total risk	**32.9**	**26.0**	**44.8**	**54.1**	**66.0**	**96.0**	**–53.3%**

[1] Risk ratios interest rate risk and total risk take account of diversification. Including issuance specific credit spread risk.

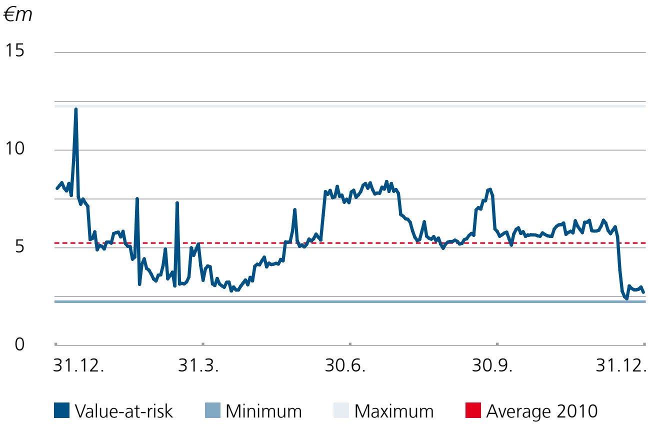
reduction of positions in capital market credit products and the closing out of open interest rate risk positions. The general interest rate risk reported by DekaBank in the trading book amounted to €2.2m as at the 2010 reporting date (end of 2009: €3.9m), while it stood at €1.9m (previous year: €1.7m) in the investment book (Fig. 15).

Value-at-risk – General interest rate risk and credit spread risk in trading over the course of the year 2010 *(Fig. 15)*



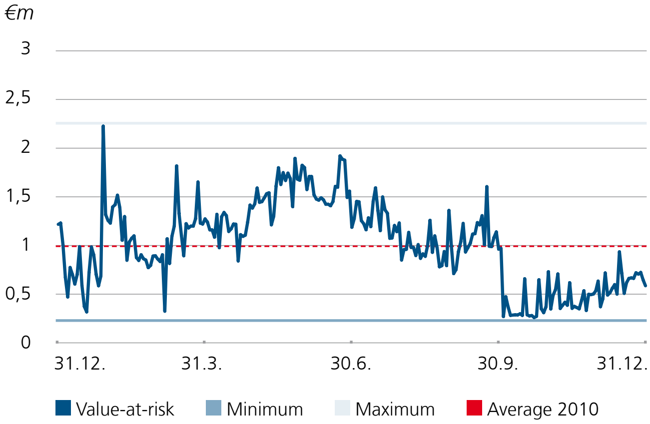
At €8.9m, the share price risk as at the reporting date of 31 December 2010 was at a comparable level with the 2009 year-end figure (€9.0m). Overall, share price risks in the trading book totalled €2.6m (end of 2009: €7.8m) and €8.3m (end of 2009: €4.4m) in the investment book (Fig. 16).

Value-at-risk – Share price risk in trading over the course of the year 2010 *(Fig. 16)*



The currency risk decreased significantly, to €4.2m, as compared with the year-end figure for the previous year (€6.6m). This was primarily attributable to the reduction of open currency positions in capital market credit business. The currency positions were mainly held in US dollars and pounds sterling. As at the reporting date of 31 December 2010, currency risks in the investment book amounted to €3.7m (previous year: €5.8m) and €0.6m (previous year: €1.2m) in the trading book (Fig. 17).

Value-at-risk – Currency risk in trading over the course of the year 2010 *(Fig. 17)*



Credit risks

Risk management and monitoring

Organisation of credit risk management

The credit risk strategy provides the parameters for the business activities of the DekaBank Group with respect 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 as defined by Section 19 (1) of the German Banking Act (KWG) and describes the segments which represent the focus of 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 at least once a year and discussed with the Administrative Board. Credit risks are monitored and managed in accordance with 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 Credit Risk Control and Risk Models units in the Corporate Centre Group Risk.

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 responsible for the market-independent second recommendation for loan decisions as well as for preparing and approving creditworthiness analyses and ratings. In addition, the Corporate Centre Credit Risk Office checks 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. In addition to the head of the Corporate Centre Credit Risk Office, its members include the heads of the Credits, Markets and Treasury sub-divisions from the C&M division, the head of the Real Estate Lending sub-division 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.

Other back office functions are assumed by the Credit Risk Control and Risk Models units of the Corporate Centre Group Risk. The Credit Risk Control unit monitors credit risks at the borrower level and is responsible for risk reporting with regard to credit risks. Its remit also includes developing methodology and reviewing rating procedures. Acceptances and other decisions regarding the future development of the rating procedures are the responsibility of the Rating Committee (cf. the section on assessing creditworthiness). The Risk Models unit is responsible for monitoring credit risks at the portfolio level and for the development of methodology and quality assurance of procedures for quantifying credit risks, in particular on the basis of the credit risk model.

Independent risk assessment and monitoring is guaranteed by the functional and organisational separation of the Corporate Centres Credit Risk Office and Group Risk 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 at the individual transaction and borrower level as well as at the portfolio level.

With regard to the economic borrower and, where applicable, the economic borrower unit, DekaBank has set sub-limits for the position risk and advance performance risk as well as a limit for the overall position. The limits are based on the borrower's creditworthiness as well as the collateralisation and term of the transactions. Country and sector aspects also play a role. Moreover, it is ensured that individual exposures do not exceed an appropriate sum. The Bank does not enter into credit transactions of a highly speculative nature or which entail very unusual risks. In addition, project financing must meet the requirements of the Equator Principles in accordance with the credit risk strategy. External experts are commissioned to review and classify projects.

Special risk-limiting standards apply in the Credits sub-division, depending on the type of financing. In project financing, for example, care is taken to ensure technical security and appropriate price risk and cost reserves. In public infrastructure finance, the assessment of the financed property and of the operator plays a key role, while country and supplier risks are particularly relevant in ECA-covered export and trade financing.

With regard to non-structured capital market products in the core business, especially bonds, swaps, credit default swaps (CDS) and index transactions, we consider aspects such as the expertise and reputation of the parties to the transaction, an analysable market environment for the underlying transaction and also an appropriate credit enhancement.

In the segment of structured capital market products and the other segments which were assigned to non-core business, no new commitments are taken on.

In addition to criteria relating to individual transactions, there are product-specific exclusions. In property finance, in the Real Estate Lending sub-division, criteria such as the creditworthiness of the user and/or the parties involved in the project, the location, quality and profitability of the property as well as adequate advance letting for real estate project developments 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 case of guarantees and sureties, the value carried for the collateral is based on the creditworthiness of the party providing the collateral and in the case 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 business, we minimise credit risk by using offsetting agreements via derivatives and repo transactions. The main types of collateral are cash and securities, special framework agreements in repo/lending transactions and collateral management agreements.

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

Assessing creditworthiness

When assessing the creditworthiness of borrowers, we generally do not rely on external ratings, but rather use a finely differentiated, internal rating system at the Group and Bank level which meets the requirements of the current rules for determining equity backing for financial institutions. The system is based on internally determined ratings, which are assigned to estimates of the probability of default (PD).

Our rating system covers classic default risks such as business transactions with companies, banks and sovereigns and also supplies crystal clear creditworthiness ratings in the area 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 Credit Risk Control unit in the Corporate Centre Group Risk.

In addition, 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 RSU Rating Service Unit GmbH & Co. KG in Munich, a joint venture company of the *Landesbanken* involved. One rating module is managed in cooperation with the central service provider of the savings banks, S Rating und Risikosysteme GmbH in Berlin.

The responsibility for internal Bank acceptance or decisions regarding the further development of methodology and the updating of the rating systems lies with the Rating Committee, which is made up of representatives from the Corporate Centres Credit Risk Office and Group Risk. 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 Board of Management.

The rating modules currently used are tailored to the relevant class of receivables. These include classic scorecard models through which a creditworthiness assessment is carried out on the basis of current quantitative and qualitative borrower features, as well as modules used to estimate the probability of default in terms of the expected cash flows, using simulated macro and micro scenarios for the relevant risk drivers. One module determines the probability of default using a portfolio approach. In addition to the modules mentioned above, expert methods are also used for particular types of financing.

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

All of the rating modules that are used are calibrated to a one-year probability 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 default events on a differentiated basis. Regulatory default definitions in connection with Basel II encompass a wide range of default events, including temporary payment problems and insolvency of the borrower.

Each rating class is allocated a mean probability of default. On the whole, the DSGV master scale facilitates an extraordinarily differentiated measurement and forecast of default risks, which takes account of the requirements of DekaBank's market environment. The ratings are updated annually or as required.

Quantifying credit risks

Limit monitoring

In general, counterparty-related credit risks are monitored at the economic borrower and economic borrower unit level. To this end, the main exposures from the lending and trading business count towards the utilisation of the limits for advance performance risk, position risk and overall risk, which are managed centrally by Credit Risk Control. Off-balance sheet items such as irrevocable lending commitments or guarantees granted are also 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.

Issuer risks arising from bonds and guarantor positions relating to credit default swaps (CDS) in the trading book are monitored on the basis of an overall limit based on the holding period, unless relevant individual counterparty-related limits exist.

Limit overruns at the economic borrower unit level or global limit level are reported immediately to the full Board of Management. Further limits such as rating-dependent country limits, portfolio-related limits under the Investment Directive for Structured Capital Market Investments and limits for value fluctuations of securities collateral in repo/lending business are also monitored separately.

Default monitoring

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

The responsibility for monitoring and managing troubled exposures lies with the Monitoring Committee (also see the section on the organisation of credit risk management). The committee specifies the early warning indicators and classification criteria, monitors exposures categorised as troubled, stipulates the measures required and monitors the effect of those 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 individual cases. Portfolio valuation allowances for creditworthiness risks are recognised for impairments in the loan portfolio which have already occurred as at the reporting date but were not yet known. Provisions are created 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 mapped using a portfolio model. This is aimed in particular at providing suitable risk ratios and risk premiums for portfolio and bank management, determining the capital required or the economic pressure on equity resulting from credit risks and integrating these in the risk-bearing capacity analysis and quantifying concentration and diversification effects.

The portfolio model is based on a credit metrics approach. Along with the default risks in the narrower sense, the risks arising from a change in creditworthiness are also taken into consideration in the form of rating migrations. The probability allocation for credit risk induced changes in the value of the portfolio 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 a Group-wide basis and incorporated in the processes and reports relevant to the management of credit risks. It is included in the risk-bearing capacity analysis, taking into account the provisions set up for loan losses.

Credit risk reporting

In addition to monitoring limits on a daily basis, Credit Risk Control prepares a monthly summary report containing the main explanations and any partial limit overruns during the reporting month; the summary report is discussed each month by the Board of Management.

Moreover, Credit 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 of the report include risk ratios from the credit 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 provides information about loans on the watchlist, the provisions for loan losses and, if applicable, major limit overruns.

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

Current risk situation

As a result of the clearly defined focus of its lending business on asset management, DekaBank only takes on new exposures on a strictly selective basis. This approach is also reflected in the decrease in the gross loan volume to €142.6bn (end of 2009: €147.0bn). Of the total gross loan volume, more than 95% was attributable to core business (€136.0bn), especially to the Markets, Credits and Treasury sub-divisions (Fig. 18).

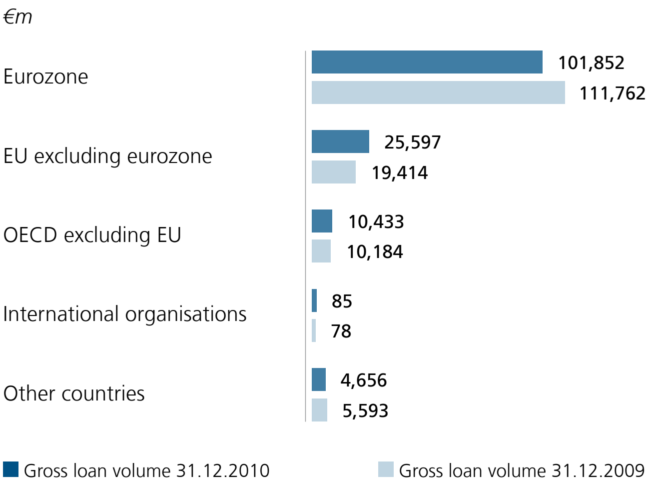
Gross loan volume *(Fig. 18)*

€m	31.12.2010	31.12.2009
Financial Institutions	78,145	74,163
Funds (transactions and units)	16,902	14,330
Corporates	11,565	15,232
Public sector finance Germany	13,812	16,145
Utility & project finance	3,072	7,352
Transport & trade finance	6,318	7,429
Other	4,511	4,727
Property risk	8,297	7,652
Total	**142,623**	**147,030**

The weightings of the individual risk segments only shifted moderately in the reporting year. The gross loan volume ascribed to financial institutions, including the savings banks, rose by €4.0bn to €78.1bn, primarily as a result of higher repo/lending positions and money transactions of a greater volume in the Markets sub-division. In the corporates risk segment, however, bond portfolios were reduced and the gross loan volume was down by €3.7bn to €11.6bn. In national public sector finance, transport and trade finance as well as project finance in the broader sense, the gross loan volume also decreased, with maturing loan positions having the greatest impact on the whole. The share of loans extended to other financial institutions increased overall from 50.4% to 54.8%.

At €101.9bn (previous year: €111.8bn), the eurozone still accounted for the major share of the gross loan volume, although its share declined from 76.0% in the previous year to 71.4%. Almost three-quarters of the volume in the eurozone was granted to borrowers in Germany. The gross loan volume attributed to EU countries outside the eurozone climbed 31.9% to €25.6bn (end of 2009: €19.4bn), which represents a share of 17.9%. The reason for this rise is an expansion of exposures in the UK. Business with borrowers in OECD countries outside the EU also increased slightly; their share of the gross loan volume grew somewhat from 6.9% at year-end 2009 to the present figure of 7.3%. Countries with a rating between 6 and 15 on the DSGV master scale are monitored using a global country limit. The peripheral eurozone countries with downgraded credit ratings, the so called PIIGS countries (Portugal, Italy, Ireland, Greece and Spain), together accounted for a share of only 3.9%, or €5.6bn, of the DekaBank Group's gross loan volume (Fig. 19).

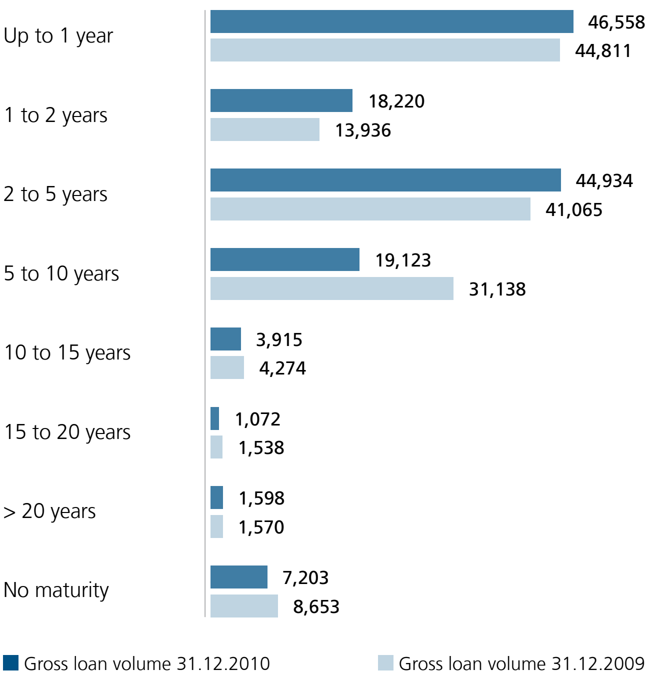
Gross loan volume by region *(Fig. 19)*



In view of our deliberate restraint in new business and the higher share of interbank loans, which are often short-term, the average remaining maturity in the gross loan portfolio decreased further from 3.4 to 3.1 years. For 32.6% of the gross loan volume, the residual maturity of the gross loan volume was less than one year, with 4.6% of the gross loan volume featuring a remaining maturity of ten years or more (Fig. 20).

Gross loan volume by remaining maturity *(Fig. 20)*

€m



As at the 2010 reporting date, €87.0bn, or 61.0%, of the gross loan volume was collateralised, which is €0.9bn more than one year earlier. The main reason for this is that practically all new business is collateralised. Consequently, the netting volume in reverse repos almost doubled in financial year 2010. We also collateralised a significantly higher share of the gross loan volume than in the previous year on the basis of offsetting agreements on financial futures as well as lending and round tripping. Conversely, the volume of the risk-minimising guarantor's liability decreased further, predominantly as a result of the number of expired claims which still featured the guarantor's liability. In addition, personal and impersonal securities were in place, with charges on property, sureties and guarantees as well as registered liens representing the major share. Furthermore, there were assignments and pledging on a small scale.

After deducting the various types of collateralisation, the remaining net loan volume amounted to €55.6bn. Consequently, this figure was also down on the previous year (€61.0bn). Loans to financial institutions accounted for the largest share of the net loan volume by far (59.1%). This was the only risk segment which recorded a noteworthy increase in terms of net volume. The net volume was down in almost all of the other risk segments, particularly as a result of loans maturing and in the Utility & Project Finance and Corporates segments, in part due to the early selling of bonds (Fig.21).

Net loan volume *(Fig. 21)*

€m	31.12.2010	31.12.2009
Financial institutions	32,912	30,868
Funds (transactions and units)	7,694	7,770
Utility & project finance	3,020	7,297
Corporates	3,908	6,327
Property risk	3,348	3,638
Transport & trade finance	1,162	1,514
Other	3,600	3,539
Total	**55,644**	**60,953**

The concentration of the loan portfolio remained virtually on the same level as in the previous year. The ten biggest borrowers accounted for an almost unchanged share of 26.0% of the net loan volume as at the year-end (end of 2009: 26.1%). In financial year 2010, 10% of borrower units made up 79% (end of 2009: 78%) of the net loan volume.

As in the previous year, the average rating of the net loan volume was 4 on the DSGV master scale. The rating remained unchanged for 91.1% of the volume. With regard to the remaining 8.9%, however, negative rating migrations prevailed, with a downgrading by several notches in some cases. The average default probability of the portfolio therefore rose slightly by 5 basis points. At year-end 2010, 87.6% of the net volume (previous year: 88.7%) had a DSGV rating of 4 or better. Financial institutions once again achieved an above-average rating of A+ (Fig. 22).

The CVaR (confidence level 99.9%, risk horizon of one year) included in terms of risk-bearing capacity was up by 16% to €1.59bn (end of 2009: €1.37bn). Of this amount, 31.6% (previous year: 37.3%) was attributable to banks and other financial services providers. 41.2% of the CVaR (previous year: 44.7%) was accounted for by loans extended to German customers, with 41.4% (previous year: 38.0%) related to borrowers in other Western European countries. The risk-reducing impact of the modest

Net loan volume by risk segment and rating *(Fig. 22)*

€m	Average PD in bps	Average Rating 31.12.2010	31.12.2010	Average PD in bps	Average Rating 31.12.2009	31.12.2009
Financial institutions	5	A+	32,912	5	A+	30,868
Corporates	66	6	3,908	29	4	6,327
Public sector finance international	9	A–	1,818	4	AA–	1,690
Public sector finance Germany	1	AAA	160	1	AAA	211
Public infrastructure	340	10	967	46	5	840
Transport & trade finance	133	8	1,162	121	8	1,514
Utility & project finance	96	7	3,020	61	6	7,297
Property risk	67	6	3,348	61	6	3,638
Retail portfolio	3	AA	576	2	AA+	720
Funds (transactions/units)	8	A–	7,694	10	A–	7,770
Equity investments	85	7	79	56	6	79
Total result	**27**	**4**	**55,644**	**22**	**4**	**60,953**

decrease in the net loan volume was more than compensated by the changes in ratings and the migration risks taken into account by the model.

In the past year, provisions for loan losses reported in the balance sheet were down to €617.6m, a decrease as compared with the previous year (€669.1m). Of this amount, €523.5m (previous year: €554.1m) related to specific valuation allowances for loans and securities, €15.1m (previous year: €20.7m) to portfolio valuation allowances for country risks, €72.0m (previous year: €74.1m) to portfolio valuation allowances for creditworthiness risks and provisions for portfolio risks, and €7.0m (previous year: €20.2m) to provisions for specific valuation allowances in off-balance sheet lending.

The allocation of provisions for loan losses and securities to the segments is shown in figure 23.

Provision for loan losses by risk segment *(Fig. 23)*

€m	Financial institutions	Funds	Transport & trade finance	Utility & project finance	Property risk	Public infrastructure	Equity investments	Corporates	Other	31.12.2010	31.12.2009	31.12.2008
Impaired gross loan volume[1]	**538.7**	**0.0**	**212.3**	**0.0**	**168.1**	**0.0**	**0.0**	**68.1**	**0.0**	**987.2**	**1,214.8**	**811.0**
Collateral at fair value	**32.8**	**0.0**	**159.1**	**0.0**	**39.9**	**0.0**	**0.0**	**0.0**	**0.0**	**231.8**	**302.0**	**292.3**
Impaired net loan volume[1]	**505.9**	**0.0**	**53.2**	**0.0**	**128.2**	**0.0**	**0.0**	**68.1**	**0.0**	**755.4**	**912.8**	**518.7**
Provisions for loan losses[2]	**392.4**	**0.8**	**47.3**	**21.4**	**102.6**	**8.6**	**3.0**	**40.5**	**1.0**	**617.6**	**669.1**	**360.5**
Specific valuation allowances	389.9	0.0	20.7	0.0	84.8	0.0	0.0	28.1	0.0	523.5	554.1	274.3
Provisions	0.0	0.0	0.0	0.0	2.6	0.0	3.0	1.4	0.0	7.0	20.2	14.0
Portfolio valuation allowances for country risks	0.0	0.0	15.1	0.0	0.0	0.0	0.0	0.0	0.0	15.1	20.7	24.2
Portfolio valuation allowances for creditworthiness risks	2.5	0.8	11.5	21.4	15.2	8.6	0.0	11.0	1.0	72.0	74.1	48.0

[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 portfolio valuation allowances have been recognised.

As collateral for the impaired individual exposures, securities were taken into account in the financial institutions risk segment; in the property risk segment, charges on property were essentially accounted for, and aircraft and ship mortgages as well as sureties were included for the transport & trade finance risk segment. Sureties were taken into account when determining portfolio valuation allowances for country risks. Collateral of sustainable value were included when determining portfolio valuation allowances for creditworthiness risks.

Collateral totalling €88.6m (previous year: €0.7m) was utilised in the past financial year.

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 process-specific. As part of its OR strategy, DekaBank therefore adopts a decentralised approach to identifying and assessing operational risks as well as to documenting loss. The heads 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 minimum limit. This reporting obligation is monitored by the Operational Risk Control unit in the Corporate Centre Group Risk and Internal Audit.

The Operational Risk Control unit has the decision-making authority with regard to the methodology applied to operational risks in terms of the standardisation and appropriateness of the terms defined on a Group-wide basis, the methods and procedures used as well as for the regular reporting to the Board of Management and supervisory bodies. In addition, Operational Risk Control is responsible for implementing statutory and regulatory requirements related to managing operational risks.

Based on the comparison with existing risk cover potential, DekaBank ensures that it can bear operational risks. 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 goals and profit targets. The information gathered on a decentralised basis is aggregated by Operational Risk Control and reported to the heads of the operating units and the Board of Management. The risk assessments and loss notifications are validated and checked for plausibility. At the same time, it is ensured that risk assessments and loss notifications were carried out in accordance with standard procedure.

In addition to the methods for which Operational Risk Control is responsible within the Group, a number of other cross-divisional functions at DekaBank play an important role in identifying, assessing and managing such operational risks.

Corporate Security Management & Data Security Management

All issues and tasks concerning corporate and data security in the DekaBank Group are pooled in the Corporate Security Management and Data Security Management units. Key tasks of the units include making provisions to ensure business continuity, risk management related to corporate security and crisis management, managing data security risks and maintaining an appropriate level of data security.

Business continuity management (BCM) ensures that disaster risks related to business operations are identified and assessed, that the relevant preventative and disaster recovery measures are organised, and that the restoration of processes in emergency situations is specifically managed.

A central unit (Data Security Management) advises and supports all of DekaBank's business units on all aspects related to data security. This ensures that an appropriate level of data security is established and maintained in the long term, taking into account the units' specific business and protection requirements.

Corporate Security Management and Data Security Management jointly ensure that security risks to the Group are identified and that risk-minimising measures are taken where required. Existing risks are identified, assessed and rendered transparent and manageable through reporting. The implementation of security measures reduces operational risks.

Compliance

The DekaBank Group has a separate unit, which ensures the stability, effectiveness and independence of the compliance function. Its responsibilities comprise the prevention of money laundering and financing of terrorists, insider and market manipulation dealings, and fraud and corruption. In addition, the unit ensures the Bank's compliance with duties and requirements pursuant to securities trading legislation as well as with financial sanctions and embargoes. The Compliance Officer submits a report to the Board of Management and Administrative Board at least once a year and is also the point of contact for supervisory authorities and other government offices.

The DekaBank Group's compliance concept provides rules for the Group as a whole which, taking into account country-specific circumstances, are aimed at uniformly protecting customer interests and effectively countering conflicts of interest that may arise as a result of the different levels of information for customers and employees of DekaBank.

Accounting-related internal control and risk management system

The Board of Management of DekaBank has overall responsibility for the internal control and risk management system. The system is based on a transparent Group-wide organisational and control structure. The Finance department is responsible for preparing and coordinating monthly, quarterly and annual financial statements. The units involved in the accounting process are appropriately staffed, in terms of both the number of personnel and their qualifications. Furthermore, an open and cross-divisional communication policy makes an important contribution to minimising risks associated with preparing financial statements.

In principle, risks arise as part of the accounting process, including

- through non-uniform use of posting, reporting and accounting standards in the Group,
- as a result of the incorrect reporting of business transactions,
- due to malfunctions and errors of the IT systems used in accounting.

DekaBank's internal control system ensures proper and efficient accounting and compliance with the relevant statutory and legal provisions. Its key features are the consistent procedural integration of control activities and procedures, in particular on the basis of the dual control principle, as well as risk-oriented division of responsibilities in head office units. To this end, automated routine checks are performed, and – when required – manual control and coordination procedures are also used, whose implementation and functionality are documented in specialist and implementation concepts.

On an aggregated level (for example with regard to individual balance sheet items), additional checks are carried out by "sub-position officers". These employees are also responsible for regularly calculating results, and they have in-depth product knowledge. The dual control principle applies here as well, and is implemented by an employee with supervisory responsibilities.

The Group guideline governs the reporting of business transactions on a centralised basis. The guideline describes key accounting facts and documents the uniform specialist procedure that applies throughout the entire Group. This ensures that the same business transaction is reported uniformly by different Group units and companies in compliance with the applicable accounting standards. Specific work instructions are used to implement the Group guideline at the operational level in the relevant individual specialist departments. These instructions also provide a description of the control mechanisms to be considered. Guidelines and authorisation concepts have been developed for the central systems which generate accounting information as part of the preparation of the financial statements. Compliance with these guidelines and concepts is regularly monitored by Internal Audit and external auditors.

We mainly use standard software for accounting. The systems are protected against unauthorised access by external parties and are comprehensively secured against data loss.

The internal control system is regularly reviewed and tested by the auditors as part of the audit of the consolidated financial statements.

Quantifying operational risks

DekaBank has a comprehensive management and control system for operational risks. The methods used here are Group-wide loss documentation, decentralised self-assessment and scenario analyses. In addition, the relevant factors regarding the general economic environment and internal controls are recorded, and are used, in particular, to regularly update and validate self-assessment and scenario analyses. Based on the data generated by these methods and using an advanced quantification model recognised by the Federal Financial Supervisory Authority (BaFin), we determine the operational risk as a value-at-risk ratio which is relevant for both internal management and external reporting.

Self-assessment

Using the process-based self-assessment method, the operational risks throughout the Group are regularly identified and assessed on a decentralised basis by experienced employees (assessors) for their own reporting units in the form of detailed and structured loss scenarios. Existing scenarios are compared with internal and external documented losses and supplemented and/or adjusted as required. To measure the risk, the amount and frequency of losses are assessed and aggregated to form a loss potential. The primarily goal of the self-assessment is to implement a consistent, corporate-wide risk inventory which can be used by the heads of the Group units to define and prioritise action plans for reducing operational risks.

Scenario analysis

Scenario analyses are used for the detailed examination and assessment of very rare loss events arising from operational risks, which are potentially associated with severe losses and which cannot be adequately covered by the self-assessment process, generally due to a lack of loss-based experience. The entire range of operational risks is recorded and systematically assessed by combining both of the future-oriented methods.

During the scenario analysis, process and system experts identify the main risk drivers in a loss scenario and vary the severity of such drivers. As a result, the impact of different scenarios can be assessed, including extreme stress. By incorporating risk indicators (factors related to the general economic environment and internal control), which are usually updated monthly, risk trends can promptly be identified and measures taken as required.

In the reporting year, the scenario analysis was expanded and in particular, additional risk indicators were included, thus improving and strengthening the early warning system.

Loss documentation

At DekaBank, all losses incurred throughout the Group from operational risks that are above a minimum limit of €5,000 are recorded in a central loss database and analysed. This also includes measures to reduce and avoid future losses and an examination of the action required.

By comparing the losses that have occurred with the results of the self-assessment and scenario analysis, we not only validate our risk quantification methods, but can 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 process and indirectly as a source of ideas for self-assessment and the scenario analysis.

Stress tests for operational risks

The impact of stress scenarios for operational risks is considered at various levels. As part of the scenario analysis, unusual but plausible scenarios are included. At the same time, extreme events are also taken into account when determining the value-at-risk on the ex-post side by using external major damage and loss events with no scaling.

The impact of the macro-economic stress tests, which were newly defined in the year under review, is also established with regard to operational risks.

Reporting of operational risks

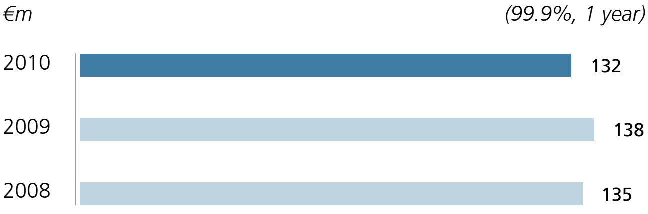
The quarterly risk report informs the heads of the Group units about all key operational risks, thereby facilitating effective management. In addition, an aggregate report is submitted to the Board of Management on a quarterly basis. Alongside summarised information on the operational risks in the Group, the report includes detailed information on the implemented or planned measures for major individual risks in the Group units. Moreover, the value-at-risk ratio 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 value-at-risk determined in accordance with the advanced measurement approach for operational risks (confidence level 99.9%, risk horizon of one year) was down on the previous year's level (€138m) by 4.5%, amounting to €132m as at year-end 2010 (Fig. 24). It moved in a narrow range of between €130m and €140m.

Value-at-risk *(Fig. 24)*



As compared with the previous year, the number of losses decreased sharply, to 33 (2009: 49). The resultant total loss amounted to €4.1m (previous year: €3.2m). The accumulated losses as at the reporting date were approximately 5% down on the same figure for the previous year. New losses were offset, in particular by the partial reversal of provisions for a loss expected in the previous year.

The potential losses from operational risks determined as part of the risk inventory (ex-ante assessment) were around the €60m mark in the course of the year and amounted to €53.7m at the year-end (end of 2009: €62.1m). On the basis of new risk assessments as part of scenario analysis and successful measures taken to minimise risks, potential losses have been reduced, particularly in the AMI and C&M business divisions.

Liquidity risks

Risk management and monitoring

DekaBank's liquidity risk is managed and monitored as an independent risk category. The 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 Group Risk.

In principle, liquidity risk is managed on a cross-portfolio and Group-wide basis. All product types are included. The central aims are to avoid liquidity bottlenecks at the Group level and comprehensively ensure solvency at all times as well as to generate positive profit contributions from liquidity management. The planning, management 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, KWG).

DekaBank defines risks that are recognised in income on the basis of funding gaps as economic effects which result from unfavourable changes in spreads on negative balances of up to one year. This is consistent with the risk-bearing capacity parameters if the relevant scenario for spread changes (99.9%) is selected.

DekaBank limits liquidity risk on the basis of the liquidity balance for each maturity band. This limitation does not allow for negative balances for a period of less than one year, and thus risks from funding gaps that are recognised in income are not material at present. Accordingly, inclusion in the risk-bearing capacity is not required.

Quantifying liquidity risk

Liquidity status

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

Funding matrices

In addition, the liquidity position is analysed and monitored by the unit Funding, Liquidity & ALM in the Corporate Centre Group Risk. To this end, the various funding matrices are prepared and reported.

The purpose of the funding matrices is to show the undiscounted expected future cash flows across the portfolio as at the reporting date, on the basis of which the liquidity requirement or surplus (liquidity gap) is determined for each maturity band. The accumulated liquidity gaps are also shown.

The cash flows in line with the legal maturities form the basis of all funding matrices.

As part of the relevant scenario statement of the various funding matrices, modelling and renewal assumptions are made in order to map the cash flows for certain product types (e.g. securities and deposits eligible as collateral for the ECB and eligible for repo transactions). 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, for example assets which can be readily converted into liquid funds such as securities, available and useable surpluses in cover registers, and other funding sources.

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

The "intended holding period – Group" matrix is the lead funding matrix in the DekaBank Group. It is based on the strategic investment horizon of securities in the IAS held to maturity (htm) and loans and receivables (lar) categories as well as transactions with a long intended holding period rather than on convertibility into cash and eligibility for refinancing. Early warning and traffic light system limits have been defined for the funding matrices.

Within the scope of managing the liquidity position, the funding matrices are used on a daily basis in the Funding & Liquidity unit in the Treasury sub-division. Their application includes the strategic management of DekaBank's issuance activities in the money and capital markets as well as strategic asset allocation.

Stress scenarios

Through stress scenarios carried out every two weeks or each quarter, we analyse the influence of various scenarios on the liquidity position. We divide the underlying models into idiosyncratic and market-related scenarios. Idiosyncratic scenarios affect DekaBank directly (e.g. potential downgrading of securities or downrating of DekaBank's creditworthiness by rating agencies) as well as other market-related scenarios (e.g. funds and banking crisis). Depending on the stress scenario, various modelling and renewal assumptions are made and a different volume assumed for the additional financing requirement.

Liquidity ratio under the Liquidity Directive

At DekaBank, liquidity risk mitigation measures are also guided by the liquidity requirements of the Liquidity Directive (Section 11 German Banking Act, KWG). 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. In line with regulatory requirements, certain product types are not included, such as derivatives.

Reporting the liquidity risk

The above-mentioned funding matrices used for management and risk monitoring purposes are prepared at least every two weeks by the Corporate Centre Group Risk as part of its independent monitoring process. They include a qualitative assessment of the liquidity situation by the Funding & Liquidity unit and are submitted to the full Board of Management, the ALMC and the heads of the Markets, Treasury and Group Risk units. In this regard, early warning limits and traffic light system limits were defined on the basis of the liquidity balance (= accumulated liquidity gap plus accumulated liquidity potential), which are also monitored by the Corporate Centre Group Risk. Any overruns are reported to the Board of Management via the ALMC.

Moreover, the liquidity ratio pursuant to the Liquidity Directive is monitored daily in the reporting system of the Corporate Centre Finance.

The stress tests are performed on the basis of the "intended holding period – Group" funding matrix.

Current risk situation

The DekaBank Group's potential liquidity that is readily convertible into cash remains at a high level. The Group can utilise a high level of liquid securities, most of which are eligible as collateral for central bank borrowings, the available surplus cover in the cover pool, and the corresponding repurchase agreements.

As at 31 December 2010, the accumulated liquidity balance of the DekaBank Group's funding matrix in the short-term range (up to one month) amounted to €8.3bn (end of 2009: €13.5bn). In the maturity band of up to six months,

Intended holding period funding matrix of DekaBank Group as at 31 December 2010 *(Fig. 25)*

€m	<=1M	>1M-12M	>12M-7Y	>7Y-30Y	>30Y	Total
Securities, loans and promissory note loans[1]	8,648	18,705	42,730	8,563	57	78,702
Other money market transactions (lending)[2]	25,080	6,584	5,495	0	1,198	38,356
Derivatives[3]	– 1,809	– 4,068	– 4,870	– 213	0	– 10,961
Refinancing funds[4]	– 36,766	– 11,108	– 44,176	– 4,620	– 4,442	– 101,113
Other balance sheet items[5]	– 59	– 53	– 40	– 15	– 4,108	– 4,275
Liquidity balance (acc. gap + acc. liquidity potential) DekaBank Group	8,317	9,938	4,151	7,252	– 43	

[1] Including irrevocable credit commitments and guarantees.
[2] Of which approx. €17,0bn collateralised repo transactions.
[3] Including synthetic lending substitute transactions.
[4] Including in particular short-term products, own certificates and funding.
[5] Including silent capital contributions and equity.

the surplus totalled €6.3bn (end of 2009: €7.5bn), and for up to twelve months, amounted to €9.9bn (end of 2009: €9.6bn), (Fig. 25).

At the same time, the liquidity structure analysis highlights the broad diversification of refinancing by investor and product groups. DekaBank’s liquidity position remains very strong even under stress conditions. All three stress scenarios showed marked liquidity surpluses in the short maturity band of up to one month.

The regulatory requirements of the Liquidity Directive were again clearly surpassed at all times during the reporting period. The annual average for the liquidity ratio of the first maturity band, determined on a daily basis, was 1.57 (previous year: 1.66). It was always within a range of 1.41 and 1.79. The figure at the close of the year was 1.56 (end of 2009: 1.67).

Other risks

Business risk

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

For Asset Management activities, the main risk factors are the assets under management and the amount of commission. The volatility of these risk factors is simulated for each asset class, i.e. for equities, bonds and property, using comparison indices. Parallel to this, scenarios are used to carry out a self-assessment of the material business risks for Asset Management activities. This allows the business divisions to counter the main identified business risks with risk-mitigating measures.

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

The rise in the business risk to a VaR of €427m (end of 2009: €383m) is primarily attributable to the AMK division. Here, net commission increased and at the same time a higher proportion of commission was related to equity funds, the volatility of which is higher than that of bond investments. However, in the AMI division business risk was similar to the previous year’s level, since the rise in net commission was moderate and volatility was largely unchanged. The comprehensive remaining business risk for activities outside of Asset Management was down on the previous year’s figure.

Shareholding risk

The shareholding strategy is a component of the credit risk strategy. Equity investments (shareholdings) 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 does not pursue any trading interests when taking an equity interest.

The basis for determining the shareholding risk position is the respective IFRS book value of the equity investment. The risk is measured on the basis of the volatility of a benchmark index in the equity market.

At €37m, the VaR related to the shareholding risk remained at the previous year's level (end of 2009: €37m).

Property risk

The property risk is measured on the basis of the IFRS book values of the property held in the Bank's portfolio and the volatilities in relative changes in value of the property in the respective location. With a VaR of €7m, the property risk was of secondary importance, as was the case in the previous year (€8m).

Property fund risk

The property fund risk primarily results from property fund units held in the Bank's own portfolio and here, especially from start-up finance. In the reporting year, the Bank's own holdings of units in the Deka-ImmobilienEuropa fund (formerly Deka-ImmobilienFonds) were reduced in full.

After the marked reduction in the previous year (from €150m to €12m), the property fund risk remains at a low level. With a VaR of €15m at year-end 2010, it does not represent a material risk for DekaBank.

Capital market credit products

The portfolios of capital market credit products are fully integrated into DekaBank's risk management system, which is described in the preceding sections.

In line with DekaBank's revised business strategy, the positions in the capital market credit portfolio have been reported as either core business or non-core business since the first quarter of 2009. This division is based on product types, which in the core business are of strategic importance for DekaBank and in the non-core business have been assigned to the exit portfolio.

The capital market credit products in the core business are managed by the Treasury sub-division and essentially comprise single-name and index CDS transactions, corporate bonds and transactions as part of long-term liquidity investment. The net nominal value declined in the course of the year to €6.5bn (end of 2009: €8.4bn), due to scheduled expiry of transactions and closures relating to CDS and index CDS transactions as well as sales and redemptions of bonds.

Asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised loan obligations (CLO), synthetic collateralised debt obligations (index and bespoke), structured finance collateralised debt obligations (SFCDO) and constant proportion portfolio insurance (CPPI) are included in the non-core business. They are not strategically important for DekaBank. The positions in non-core business totalled a net nominal value of €2.2bn at year-end (end of 2009: €2.9bn). The reasons for the lower volume include early repayment on securitisation transactions as well as sales of securitisation and synthetic CSO transactions. Currency effects only had a negligible impact on the reduction of the net nominal value.

The volume of non-core business will be decreased over the coming years both through the planned reduction while safeguarding assets at the same time and the scheduled expiry of transactions. No new business will be entered into.

Management, monitoring and limiting

As with all other credit transactions, the Corporate Centre Credit Risk Office assumes the role of the administration office for early risk identification. This office is also responsible for the market-independent second recommendation and for monitoring transactions at the individual transaction level.

In line with DekaBank's current corporate credit risk strategy, limit monitoring is carried out independently and on a daily basis by the Corporate Centre Group Risk for non-core business products, using the Investment Directive for Structured Capital Market Credit Products, which applies to the entire product universe in DekaBank's non-core business. The full Board of Management is immediately notified of any limit overruns.

The limit system described above is flanked by product-specific minimum and exclusion criteria.

Approach and valuation

The valuation of capital market credit products categorised at fair value is largely market-oriented. Only the fair values of non-synthetic securitisation transactions in non-core business with a nominal volume of €1.1bn are determined using the modified discounted cash flow model. This takes into account the impact of market disruptions and irrational fluctuations in liquidity spreads on DekaBank's earnings.

Structured capital market credit products by rating class (nominal value in €m) *(Fig. 26)*

Product		AAA	AA	A	BBB	Non investment grade	Unrated	Total
Structured	ABS	122.7	23.7	45.8	38.3	46.1	0.0	276.6
	RMBS	252.7	167.2	128.6	5.0	0.0	0.0	553.6
	CMBS	280.9	152.2	76.3	68.0	26.3	0.0	603.7
	CLO	0.0	188.1	184.8	89.3	100.2	0.0	562.4
	CSO	0.0	0.0	0.0	0.0	75.0	0.0	75.0
	Structured finance CDO	20.0	0.0	10.0	0.0	0.0	0.0	30.0
Alternative	CPPI	0.0	0.0	100.0	0.0	0.0	0.0	100.0
Total		**676.4**	**531.2**	**545.6**	**200.6**	**247.6**	**0.0**	**2.201.3**

Rating overview

On the whole, the ratings in the portfolio of the core business (Treasury) are good and almost exclusively in the investment grade range. Appreciable rating migrations only occurred in connection with maturities and selling.

In non-core business (structured capital market credit products), selected securitisation and CLO transactions were downgraded. However, excluding the low volume of bespoke CSO positions, the ratings for the majority of non-core business transactions are also good, with around 88.2% of the ratings in the investment grade range.

The rating overview for non-core business shows the external ratings on a conservative basis, to the effect that where several external ratings are available for a transaction, the overview shows the lowest rating (Fig. 26).

Country overview

In terms of countries, non-core business continues to focus on Western Europe and in particular on German and pan-European structures. The European market accounted for around 80.4% of securitisation transactions. With regard to CMBS, a substantial amount is held via UK securitisation transactions, which corresponds to the general distribution of European CMBS securitisation. The only important positions outside Europe are CLO and CSO securitisation transactions (Fig. 27).

Core business is also concentrated in Western Europe. Almost half of the bond positions were attributable to the financial sector at mid-year. Nearly all of the positions in the core business are denominated in euros, and thus currency effects are only negligible.

Structured capital market credit products by risk country (nominal value in €m) *(Fig. 27)*

Product	Structured						Alternative	Total
Country	ABS	RMBS	CMBS	CLO	CSO	Structured finance CDO	CPPI	
Germany	145	17	164	0	0	0	0	325
UK	14	128	255	17	0	0	0	414
Spain	4	107	0	0	0	0	0	112
Italy	45	140	13	0	0	0	0	198
Benelux	8	99	172	0	0	0	0	279
Scandinavia	0	0	0	22	0	0	0	22
Rest of Europe	25	63	0	313	0	20	0	421
USA	36	0	0	211	75	10	50	381
Other/global	0	0	0	0	0	0	50	50
Total	**277**	**554**	**604**	**562**	**75**	**30**	**100**	**2.201**

Structured capital market credit products by IFRS valuation category (in €m) *(Fig. 28)*

				IFRS valuation category	
Product		**Nominal**	**Book value**	**afv**	**lar**
Structured	ABS	276.6	222.0	141.3	80.7
	RMBS	553.6	460.2	417.7	42.5
	CMBS	603.7	520.1	347.0	173.1
	CLO	562.4	468.1	468.1	0.0
	CSO CLN	75.0	53.0	53.0	0.0
	Structured finance CDO	30.0	13.7	13.7	0.0
Alternative	CPPI	100.0	102.1	102.1	0.0
Total		2,201.3	1.839.2	1.542.9	296.3

IFRS categorisation

The vast majority of the portfolio of structured capital market credit products is allocated to the IFRS at-fair-value category (Fig. 28). Only 107 positions are currently still valuated using the modified discounted cash flow method (DCF).

Accordingly, any changes in value are directly reported in the income statement. No actual defaults have occurred in the tranches to date. Models and indicative prices from pricing service agencies were used to establish the book values of assets in the at fair value (afv) category. The book values of loans and receivables (lar) positions are determined on the basis of amortised cost. No specific valuation allowance was required for any of these positions as part of an impairment test. With regard to afv positions, no nominal and interest defaults occurred.

In the core business, the CDS positions and the major share of afv bonds are valuated at market price. A share of the portfolio has been classified as held to maturity and is therefore included in the income statement at amortised cost.

Maturity profile

The average maturity of the bond portfolio in the core business shortened in the course of the year and was 4.9 years (all positions) as at 31 December 2010. In the held to maturity (htm) category, it was 6.5 years. CDS had a maturity of 4.5 years for the secured party. Transactions within the scope of the liquidity investment will expire in approximately 4.5 years and CPPI positions in 4.5 and 6.5 years.

In addition to the legal final maturity, securitised products in the non-core business only feature an expected maturity, since the actual cash flow may differ from the forecast cash flow. The portfolio mean is an expected average remaining maturity of around four years.

Current risk situation

Based on a confidence level of 95% and a holding period of ten days, the credit spread risk of all capital market credit products in the at fair value category (core and non-core business) totalled €28.0m at the 2010 reporting date (end of 2009: €76.2m). As a result, the VaR calculated for the Treasury portfolio (core business) was €14.1m (end of 2009: €26.4m) and for non-core business amounted to €25.1m (end of 2009: €65.6m).

Sustainability Report

Sustainable development – taking responsibility

It is our job to look into the future. As asset managers we constantly face the challenge of utilising the opportunities that present themselves for the benefit of our customers while making the associated risks manageable. Our decisions are based on a forward-looking approach and we take the same approach to the issue of sustainability. We do not see it as a trend, but rather as an expression of an attitude with which we consistently operate our business – successfully and responsibly on a sustainable basis. This attitude is motivated by many factors: the desire of our customers to participate in opportunities that deliver long-term growth; the obligation we have to our shareholders to give preference to sustainable growth over a fast return; and last but not least, the personal desire we all have to work in a company which we can rightly say deals responsibly with our children's inheritance.

This is because our children will be living in a very different world from the one today. An even more populated world in which several billions of people will have to share finite resources. New centres of power are emerging in Asia and South America that will not only change and help shape the economy, but also the culture all over the world. A world where older people no longer live to an average of 80 but to 90 years old, while the number of gainfully employed young people is in decline. We will have to face these and other challenges, only too well aware that we are moving into this new era with an enormous debt burden and constraints on our scope for action.

This is the view we have of the future – and this is the framework in which we operate on a daily basis. To achieve our vision, we also have to incorporate this lofty ambition and goal into our day-to-day activities. The formulation of DekaBank's sustainability strategy in mid-2009 was the starting signal for a process that will turn us into a thoroughly sustainable enterprise. This is by no means an overnight process, but inspires us to do more tomorrow than we did yesterday. Step by step. Our achievements so far are documented in our Sustainability Report 2010, which is now more extensive than before.

There is also good reason for including the Sustainability Report in our Annual Report. We are not seeking additional marketing opportunities, but want to document, in the best possible way, that sustainability is an integral part of how we perceive our business and our business model. We will continue to further develop this report in the future.

However, there is one thing that is not in the report, yet it forms the foundation for what we have accomplished so far. And that is the perceptible change in the attitudes and mindsets of the staff at the Bank with regard to sustainable development. "What consequences will our actions have in the future – for the company and for the world around us?" is a key question that is being asked more and more frequently before making decisions. Our approach is more serious and consistent than in the past, and for us this reflects an important development that now facilitates further progress.

We are proud of what we have achieved and happy to report when we have done something good. At the same time, we take a more factual and modest approach when reporting on progress, because we know that whatever our achievements are, there is still much more to do. And in the future, we will continue to focus on further embedding the concept of thinking and acting sustainably throughout the entire Bank and in society.

Some of the initiatives in 2010

Stronger focus on work-life balance – events such as 'Success management for women' and 'Toddlers and dads groups' are increasingly popular.

The first DekaBank natural gas caddies roll out onto the streets of Frankfurt/Main. These fuel-efficient red runabouts are one example of DekaBank's innovative environmental management measures.

DekaBank passed the stress test, including the extreme scenario – the good result affirms DekaBank's sustainable and stable business model.

As at 31 December 2010, DekaBank recorded growth of 82% in its sustainable funds over the year – institutional investors in particular have realised that profitable yields and responsible investments are not mutually exclusive.

Employees are getting personally involved – for example at the first Social Day and the Christmas gift-giving programme for children at Frankfurt's '*Die Arche*' charity organisation.

Basis of the report

Since the 2009 reporting year, DekaBank has been publishing its Sustainability Report yearly as part of its Annual Report. Unless otherwise indicated, this report relates to the DekaBank Group and its employees in the period under review from 1 January 2010 to 31 December 2010. The Sustainability Report was prepared on the basis of the GRI Guidelines (G3) including the Financial Services Sector Supplement (FSSS) of the Global Reporting Initiative (GRI). It is our assessment that the current report complies with GRI Application Level B.

Explanations regarding the relevant points of the GRI Index are presented in both this Sustainability Report and in other sections of the Annual Report, particularly in the Group Management Report. Further information is also contained in the Environmental Report of the DekaBank Group (published on 25 January 2011 for the years 2007–2009).

The performance of individual sustainability criteria is measured on the basis of existing processes and systems used in the DekaBank Group. With respect to environmental management, the environmental management system certified under ISO 14001 is also implemented.

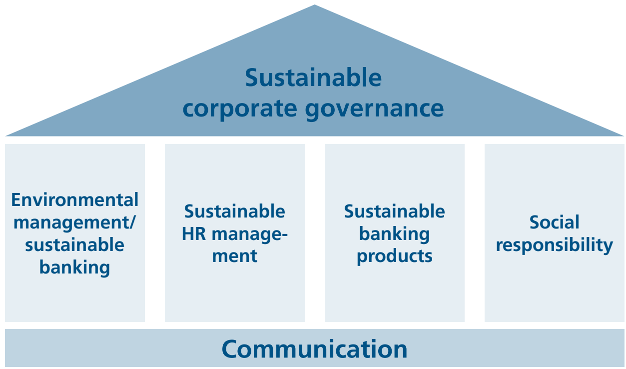
In addition to the current report, additional information is available on the internet at www.dekabank.de.

Sustainable corporate governance

Management approach

The DekaBank Group is committed to taking sustainability aspects into account at all levels of its corporate activity. This starts with a sustainable economic result, which is the central target value for our development and an integral component of our management reporting. Our business strategy, which is sustainable in economic, environmental and social terms, is firmly established in the mission 2012 of the DekaBank Group. The concrete guidelines that shape our decisions and actions and by which we measure ourselves are specified in our sustainability strategy. The DekaBank Group's sustainable corporate governance system is based on four pillars: environmental management/ sustainable banking, sustainable HR management, sustainable banking products and social responsibility, flanked by transparent and open communications (Fig. 1).

DekaBank's comprehensive sustainability approach *(Fig. 1)*



Sustainability is deemed to be of strategic importance in the DekaBank Group. The Sustainability management team therefore reports directly to the Board of Management. We are convinced that sustainability in our business and financial development, fully in keeping with the interests of our shareholders, not only offers opportunities but also minimises risks.

Here, the Board of Management is supported by the Group Development unit, which functions as a coordinator and initiator for all areas of action relating to the sustainability strategy. In this role, the unit is responsible for implementing the sustainability strategy and coordinating sustainability-related activities throughout the entire Group. It also coordinates sustainability issues within the Group with all units concerned. The Group Development unit is also responsible for rating support as well as for the implementation controlling of the catalogue of sustainability measures.

Comprised of members of the top management and the Environmental Officer, the "Sustainability Round Table" advises on strategic issues concerning sustainability, prepares Board of Management decisions, initiates the annual catalogue of measures and monitors their implementation. The projects and measures on sustainability in the individual areas are accompanied at the operational level by "sustainability mentors", who are in place at all hierarchical levels and in all Group units and also serve as a source of ideas for new sustainability measures.

Dialogue with our stakeholders

In-depth market monitoring and regular interaction with various social groups ensures that the relevant stakeholders are involved on a targeted basis at an early stage. Their suggestions on the topic of sustainability as well as all other issues that affect the company are essential for optimally aligning the strategy of our bank. These ideas are also taken into consideration when deciding on matters related to business policy and strategy.

The stakeholder groups in this dialogue include, in particular:

- Savings banks and *Landesbanken* (as owners, customers and sales partners),
- Savings bank customers and institutional investors,
- Employees and employee representatives,
- Supervisory authorities,
- Suppliers,
- Associations and organisations,
- Academic institutions,
- Rating agencies and analysts.

Dialogue with savings banks and *Landesbanken*

We maintain a close dialogue with our owners about all issues regarding sustainability via executive bodies, joint projects and workshops.

Through the specialist advisory committees that advise the Board of Management as well as the various sales committees, DekaBank actively involves the expertise of the *Sparkassen-Finanzgruppe* in its decision-making process. The Supervisory Boards of the German investment companies include external members with extensive market experience.

The Board of Management and Administrative Board have a close working relationship based on trust. The Administrative Board comprises representatives of the *Sparkassen-Finanzgruppe*, employee representatives and, in an advisory capacity, representatives of the Federal Organisation of Central Municipal Organisations (*Bundesvereinigung der kommunalen Spitzenverbände*).

Dialogue with savings bank customers and institutional investors

We identify the needs and requirements of our investors in regular, detailed surveys. These are discussed in-depth and measures are derived for improving DekaBank's performance.

Investors and analysts receive comprehensive and timely information on our business strategy, development and performance both directly as well as via rating agencies.

Dialogue with employees and employee representatives

With the assistance of an independent adviser, we conduct regular staff surveys on subjects such as management and corporate culture. The Board of Management maintains a close dialogue based on trust with the employee representatives of the DekaBank Group. Furthermore, the Staff Council and Equal Opportunity Officer serve as internal contact persons and provide assistance to our employees in the event of problems at work.

Employees submit proposals and suggestions through our well-established and multi award-winning idea management system; many of these ideas have already been implemented.

Dialogue with supervisory authorities

During the course of our business operations we are in regular contact with the supervisory authorities relevant to our Bank. We also actively assist with the further development of relevant topics related supervisory law.

Dialogue with suppliers

Through constructive cooperation with our specialist departments and our suppliers, our Procurement Management ensures quality and success in the procurement process from the outset. Here we set great store by long-term partnerships and also maintain a dialogue with our contractors with regard to taking account of sustainability aspects. The demands that we make of ourselves as a Group are also directed at all of our contractors. Binding guidlines for sustainable procurement on both sides thus form the basis for our business relationschips.

Dialogue with associations and organisations

The DekaBank Group is an active member of various associations and organisations. DekaBank consciously utilises opportunities to provide support and assistance through a range of memberships in various non-profit associations and institutions with economic, social and sociological backgrounds that deal with issues related to sustainability. Furthermore, through such memberships, the DekaBank Group exchanges information and ideas on the relevant issues with other financial service providers and stakeholders. Primarily through our membership in these associations, we make our internal expertise available to politicians and policymakers in the interests of our investors. The following institutions should especially be mentioned in this regard:

- *Bundesverband Investment und Asset Management (BVI) e. V.*,
- *Bundesverband Öffentlicher Banken Deutschlands e. V.* (Association of German Public Sector Banks – VÖB),
- *DAI Deutsches Aktieninstitut e. V.* (German Equities Institut),
- *Deutscher Sparkassen- und Giroverband e. V.* (German Savings Banks and Giro Association),
- EFAMA – European Fund and Asset Management Association,
- European Association of Public Banks,
- *Institut der deutschen Wirtschaft* (German Institute for Economic Research),
- *Umweltforum Rhein-Main e. V.* (Rhine-Main Environmental Forum),
- *Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V.* (Association for Environmental Management and Sustainability in Financial Institutions),
- CRIC Corporate Responsibility Interface Center e. V.,
- CDP – Carbone Disclosure Project,
- WDP – Water Disclosure Project.

Dialogue with academic institutions

Regular exchange of ideas and information with academic institutions enables us to include the latest theoretical findings in our day-to-day operations. We see financial support for universities as an opportunity to further promote this dialogue and drive forward research.

Valuation by rating agencies

Rating agencies specialising in sustainability are becoming more and more important. Consequently, they are an important point of reference for the further development of DekaBank's sustainability strategy. In this context, our focus is on three rating agencies, both for internal purposes as well as in communications with our shareholders.

imug

The imug rating, which concentrates mainly on public sector and mortgage *Pfandbriefe*, upgraded DekaBank from its previous rating of "neutral" to "positive" in 2010. Certified environmental management, sustainable investments and a good working environment were highlighted here in particular.

oekom

The oekom rating comprises two components: the social rating and environmental rating. In 2009, DekaBank was rated "C–" in both areas, which led overall to a non-prime rating – a level which is not satisfactory for us.

The improvement potential indicated by the rating provides a benchmark and point of reference for our work. We are tackling this from two angles: on the one hand, we are incorporating new sustainability measures and reviewing existing ones and on the other, we are working on our communications. We are making the implementation of our sustainability strategy more transparent and therefore more understandable for our stakeholders.

sustainalytics

sustainalytics has given the DekaBank Group a 55 point rating. In 17th place, the DekaBank has a higher than average position amongst the 51 companies rated.

Global Compact

We already meet the requirements of the UN Global Compact. They form a basis for sustainability criteria in the investment process, procurement and other areas. We underpinned this with our official signature at the start of 2011.

Compliance

The DekaBank Group's Compliance Office monitors all business divisions in its role as guardian of the interests of our customers and other stakeholders. It identifies potential conflicts of interest and through precautions and detailed countermeasures ensures that the Group is operating in line with national and international requirements. The Compliance Office's specific tasks include combating money laundering, ensuring compliance with the rules of conduct stipulated by capital market legislation, preventing fraud and corruption, and customer protection in the securities business. There were no fines or sanctions for non-compliance with product and services regulations or other legal provisions in the Compliance Office in 2010.

As part of regular compliance training, all employees are informed of the preventative anti-corruption measures that are in place at DekaBank.

Staff members are given online tests about data protection and information is provided via various media such as the intranet and our employee magazine. Like Compliance, the Data Protection Officer is also based in his own unit in the Legal Affairs Corporate Centre.

Tip-offs and suspicious cases, particularly regarding fraud, can be reported using DekaBank's ombudsman system. These are followed up by an external ombudsman with many years of experience who is available as a point of contact for employees.

DekaBank's corporate code of ethics contains internal rules of conduct for employees. It forms the general framework for an open and transparent corporate culture that meets legal requirements. The principles and values specified in the code apply to the entire Group, to all our major shareholdings and companies (subsidiaries). Examples from the code include:

- The highest priority is given to customer interests. In the event of potential conflicts of interest, customer interests take precedence over the interests of the DekaBank Group and those of its employees.
- We prevent all types of discrimination.
- We do not tolerate corruption or bribery in any form.
- DekaBank creates safe and decent working conditions.
- We do not accept or grant gifts and benefits in excess of normal market value.

Environmental management/ sustainable banking

Management approach

Corporate environmental protection is a key element of DekaBank's sustainability strategy. Corporate responsibility for environmental and climate protection are factors that also affect the competitiveness and future success of a company. DekaBank's targeted measures contribute to global climate protection and reduce the negative impact of its business operations on the environment. At the same time, they also reduce the Bank's resource consumption costs.

Environmental guidelines are based on the DekaBank Group's sustainability strategy and are actively communicated within the Group and to our customers and business partners. At the operating level, environmental management is under the direction of the "IdeasComplaintsEnvironmental Management" unit. This unit coordinates and is responsible for initiating and implementing environmental protection measures in the different business divisions in order to improve resource efficiency. It is headed by DekaBank's Environmental Officer.

To harmonise the financial targets of the company with ecological requirements and regulations, we strive to actively involve our employees and our business partners in the environmental management process. Together we work on finding sustainable solutions to conserve natural resources, promote social progress and save costs as well.

Main activities in reporting year 2010

In 2010 we carried out a range of activities related to sustainable banking – both small and large steps – in order to put our operations on an even more sustainable footing in terms of in-house environmental protection.

For example, since July 2010 DekaBank has been using vehicles powered by natural gas for its couriers. The red, natural gas caddies with the Deka logo are extremely fuel-efficient (5.9kg CO_2 per 100km). By using the vehicles, DekaBank is sending a clear message regarding its commitment to sustainability – both within the Group and to the public at large.

In 2010, DekaBank also changed the printer and copier paper used throughout the Group. Instead of 80g paper, the Group now uses 75g paper. This paper is also FSC-certified, which means that the fibres used to produce the paper were processed from sustainable, resource-conserving, managed forests. We have also been using certified paper for our printed publications, letterhead and staff business cards since 2010.

In procurement management, DekaBank developed and approved a sustainability appendix with binding rules of conduct for our contractors in the second half of 2010. The ethical code of conduct described in this appendix applies equally to DekaBank and its contractors. It is derived from the principles of the UN Global Compact, the ILO Convention, the General Declaration of Human

Rights by the United Nations, the UN Conventions on the Rights of the Child and the elimination of all forms of discrimination in accordance with IV.b, the OECD Guidelines for multinational companies, as well as the Code of Conduct from the *Bundesverband für Materialwirtschaft, Einkauf und Logistik e. V.* (German Association of Materials Management, Purchasing and Logistics). They supplement the existing guidelines on procurement management. The main obligations for contracting partners under the sustainability annex are:

- the requirement to proactively operate on a sustainable basis,
- strict separation of the interests of the contractor and the private interests of employees on both sides, and based on this, compliance with detailed, specific anti-corruption regulations,
- proof of quality management on the part of the contractor which excludes the use of "prohibited substances" in accordance with ENA categories,
- DekaBank's preference for cooperations with manufacturers and retailers that are verifiably certified under an industry standard (EMAS, ISO 14001, etc.) or audited in accordance with an accepted environmental quality seal,
- certified recyclability of all packaging used by the contractor to protect, store or transport goods.

These will be rolled out in phases in 2011 and in addition to new business partners, also apply to existing providers with whom the DekaBank Group carries out 80% of its procurement volume. The quota will be determined and quality assured on a yearly basis as an indicator in DekaBank's purchasing reporting.

A label for particularly sustainable items in the order catalogue was introduced in 2010.

In addition to the Carbon Disclosure Project (CDP), which we have been supporting since 2005, we became a signatory investor to the Water Disclosure Project (WDP) in May 2010. The WDP supplements the CDP with water data. Both projects aim to create transparency on how companies deal with natural resources. To this end, data and information on CO_2 emissions, climate risks, water consumption and reduction targets are collected and published on a yearly basis.

Certified environmental management system further established

To continually improve its performance with respect to environmental protection, DekaBank started collecting all data with a direct and indirect impact on our environment as early as 2007.

We undergo regular environmental management audits and reviews by external parties. For example, our environmental management system was first certified in compliance with DIN EN ISO 14001 in 2009. With the introduction of an environmental management system under ISO 14001 and the use of sector-specific indicators in accordance with the VfU (Association for Environmental Management and Sustainability in Financial Institutions), DekaBank has not just systemised and standardised its internal environmental protection system, but is also committed to continuous improvement and to submitting annual monitoring audits.

Our environmental management system delivers an annual corporate environmental balance sheet which is used to systematically record and document the environmental impact of DekaBank. Areas of action and optimisation potential are identified and prioritised based on comparisons with previous years. These are used to specify the corresponding measures for the coming reporting periods.

Internal business data is collected for five core areas:

- Paper – consumption in tons,
- Energy – total energy consumption and its generation,
- Water – total consumption,
- Transportation – business trips,
- Waste – total waste and its recycling.

Over the last few years, we have extended the data collection and improved data availability as compared with the first environmental report in 2009 (for reporting years 2006 to 2008). Consequently, since the last environmental report we have increasingly focused on improving our environmental performance.

Development of paper consumtion in absolute terms, by category *(Fig. 2)*

	Financial year[1] 2009		Financial year[1] 2008		Financial year[1] 2007	
tons	**Figure**	**Change on 2008 in %**	**Figure**	**Change on 2007 in %**	**Figure**	**Change on 2006 in %**
Letterhead, printed forms, envelopes	85	–7	91	119	42	399
Forms	150	16	129	159	50	59
Copier paper (general office paper)	172	–7	185	–10	205	40
Printed advertising material/publications	518	–29	725	–33	1,088	0
Total	**926**	**–18**	**1,131**	**–18**	**1,385**	**9**

[1] The financial year corresponds to the calendar year.

Measurement methods in the environmental management system

As part of our environmental management system, the sustainability software SoFi is used to monitor the individual material and energy flows as well as to calculate the relevant indicators and CO_2 emissions. To meet the data integrity requirements for environmental management and the CO_2 standards (for example VfU indicators, GHG protocol), data gaps were filled where necessary with extrapolated values using projections, based on employee numbers for example. Projections for 2008 for the Skyper and Trianon buildings were adjusted using the actual consumption figures. Some utility statements were not yet available at the time of the last report. The projection referred to electricity, district heating and drinking water consumption.

Paper consumption

The process for manufacturing paper is both energy and water intensive, and thus paper makes a substantial contribution to the environmental impact. Added to this is the logging involved in obtaining the wood, which, depending on how sustainably the forest is managed, significantly influences the eco-balance of paper. Since 2007, we have continually reduced paper consumption in all our German locations. As a result, total consumption in 2009 amounted to 926 tons as compared with 1,131 tons in 2007, corresponding to a further substantial decrease of 18% as compared with the previous year. In particular, the share attributed to printed advertising materials and publications, which account for most of the total consumption, has seen a disproportionately large reduction of 29%. Paper consumption per employee is down 13% on the figure for 2008 (Fig. 2).

By switching from 80g paper to 75g paper, we expect to be able to further reduce paper consumption during the current reporting period. Since 2010 we have been using certified paper throughout the Group. Prior to this switch, the share of FSC paper in all our locations was 18.8%.

Energy consumption

Around 40% of energy consumption in Europe and North America is attributable to buildings. This figure impressively illustrates just how important energy management for buildings is when it comes to saving energy and using it more efficiently. For financial service providers, the electricity required for data processing as well as cooling, lighting and the consumption of district heating in particular contributes to the company's impact on the environment.

In 2009, the energy consumption at our locations in Frankfurt/Main fell by a total of 4% versus the previous year, thereby continuing the positive trend of recent years. In terms of the number of employees, relative energy consumption has also decreased (Fig. 3).

Energy consumption by energy source *(Fig. 3)*

	Location			
Giga joule	**Trianon Mainzer Landstrasse 16**	**Prisma Hahnstrasse 55**	**Taunusanlage 10**	**Skyper Taunusanlage 1**
Electricity	22,219	17,062	5,094	4,344
Back-up diesel	82	42	17	2
District heating	18,527	8,837	3,859	780
Total	**40,828**	**25,942**	**8,970**	**5,126**

Water consumption by location *(Fig. 4)*

	Location/topic comparison, Selected period: Financial year 2009 Selected sub-period: annually, Display: inputs				
m³	**Frankfurt/Main**	**Trianon Mainzer Landstrasse 16**	**Prisma Hahnstrasse 55**	**Taunusanlage 10**	**Skyper Taunusanlage 1**
Rainwater	5,172	–	5,172	–	–
Ground and surface water	–	–	–	–	–
Drinking water	46,729	22,218	17,830	4,936	1,745
Total	**51,901**	**22,218**	**23,002**	**4,936**	**1,745**

Development of drinking water consumtion in absolute terms *(Fig. 5)*

	Financial year[1] 2009		Financial year[1] 2008		Financial year[1] 2007	
m³	**Figure**	**Change on 2008 in %**	**Figure**	**Change on 2007 in %**	**Figure**	**Change on 2006 in %**
Trianon ML16	22,218	–1	22,535	–18	27,397	–4
Prisma HS55	17,830	8	16,465	5	15,744	–2
TA 10	4,936	23	4,002	10	3,635	–31
Skyper TA 1	1,745	–1	1,771	9	1,622	–51
Total	**46,729**	**4**	**44,773**	**–7**	**48,397**	**–9**

[1] The financial year corresponds to the calendar year.

Water consumption

DekaBank uses water at its premises, primarily for sanitary facilities, air conditioning, cooling systems, company canteens, office plants and outside areas.

At 4%, water consumption rose slightly in the four Frankfurt/Main locations in 2009, whereas a reduction had been achieved in previous years. Specific water consumption per employee remained constant in the buildings with one exception. An increase of 8 litres per employee/day was determined for the Prisma building only (Fig. 4 and 5).

CO_2 emissions

The geographic system boundaries for calculating CO_2 emissions had to be selected on a variable basis last year due to different data availability.

Therefore, in 2009, efforts were made to extend data collection to include other locations of the DekaBank Group when calculating CO_2 emissions. Actual consumption figures are now available for the Luxembourg location. Figures for other smaller locations in Switzerland and Germany are projected based on employee numbers.

A 5% reduction in CO_2 emissions versus the levels calculated in 2008 was specified in the environmental programme for 2009. This reduction target was achieved. To clearly illustrate the attainment of this target, the emissions were also calculated for 2008 using the new system boundaries. As a result, a "footprint" is now reported for the four buildings in Frankfurt/Main, all locations in Germany and for the locations in Luxembourg and Switzerland.

When calculating the emissions for Germany, Luxembourg and Switzerland, the actual consumption figures were taken into account for the Luxembourg location, while the figures for the location in Switzerland were projected based on the number of employees (Fig. 6).

Time series analysis of greenhouse gas (GHG) emissions[1] *(Fig. 6)*

Tons	**2009**	**2008**
GHG direct	730	724
GHG indirect	10,912	11,810
GHG other indirect	2,615	2,692
Total	**14,257**	**15,226**

[1] including the other gases regulated in the Kyoto Protocol – methane (CH_4), nitrous oxide (laughing gas, N_2O), chlorofluorocarbons (CFC and HCFC), sulphur hexafluoride (SF_6)

Development of absolute waste volume *(Fig. 7)*

tons	Financial year[1] 2009 Figure	Financial year[1] 2009 Change on 2008 in %	Financial year[1] 2008 Figure	Financial year[1] 2008 Change on 2007 in %	Financial year[1] 2007 Figure	Financial year[1] 2007 Change on 2006 in %
Trianon Mainzer Landstrasse 16	124	–22	160	8	147	–8
Prisma Hahnstrasse 55	139	–5	146	19	123	8
Taunusanlage 10	4	11	4	–92	48	10
Skyper Taunusanlage 1	36	–12	41	4	39	–7
Total	**303**	**–14**	**350**	**–2**	**357**	**–1**

[1] The financial year corresponds to the calendar year.

Direct CO_2 emissions stem primarily from business trips using vehicles from the Bank's own vehicle fleet. Indirect CO_2 emissions from the consumption of electricity and district heating account for the largest share of CO_2 emissions by far. Other indirect CO_2 emissions are mainly produced from business trips using other modes of transport than the Bank's own vehicle fleet and from paper consumption.

Waste

The waste generated by financial service providers mainly comprises office waste such as paper.

DekaBank's total volume of waste in 2009 was substantially reduced by 14% as compared with 2008, significantly strengthening the positive trend since 2006. In terms of the number of employees, this is a sharp cut in the specific waste volume. Compared with other financial institutions, the specific volume of waste per employee is considerably lower at DekaBank. Only the relative recycling rate recorded negative development due to the decrease in waste for recycling in absolute terms (Fig. 7).

Sustainable HR management

Management approach

Only those companies that know how to utilise the individual expertise of their employees will be competitive the long term. To ensure our success even under difficult market conditions, we are already thinking about tomorrow.

Our goal is to offer our employees a safe and decent working environment based on trust that facilitates optimum performance and distinguishes DekaBank as an employer of choice. In principle, we comply with the laws in the countries in which we operate. Furthermore, we support our managers and executives with innovative HR tools in all areas.

For us, it is not just attractive remuneration that is important. A flexible work-life balance, comprehensive health management and regular opportunities for personal development are some of the targeted measures through which we combine the interests of the Bank with those of our employees.

Employee and management structure

On our path to a successful future, we are working on creating an integrative working environment, in line with the diversity approach. In the DekaBank Group, we consider diversity of our employees as an opportunity that should be taken into account, utilised and promoted. In order to increase the levels of satisfaction, integration and cooperation, we therefore intend to focus our HR policy more closely on the varied needs of our employees.

We, but also our customers and partners benefit from the diverse backgrounds, life experiences and talents of our more than 3,600 employees. Nowadays, the consistent appreciation and inclusion of the individual capabilities and skills of men and women, the old and the young, people with and without disabilities, as well as of employees of different ethnicities, cultures or sexual orientation are indispensible and of decisive value.

Companies that want to offer precisely tailored solutions to a varied customer base have to be aware of and understand the wide-ranging needs of their customers. The different personalities and experience of our employees play a major part in our ability to market our services to these groups on a targeted basis and successfully adopt innovative approaches.

In cooperation with an external partner, we are able to offer our employees crèche and daycare spaces, and can help arrange childcare in the event of an emergency. Our flexible working time arrangements enable both fathers and mothers to have more time for their families. This is demonstrated by the increase in the percentage of employees working part-time to 13.8% in 2010 (2009: 13.3%). At the same time, we make it particularly easy for our employees to return early from parental leave.

As a result of demographic developments, the issue of caring for family members is playing an increasingly important role. In such cases, we offer special support through our partners in the form of eldercare advice and arrangements.

The enriching potential and expertise of women in specialist and executive positions is also indispensible. That is why, as an employer, we have assigned ourselves the task of creating attractive framework conditions for our target group of qualified women. Special seminars support women in their individual career planning, and the issue of improving opportunities for women in executive positions is discussed at several events. The proportion of women in executive positions in the Group in Germany amounted to 14.1% in the reporting year. We intend to keep increasing this figure in the future (Fig. 8).

Proportion of women in management levels *(Fig. 8)*

in %	**December 2010 Group (Germany)**
1. Top management (M1)	8.0
2. Middle management (M2)	7.6
3. First level management (M3)	18.2
Total management	14.1
Total proportion of women	**38.6**

With regard to gender diversity, the Bank's Equal Opportunity Officers have also made good progress already. For instance, the *DekaFrauenFokus* (Deka Focus on Women) takes place several times a year, giving women a forum to discuss the topics that affect them. Important issues and solution approaches with regard to the work-life balance are also discussed at regular "toddlers and dads" and parents' group meetings.

The representative for severely disabled employees ensures that the particular concerns of employees with disabilities or restricted mobility are taken into account in day-to-day operations. In addition, we enable our employees with different religious backgrounds to use lounge rooms for prayers or meetings on religious topics.

Remuneration

In the DekaBank Group, 41.9% of employees are covered by collective bargaining or tariff agreements. Non-tariff contracts were concluded with 58.1% of the workforce (Fig. 9).

Breakdown of remuneration *(Fig. 9)*

in %	**2010**	**2009**	**2008**
Tariff employees	41.9	43.2	47.2
Non-tariff employees	58.1	56.8	52.8

We believe as a matter of principle that remuneration should be independent of gender. Remuneration is based solely on the employee's function and performance.

2010 was dominated by implementation of the current and foreseeable regulatory requirements, including alignment of our employees' wages with the new framework of the Bank Salary Regulation passed in October 2010 (DekaBank as financial institution), as well as the minimum requirements for risk management in asset management and investment companies (InVMaRisk) (investment companies). In this regard, there is even greater emphasis on the link between variable remuneration and the strategic corporate objectives of the Bank.

We continue to enable employees to include bonus payments, holiday leave and arranged overtime in working hours accounts so they can retire earlier or take temporary breaks in the form of a sabbatical. Furthermore, as along with the benefits provided by the employer under collective bargaining agreements, DekaBank grants additional benefits on a voluntary basis. These include group accident and corporate travel insurance, a "job ticket" travel card for employees at the Frankfurt/Main location and corresponding arrangements at other DekaBank Group sites, as well as capital-forming payments. Details on pension obligations can be found on pages 151 to 154 in the consolidated financial statements.

Personnel development and further training

A reliable and binding process is in place to support the development of our employees. As part of this process, we not only agree targets and define the support measures required to attain them, but also draw up individual development plans for employees. 98.4% of our employees attend regular target-setting meetings.

To maintain and enhance the skills and performance of our employees in long term, we set great store by their continuing professional development and further training. The “DekaBank Colleg” offers seminars to develop professional, personal and social skills, including project management, management expertise, IT skills and language courses. The leadership curriculum gives all managers in the Bank a uniform concept and understanding of management as well as core competencies that are required in actual management practice within the DekaBank Group. Furthermore, our employees can attend open training sessions run by external providers or receive support from the DekaBank Group for part-time qualification measures. Overall, the DekaBank Group’s financial expenses for continuing professional development and further training in Germany totalled €4.2m (commensurate with more than €1,400 per employee p.a.). These do not include expenses for further training that took place as part of projects.

Healthcare and health management for our employees

At DekaBank, health management takes a comprehensive approach which goes far beyond individual measures. Here we focus on the following four central pillars:

- Movement,
- Nutrition,
- Medicine and prevention,
- Mental health.

Health management offers employees a wide range of tailored initiatives within these four pillars: Preventive medical check-ups for executive staff, flu vaccinations, regular workplace inspections to evaluate ergonomic aspects, presentations on healthy eating, courses about back care and exercises, health days and the Bank’s own Deka Health Centre all help prevent illnesses and health-related problems that affect performance.

The introduction of the Employee Assistance Programme (EAP) in mid-2010 represents a key component in the prevention of mental stress and illnesses. In difficult situations, both professional and personal, all employees and any family members in their household can talk to doctors, psychologists and other consultants from an independent advisory service – free of charge. Both the contact with the service and any advice given are treated in the strictest confidence and upon request can be handled on a completely anonymous basis. DekaBank is therefore addressing the trend, which studies have corroborated, that mental health problems are becoming the main reason for absence due to illness.

Company integration management also helps prevent lengthy illness-related absences. The support we provide for the employees concerned in order to help them regain their ability to work goes beyond the statutory requirements.

The average illness rate for employees at DekaBank Group locations in Germany was 3.6% in the reporting period.

Auditing

In 2005 we took part in the “*audit berufundfamilie*” – an initiative of *berufundfamile GmbH*. Our personnel policy is certified as family friendly, and this certification was reaffirmed in 2008. Another re-audit is scheduled for 2011.

Our health management system was awarded the *Prädikat* seal in the autumn of 2009 and the *Exzellenz* seal in the autumn of 2010. The initiators of the Corporate Health Awards – Handelsblatt, TÜV Süd and EuPD Research – certify companies that demonstrably show above-average commitment to the health of their employees and pursue a forward-looking, sustainable HR strategy. Consequently, this certifies the outstanding level of corporate health management at the DekaBank Group, which is among the best in the country and ranks second place in the Finance/Insurance category.

Sustainable banking products

Management approach

Alongside yield, risk and liquidity, consideration of sustainable aspects has meanwhile become the fourth variable in asset management. And not just for classic sustainability products such as the fund of funds DekaSelect: Nachhaltigkeit, but fundamentally across all investment topics and products. After all, sustainability means both risk and opportunity at the same time – and the issue is becoming increasingly more important.

Within the scope of our cooperation with the *Institut für Markt-Umwelt-Gesellschaft* (Institute for Market, Environment and Society – imug), we are meeting the growing social and ecological requirements of our customers, but also our own goals of minimising both corporate and social risks and utilising market opportunities through sustainable actions.

Sales support

Germany has 430 savings banks with a dense network of around 15,000 branches, some of which are in small communities. Savings bank customers in all areas of the country are therefore able to cover their investment requirements with Deka investment funds.

At the DekaBank Group, we do not believe that the concept of attractive financial services alone is enough. To ensure individual and targeted sales of our products, we see it as our responsibility to convey all product information in order to meet our customers' requirements.

Since investment advice for private investors is provided through the nationwide sales network of the *Sparkassen-Finanzgruppe*, the DekaBank Group supports the advisers with comprehensive product information and training as well as marketing and sales plans. Furthermore, to support the savings banks, which are our exclusive sales partners, we provide speakers as well as extensive informational material on our sustainable fund products during customer events on the topic of sustainability. We further develop this cooperation as part of our ongoing dialogue with the savings banks.

Naturally this is based on compliance with both legal and supervisory requirements, which is ensured through strict processes.

Asset management in securities

In addition to legal requirements and regulations, all of the products we manage also take account of sustainability criteria that go beyond purely economic aspects. We see sustainable actions and development as safeguarding the future, and thus as features of an attractive investment. That is why we express our viewpoint on sustainability aspects, as on other issues, through our voting rights.

Moreover, we have developed special sustainability products to meet the increased demand of our customers for financial investments that comply with very strict sustainability criteria.

- The fund of funds DekaSelect: Nachhaltigkeit invests exclusively in sustainable or ethical funds and takes into account specific ecological and sustainable investment considerations, such as environmental technology, renewable energy and micro-financing.

- The Deka UmweltInvest equity fund invests primarily in companies worldwide that operate in the fields of climate protection, environmental protection, water and renewable energies.

- The fund management of the Deka-Stiftungen Balance mixed fund works with the *Institut für Markt-Umwelt-Gesellschaft* (imug) in accordance with strictly formulated accepted SRI (socially responsible investment) criteria for sustainable investments. Companies which do not fulfil these criteria are explicitly excluded.

As at 31 December 2010, the volume of our investment funds geared towards sustainability totalled approximately €1.2bn. Over the year, DekaBank recorded growth of 82% in this investment segment. However, we do not want to measure ourselves by the number or volume of financial products, but by the strict and comprehensive implementation of our understanding and concept of sustainability in our products. We will continue to work on this in 2011 as well.

Asset management-related lending business

Transactions that do not meet our sustainability criteria are considered to be of higher risk and undesirable. The following transactions are subjected to a further, more in-depth audit:

- Financings relating to arms transactions (financing suppliers and production and trading companies) to countries or recipients in areas of conflict outside NATO.
- Financings, which give rise per se to significant risks for the environment (based on OECD environmental guidelines).
- Financing of projects which do not meet the requirements of the Equator Principles. These principles encompass socially and environmentally responsible standards and are based on the relevant guidelines of the International Finance Corporation (IFC), a World Bank subsidiary. After these principles had already been applied internally for two years, DekaBank officially implemented them at the start of 2011.
- Lending transactions where public reporting (including as a result of socio-cultural aspects) about the financing itself, about a business partner or business practice could adversely affect public trust in our Bank in the long term.

In 2010, a credit ceiling for the financing of investments in renewable energies was approved by the Board of Management.

DekaBank's role as Lead Manager for the micro-finance bond for sustainability-oriented investors issued by the KfW development bank in November 2010 is further proof of our commitment to the issue of sustainability in lending and investments.

Asset management in real estate

Both our tenants and our investors benefit from the implementation of sustainability standards in our real estate business. In this regard, we see the "green building" approach in our portfolio as a key performance driver for achieving an attractive long term yield.

The term "green building" describes buildings that are energy-efficient and therefore eco-friendly and which are designed, built and operated in conformity with health standards. The term is often used for buildings that in addition to ecological and social criteria, also meet economic requirements and thus minimise the lifecycle costs for the owners. All buildings held in our fund portfolios now have a building profile, which shows all the environmentally relevant building data. Reason enough for us to further increase our investment in audited or certified buildings in the future. Many of the properties we have recently acquired are already certified as "green buildings".

But our focus is not only on future investments, our existing portfolio was also analysed in respect of sustainability aspects. In addition to the 21 buildings already certified, the aim is to obtain the sustainability seal for the approximately 10 other buildings. In the medium term, around 40% of the existing portfolio is to be certified by 2015. In addition to this, energy passports are being developed in many European countries for the purpose of documenting consumption figures for properties.

Studies are also being conducted to determine how ecology and economy can be even better integrated. A good example of this is the successful letting of large flat roofs on our logistics properties, where photovoltaic units have been installed to produce energy, generating both ecological and economic benefits.

SME credit fund

With our *Mittelstandskreditfonds*, a credit fund for small and medium-sized enterprises (SME credit fund), we are supporting new loans to SMEs by the savings banks. Financial institutions can use the product to create financial leeway that preserves capital and liquidity and also facilitates the lending of larger credit volumes. By offering this attractive investment instrument, which is independent of the balance sheet, we are highlighting our role as the central asset manager for the *Sparkassen-Finanzgruppe* and helping to prevent credit crunches in the SME sector in Germany, thereby helping to retain jobs in many areas of the country.

Product initiatives

The "Climate and Finance" campaign week initiated at the start of 2010 by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) was supported by both the savings banks and DekaBank as part of a nationwide campaign aimed at promoting the acceptance of sustainable and, above all, climate friendly financial products.

The "*Gut*" umbrella campaign run by the *Sparkassen-Finanzgruppe* is currently and centrally used to raise awareness of sustainability in society – especially for sustainable banking products. DekaBank supports and assists in this campaign throughout Germany with initiatives, training and products.

Social responsibility

Management approach

In the tradition of the *Sparkassen-Finanzgruppe*, social responsibility is firmly enshrined in the corporate culture of DekaBank. It is based on a strategic decision that is welcomed and supported by the Board of Management and employees alike.

DekaBank's social responsibility is founded on two pillars: first, the commitment to provide support on the part of the *Sparkassen-Finanzgruppe* in Germany and secondly, the partnerships in our own area of activity. Here, we provide support for contemporary art and architecture, social projects and academic institutions.

Joint activities with the *Sparkassen-Finanzgruppe*

With substantial support from DekaBank, the *Sparkassen-Finanzgruppe* has been a partner of the German Olympic Sports Association (*Deutscher Olympischer Sportbund/* DOSB) since 2008. As a national sponsor, we supported the German Olympic team at the 2010 Winter Olympics in Vancouver. The partnership with the German Olympic Sports Association supplements the *Sparkassen-Finanzgruppe's* local support for popular sports with support for elite athletes as well.

The *Sparkassen-Finanzgruppe* has been the "official sponsor" of the *Staatliche Kunstsammlungen Dresden* (SKD) museum since 2006. Supported by DekaBank, the partnership aims to preserve this unique cultural heritage and make people aware of its extraordinary importance once again. The 450-year anniversary of the SKD and the reopening of the *Albertinum* were highlights for this partnership in 2010.

For the second time, following Weimar in 1999, another German city/region was distinguished as European Capital of Culture. As in 1999, the *Sparkassen-Finanzgruppe* once again supported this outstanding cultural event in 2010.

The *Sparkassen-Finanzgruppe* was not only the main sponsor of RUHR.2010, but was also the sponsor of the photography project. The "*Ruhrblicke. Fotografieprojekt der Sparkassen-Finanzgruppe*" photography exhibition in the Sanaa building at the *Zeche Zollverein* world heritage site was a real crowd-puller and was awarded top marks by both visitors and critics alike.

Support for architecture and contemporary art

In 2010, the International Highrise Award (IHA) was presented for the fourth time by DekaBank, the City of Frankfurt and the *Deutsches Architekturmuseum* (German Museum of Architecture) at the *Paulskirche* church in FrankfurtIMain. The 2010 award went to "The Met", a highrise residential building in Bangkok, for its pioneering, and above all, sustainable architecture. Boasting balconies covered in greenery on the outside of the building and open spaces cut crosswise into the body of the building, this highrise is distinguished by its great transparency. All 370 apartments enjoy light and air from all sides, allowing for particularly sustainable living conditions without the need for air conditioning – an unusual situation for tropical regions. Extremely efficient in both ecological and economic terms, the jury expects this structure "to prove groundbreaking on a global scale in the search for innovative local approaches to design."

The huge increase in the reporting on the prize in national and international media shows that the IHA has now moved up into the league of prestigious architectural awards. The related "Deka Highrise Lecture", featuring star architect Ole Scheeren, attracted a great deal of public interest in January 2010.

In February, six young artists were given the opportunity to use the "Skylight" building in Frankfurt/Main, owned by open-ended real estate mutual fund WestInvest InterSelect, for the video art exhibition "display. *Videokunst im öffentlichen Raum*".

Social commitment

At the start of 2010, the eighth centre for disadvantaged children from socially-deprived areas was opened in Germany by the charitable Christian organisation *Kinder- und Jugendhilfswerks Arche e. V.* with the support of DekaBank. Every day, staff from "*Die Arche*" care for 150 children in the Berthold-Otto primary school in Frankfurt-Griesheim. In addition to a range of other services, the children receive a free lunch and help with homework.

Since 2004, DekaBank has been supporting the Don Bosco Mission in its international work with children and young people. In 2010, the Catholic order received substantial immediate aid for the reconstruction of its school and educational facility in Haiti, which were destroyed by the earthquake. We also supported a children's hospital in Bolivia and the refurbishment of workshop and training premises for disadvantaged children and young people in Vienna, Austria.

In October 2010, employees from DekaBank took part for the first time in the Malteser Social Day with presentation and job application training for secondary school students. We will considerably expand this commitment in 2011.

We continued our exclusive support for the German Golf Charity Cup to benefit the non-profit organisation *Deutsche Krebshilfe e. V.* ("German Cancer Aid") in 2010. With 150 local tournaments, three regional playoffs and the national competition, the event raised donations totalling €300,000.00 for the charity.

For the last three years, we have been fostering the social commitment of our employees with twenty-five €1,000 donations each year. In the reporting year, 322 employees applied for these donations to support non-profit organisations in the social, sports or cultural field as part of the "DekaBank – *Engagiert vor Ort*" (DekaBank – Making a local commitment) initiative.

Support for academic institutions

To further expand the knowledge transfer between theory and practice, we represented the *Sparkassen-Finanzgruppe* with support for the Centre for Financial Studies at the House of Finance at the Goethe University in Frankfurt/Main. Since 2006, DekaBank has endowed a chair at the business faculties in both Bamberg (Financial Controlling) and Passau (Business Administration). Together with Landesbank Hessen-Thüringen, the Bank also finances an endowed professorship for civil law, commercial and business law – with a focus on banking law – at the Institute for Law and Finance at the Goethe University in Frankfurt/Main.

GRI Content Index

The Global Reporting Initiative (GRI) is an institution aimed at developing and disseminating globally applicable guidelines for sustainability reporting. In accordance with the GRI, companies report on the principles and indicators they apply to their economic, environmental and social commitments and render them measureable.

It is our assessment that this report complies with GRI Application Level B (Fig. 10).

GRI Application Level *(Fig. 10)*

		C	C+	B	B+	A	A+
Mandatory	Self-declared		Report externally assured	✓	Report externally assured		Report externally assured
Optional	Third party checked		Report externally assured		Report externally assured		Report externally assured
Optional	GRI checked		Report externally assured		Report externally assured		Report externally assured

The GRI Content Index (Fig. 11) indicates where (key) and in which publications DekaBank provides the standard disclosures under the current GRI Guidelines (G3) and the supplementary disclosures for financial service providers (Financial Services Sector Supplement, FSSS).

Key: MR XX – MR XX: pages in Annual Report / section Group Management Report
SR XX – SR XX: pages in Annual Report / section Sustainability Report
FS XX – FS XX: pages in Annual Report / section Consolidated Financial Statements
C 1 – C 6: cover pages in Annual Report

Status: ● Fully reported
◗ Partly reported
○ Not reported

Further sources of information: For further information on GRI go to www.globalreporting.org.
For the full version of DekaBank's sustainability strategy and Environmental Report go to www.dekabank.de.

GRI Content Index *(Fig. 11)*

GRI Standard Disclosures		Key	Status
Strategy and analysis			
1.1	Statement from the most senior decision-maker	MR 22 – MR 23, MR 26, SR 78	●
1.2	Description of key impact, risks and opportunities regarding sustainability	MR 26, SR 78 – SR 79	●
Organisational profile			
2.1	Name of the company	MR 18	●
2.2	Brands, products and/or services	MR 19 – MR 21, MR 23 – MR 26, SR 89 – SR 91	●
2.3	Business units and corporate structure	MR 19 – MR 21	●
2.4	Location of headquarter	MR 19	●
2.5	Countries in which the group operates	MR 19	●
2.6	Ownership structure and legal form	MR 19	●
2.7	Markets served	MR 19 – MR 21	●
2.8	Scale of reporting organisation	C 2, MR 33 – MR 44, FS 100 – FS 105	●
2.9	Significant changes during reporting period regarding size, structure or ownership of company	C 2, MR 19	●
2.10	Awards received in the reporting period	MR 38, MR 40, MR 42, MR 47, SR 88	●
Report parameters			
3.1	Reporting period	SR 79	●
3.2	Date of most recent previous report	SR 79	●
3.3	Reporting cycle	SR 79	●
3.4	Contact point for questions regarding corporate sustainability reporting	SR 97	●
3.5	Process for defining report content (including materiality, priorities)	SR 79	●
3.6	Boundary of the report	SR 79	●
3.7	Presentation of any specific limitations on the scope of the report	SR 79	●
3.8	Basis for reporting on joint ventures, subsidiaries etc.	SR 79	●
3.9	Data measurement techniques and the bases of calculations	SR 79	●
3.10	Changes in presentation of information compared with previous reports	SR 78, SR 83	●
3.11	Changes with regard to topics included and measurement methods applied compared with earlier reports	SR 84	●
3.12	GRI Content Index	SR 92 – SR 97	●
3.13	Third party assurance		○
Governance, commitments and engagement			
4.1	Governance structure incl. responsibility for sustainability	MR 19, SR 78 – SR 79	●

GRI Standard Disclosures		Key	Status
4.2	Independence of Chairman of Supervisory Board	MR 19	●
4.3	For organisations without a Supervisory Board: details of the number of members of the highest governance body	MR 19	●
4.4	Opportunities for shareholders and employees to have an influence and provide recommendations or direction to the highest governance body	MR 19, SR 79 – SR 80, SR 82	●
4.5	Link between compensation for senior managers and achievement of sustainability targets	SR 87 – SR 88	●
4.6	Processes in place for executive bodies to avoid conflicts of interest	SR 81 – SR 82	●
4.7	Qualifications and expertise of executive bodies with regard to sustainability	MR 19	●
4.8	Mission statement and corporate values	MR 22 – MR 28, SR 79, SR 81 – SR 82	●
4.9	Procedures at Management/Supervisory Board level to oversee sustainability performance	SR 79	●
4.10	Processes for evaluating the sustainability performance of the Management Board	SR 81	●
4.11	Implementation of the precautionary principle	SR 81 – SR 86, SR 88	●
4.12	Participation in and support for external initiatives	SR 91 – SR 92	●
4.13	Memberships in associations and advocacy organisations	SR 80 – SR 81	●
4.14	Company's stakeholder groups	SR 80 – SR 81	●
4.15	Basis for identification of stakeholders	SR 80	●
4.16	Approaches for stakeholder dialogue (type/frequency)	SR 80 – SR 81	●
4.17	Response to stakeholder concerns	SR 80 – SR 81	●

Financial services sector specific performance indicators: Impact of our products and services

FS1	Description of environmental and social principles and values for business units	SR 79, SR 81 – SR 82	●
FS2	Procedures for assessing and screening environmental and social risks in business units	SR 80, SR 83, SR 88 – SR 90	●
FS3	Processes for monitoring clients' implementation of environmental and social requirements	SR 82 – SR 83, SR 90	●
FS4	Process(es) for improving staff competency to identify environmental and social risks and opportunities	SR 80, SR 81 – SR 82, SR 88	●
FS5	Interactions with customers and other stakeholder groups regarding environmental and social risks and opportunities	SR 80, SR 89	●
FS6	Percentage of the portfolio for business units by specific region, size and sector	MR 33 – MR 44	●
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business units broken down by purpose	SR 89	◗
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business units broken down by purpose	SR 89	◗
FS9	Scope and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	SR 83, SR 88	●
FS10	Percentage and number of companies held in the financial institution's portfolio with which the institution has interacted on environmental or social issues	SR 79	●
FS11	Percentage of assets subject to environmental or social valuation	SR 89	●
FS12	Voting policies applied to environmental or social issues for shares over which the financial institution holds the right to vote shares or advises on voting	SR 89	●

Economic performance indicators

EC1	Economic value generated and distributed	MR 33 – MR 35	●
EC2	Financial implications due to climate change	SR 89	●
EC3	Company social benefits and pension obligations	SR 87 – SR 88, FS 126 – FS 127	●
EC4	Financial assistance and subsidies received from government	none	●
EC5	Range of ratios of standard entry-level wages compared with local minimum wages at significant locations of operation	not relevant	

GRI Standard Disclosures		Key	Status
EC6	Payments to locally-based suppliers	not relevant	
EC7	Procedures for local hiring for senior positions	not relevant	
EC8	Infrastructure investments and services provided primarily for public benefit	none	●
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts		○

Environment performance indicators

EN1	Weight or volume of materials used	SR 84	●
EN2	Percentage of all materials that are recycled input materials	SR 84	○
EN3	Direct energy consumption: primary energy source	SR 84	●
EN4	Indirect energy consumption: primary energy source purchased for producing energy	SR 84	●
EN5	Energy saved due to conservation and efficiency improvements	SR 84	●
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	not relevant	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	not relevant	
EN8	Total water withdrawal by source	SR 85	●
EN9	Water sources significantly affected by withdrawal of water	not relevant	
EN10	Percentage and total volume of water recycled and reused		○
EN11	Land used in protected areas	none	●
EN12	Significant impact of activities in protected areas	none	●
EN13	Habitats protected or restored	not relevant	
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	not relevant	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	not relevant	
EN16	Greenhouse gas emissions	SR 85 – SR 86	●
EN17	Other indirect greenhouse gas emissions	SR 85 – SR 86	●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	SR 78, SR 82 – SR 83	●
EN19	Ozone-depleting substances by weight		○
EN20	NOx SOx and other air emissions by weight	SR 85 – SR 86	●
EN21	Total water discharge by quality and destination		○
EN22	Total weight of waste by type and disposal method	SR 86	●
EN23	Number and volume of spills of hazardous materials such as oils, chemicals etc.	not relevant	
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII and percentage of transported waste shipped internationally	not relevant	
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	not relevant	
EN26	Initiatives to mitigate environmental impact of products and services	SR 82 – SR 83	●
EN27	Percentage of products whose packaging is reused	not relevant	
EN28	Fines/sanctions for non-compliance with environmental laws and regulations	none	●
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce		○
EN30	Total environmental protection expenditures and investments by type		○

GRI Standard Disclosures		Key	Status
Social performance indicator: Labour practices and decent work			
LA1	Total workforce by employment type, employment contract and region	MR 46	◗
LA2	Employee turnover	MR 46	●
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		○
LA4	Percentage of employees covered by collective bargaining agreements	SR 87	●
LA5	Notice periods regarding significant operational changes	SR 81	●
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	not relevant	
LA7	Rates of injury, absenteeism and total number of work-related fatalities	SR 88	◗
LA8	Prevention and risk-control programmes regarding serious diseases	MR 47, SR 88	●
LA9	Health and safety topics covered in formal agreements with trade unions		○
LA10	Average hours of training per year per employee	SR 88	◗
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		○
LA12	Percentage of employees receiving regular performance and career development reviews	SR 88	●
LA13	Diversity of senior management and employee structure	MR 46, SR 86 – SR 87	●
LA14	Average remuneration by sex and employee category	SR 87	◗
Social performance indicators: Human rights			
HR1	Percentage and number of investment decisions that include human rights clauses or have undergone human rights screening	SR 81, SR 89 – SR 90	●
HR2	Percentage of suppliers that have undergone human rights screening	SR 80, SR 82 – SR 83	●
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	not relevant	
HR4	Incidents of discrimination and action taken	none	●
HR5	Operations having significant risk regarding the freedom of association and collective bargaining and action taken to protect this right	none	●
HR6	Operations having significant risk for incidents of child labour and action taken	SR 81	●
HR7	Operations having significant risk for incidents of forced or compulsory labour and action taken	SR 81	●
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	not relevant	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	not relevant	
Social performance indicators: Society			
SO1	Mitigation of negative impact of business operations on local communities	not relevant	
FS13	Access to financial services in low-populated or economically disadvantaged regions by type	SR 89	●
FS14	Initiatives to improve access for people with disabilities or restricted mobility	SR 86 – SR 87	◗
SO2	Percentage/number of business units analysed for corruption-related risks	SR 81 – SR 82	●
SO3	Percentage of employees trained in anti-corruption procedures	SR 81 – SR 82	●
SO4	Action taken in response to incidents of corruption	SR 81 – SR 82	●
SO5	Policy positions and participation in public policy development and lobbying	SR 80 – SR 81	●
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	none	●
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	none	●
SO8	Fines/sanctions for non-compliance with laws and regulations	none	●

GRI Standard Disclosures		Key	Status
Social performance indicators: Product responsibility			
FS15	Responsibility regarding structure and sale of financial products and services	SR 89	●
PR1	Health and safety impact of products and services	not relevant	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes	not relevant .	
PR3	Type of product and service information required by law	SR 89	●
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	none	●
PR5	Practices relating to customer satisfaction including results of surveys	SR 80	●
PR6	Programmes for adherence to laws and voluntary codes in advertising	SR 89	●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes	none	●
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	none	●
PR9	Sanctions for non-compliance with laws and regulations relating to products and services	SR 89	●

Contact point for questions regarding corporate sustainability reporting

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Report of the Administrative Board

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

Key issues of Administrative Board meetings

In 2010, four meetings of the Administrative Board took place, during which the Board of Management informed the Administrative Board about the Bank's current business trend and profit performance, the risk position as well as the Group's strategic direction. The Administrative Board approved the Board of Management's planning proposal for the period from 2011 to 2013. In accordance with the minimum requirements for risk management for the lending business of banks, the Board of Management also reported on and discussed the business and risk strategies with the Administrative Board. The internal audit department's activity report and the remuneration report for financial year 2009 were also submitted to the Administrative Board.

Between meetings, the Board of Management informed the Administrative Board of significant events in writing. Important topics and pending decisions were discussed in regular meetings between the Chairman of the Administrative Board and the Chairman of the Board of Management.

The Administrative Board received regular reports about the repercussions of developments in the international capital markets for the earnings, liquidity and risk position of the Bank, as well as the management measures taken by the Board of Management.

In addition, the Administrative Board monitored current and planned projects within DekaBank. The Board of Management explained to the Administrative Board the planned, multi-year investment programme for the realignment and new direction of IT, and the Administrative Board had the suitability of the programme evaluated within the scope of an external expert opinion.

The Administrative Board also discussed the takeover of WestLB International S.A. as well as the private customer operations of LBBW Luxembourg S.A. in Luxembourg by DekaBank Deutsche Girozentrale Luxembourg S.A. and approved the acquisition in both cases.

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 in the main Board meetings. The two committees' tasks are specified in the Administrative Board's rules of procedure.

The General Committee met five times in the past year, focusing primarily on DekaBank's business model and the strategic development of the company. It also dealt with Board of Management matters, including periodic contract renewals and remuneration. It passed the relevant resolutions in its capacity as a loan approval body.

The Audit Committee met four times in 2010. It conducted a detailed review of the financial statements and the consolidated financial statements. It also verified the requisite independence of the auditors, commissioned the auditors to perform their audit based on the specified focal points and concluded an agreement on their fees.

The Audit Committee also extensively reviewed the DekaBank Group's accounting and risk management systems and obtained reports on the audit activities of the internal audit department and the Compliance unit. The Audit Committee conducted a detailed examination of DekaBank's risk situation and the impact of the financial market crisis. This examination included credit, market price, liquidity and operational risks as well as other types of risk, such as business and shareholding risks and legal and reputation risks. Further key topics comprised the process chain for exchange traded funds (ETF) and the market environment for the DekaBank Group's open-ended property funds.

The Chairman or the Deputy Chairman of the Audit Committee reported to the Administrative Board on a regular basis concerning the Committee's results and recommendations.

The Administrative Board resolved to set up a Credit Committee with effect from 1 January 2011. This additional committee comprises four members of the Administrative Board. The Credit Committee supports DekaBank's lending business and has taken over the function as the loan approval body from the General Committee.

Audit and approval of 2010 financial statements and consolidated financial statements

The DekaBank Shareholders' Meeting appointed PwC PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for the 2010 financial year. PwC audited the 2010 financial statements of DekaBank and management report as well as the consolidated financial statements, including the notes and Group management report, and issued an unqualified audit opinion for them.

The specified financial documents and reports of PwC were promptly forwarded to the members of the Administrative Board. 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. Based on the final result of its review, there were no objections.

The Administrative Board approved the 2010 financial statements and submitted a proposal to the Shareholders' Meeting regarding the appropriation of the accumulated profit.

Changes in the Administrative Board

Klaus-Dieter Gröb and Dr. Siegfried Naser resigned from the Administrative Board during the course of and at the end of financial year 2010 respectively. Stefan Ermisch was a member of the Administrative Board from 1 March to 14 April 2010.

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

During the reporting year, Klemens Breuer, Gerd Häusler, Roland Schäfer, Helmut Schleweis and Theo Zellner were appointed as new members of the Administrative Board.

Government oversight of DekaBank is exercised by the Federal Minister of Finance, who can appoint a state commissioner and deputy state commissioner. He did not exercise this right in financial year 2010.

DekaBank has performed well in an extraordinarily difficult environment and closed financial year 2010 with pleasing results. These results reflect the successful work of the employees and the Board of Management of DekaBank. The Administrative Board would like to thank them for their effort and considerable personal commitment.

Frankfurt/Main, 7 April 2011

Heinrich Haasis
Chairman of the Administrative Board

Consolidated financial statements

Statement of comprehensive income

for the period from 1 January to 31 December 2010

€m	Notes	2010	2009	Change	
Interest and similar income		3,468.5	3,769.1	–300.6	–8.0%
Interest expenses		3,121.5	3,316.4	–194.9	–5.9%
Net interest income	[31]	347.0	452.7	–105.7	–23.3%
Provisions for loan losses	[32]	52.0	–352.4	404.4	114.8%
Net interest income after provisions for loan losses		399.0	100.3	298.7	297.8%
Commission income		2,443.1	2,280.2	162.9	7.1%
Commission expenses		1,381.4	1,300.2	81.2	6.2%
Net commission income	[33]	1,061.7	980.0	81.7	8.3%
Trading profit or loss	[34]	293.9	354.7	–60.8	–17.1%
Profit or loss on financial instruments designated at fair value	[35]	1.4	–43.3	44.7	103.2%
Profit or loss from fair value hedges in accordance with IAS 39	[36]	–1.1	–10.0	8.9	89.0%
Profit or loss on financial investments	[37]	–14.8	–26.3	11.5	43.7%
Administrative expenses	[38]	835.9	806.0	29.9	3.7%
Other operating profit	[39]	–27.5	–29.2	1.7	5.8%
Net income before tax		876.7	520.2	356.5	68.5%
Income taxes	[40]	201.5	149.6	51.9	34.7%
Interest expenses for atypical silent capital contributions		27.5	22.2	5.3	23.9%
Net income		647.7	348.4	299.3	85.9%
Of which:					
Attributable to non-controlling interests		0.0	37.9	–37.9	–100.0%
Attributable to the shareholders of DekaBank		647.7	310.5	337.2	108.6%
Profit or loss on available-for-sale financial instruments not recognised in income		–1.1	1.0	–2.1	–210.0%
Profit or loss on available-for-sale financial instruments recognised in income		0.0	–0.2	0.2	100.0%
Profit or loss on available-for-sale financial instruments		–1.1	0.8	–1.9	–237.5%
Net change in revaluation reserve for cash flow hedges		–21.2	0.0	–21.2	n/a
Change in deferred taxes not recognised in income		5.9	–0.2	6.1	(> 300%)
Currency translation adjustments		7.5	0.7	6.8	(> 300%)
Other consolidated income		–8.9	1.3	–10.2	(< –300%)
Net income for the period under IFRS		638.8	349.7	289.1	82.7%
Of which:					
Attributable to non-controlling interests		0.0	37.9	–37.9	–100.0%
Attributable to the shareholders of DekaBank		638.8	311.8	327.0	104.9%

Balance sheet
as at 31 December 2010

€m	Notes	31.12.2010	31.12.2009	Change	
Assets					
Cash reserves	[41]	621.1	285.7	335.4	117.4%
Due from banks	[14], [42]	39,310.3	38,834.7	475.6	1.2%
(net after provisions for loan losses amounting to)	[15], [44]	(385.8)	(374.5)	11.3	3.0%
Due from customers	[14], [43]	27,411.1	23,863.4	3,547.7	14.9%
(net after provisions for loan losses amounting to)	[15], [44]	(205.1)	(256.2)	–51.1	–19.9%
Financial assets at fair value	[17], [45]	56,555.1	63,214.4	–6,659.3	–10.5%
(of which deposited as collateral)		(5,325.1)	(7,118.9)	–1,793.8	–25.2%
Positive market values from derivative hedging instruments	[18], [46]	252.1	206.4	45.7	22.1%
Financial investments	[19], [47]	5,634.1	6,034.6	–400.5	–6.6%
(net after provisions for loan losses amounting to)		(10.5)	(9.6)	0.9	9.4%
(of which deposited as collateral)		(1,703.5)	(114.2)	1,589.3	(> 300%)
Intangible assets	[20], [48]	100.5	118.7	–18.2	–15.3%
Property, plant and equipment	[21], [49]	36.4	39.9	–3.5	–8.8%
Income tax assets	[23], [50]	97.0	278.8	–181.8	–65.2%
Other assets	[22], [51]	286.1	406.7	–120.6	–29.7%
Total assets		130,303.8	133,283.3	–2,979.5	–2.2%
Liabilities					
Due to banks	[24], [52]	29,508.6	23,225.8	6,282.8	27.1%
Due to customers	[24], [53]	21,369.8	23,773.4	–2,403.6	–10.1%
Securitised liabilities	[24], [54]	24,095.7	25,047.2	–951.5	–3.8%
Financial liabilities at fair value	[17], [55]	47,876.8	53,784.4	–5,907.6	–11.0%
Negative market values from derivative hedging instruments	[18], [56]	531.0	495.3	35.7	7.2%
Provisions	[25], [26], [57], [58]	244.9	355.3	–110.4	–31.1%
Income tax liabilities	[23], [59]	307.0	398.1	–91.1	–22.9%
Other liabilities	[27], [60]	729.3	670.8	58.5	8.7%
Subordinated capital	[28], [61]	1,480.0	1,980.6	–500.6	–25.3%
Atypical silent capital contributions	[29], [62]	52.4	52.4	0.0	0.0%
Equity	[30], [63]	4,108.3	3,500.0	608.3	17.4%
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		3,604.7	2,987.5	617.2	20.7%
d) Revaluation reserve		–13.9	2.5	–16.4	(< –300%)
e) Currency translation reserve		11.6	4.1	7.5	182.9%
f) Accumulated profit/loss (consolidated profit)		28.6	28.6	0.0	0.0%
g) Minority interests		0.7	0.7	0.0	0.0%
Total liabilities		130,303.8	133,283.3	–2,979.5	–2.2%

Statement of changes in equity
for the period from 1 January to 31 December 2010

€m	Paid-in equity		Group equity generated	
	Subscribed capital	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 31.12.2008	286.3	190.3	2.630.6	28.6
Net income for the year				386.3
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	–	–	–	386.3
Changes in the scope of consolidation and other changes			−0.8	
Allocation to reserves from retained earnings			357.7	−357.7
Distribution				−28.6
Holdings as at 31.12.2009	286.3	190.3	2.987.5	28.6
Net income for the year				647.7
Currency translation adjustments				
Net change in revaluation reserve for cash flow hedges				
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	–	–	–	647.7
Changes in the scope of consolidation and other changes			−0.1	−1.8
Allocation to reserves from retained earnings			617.3	−617.3
Distribution				−28.6
Holdings as at 31.12.2010	286.3	190.3	3.604.7	28.6

Other consolidated income				
Revaluation reserve	Currency translation reserve	Total before minority interests	Minority interests	Equity
1.9	3.4	3.141.1	98.8	3.239.9
		386.3	–37.9	348.4
	0.7			
1.0				
–0.2				
–0.2				
0.6	0.7	1.3	–	1.3
0.6	0.7	387.6	–37.9	349.7
		–0.8	–60.2	–61.0
		–	–	–
		–28.6	–	–28.6
2.5	4.1	3.499.3	0.7	3.500.0
		647.7	–	647.7
	7.5			
–21.2				
–1.1				
–				
5.9				
–16.4	7.5	–8.9	–	–8.9
–16.4	7.5	638.8	–	638.8
		–1.9		–1.9
		–	–	–
		–28.6	–	–28.6
–13.9	11.6	4.107.6	0.7	4.108.3

Cash flow statement
for the period from 1 January to 31 December 2010

	€m	31.12.2010	31.12.2009
Net income		**647.7**	**348.4**
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	–23.2	367.8
	on intangible assets and property, plant and equipment	32.8	41.7
+/–	Allocation to/reversal of provisions	34.1	131.2
+/–	Profit or loss from fair value hedges in accordance with IAS 39	1.1	10.0
+/–	Other non-cash items	357.6	287.4
+/–	Profit or loss on the disposal of financial investments and property, plant and equipment	0.1	0.0
+/–	Other adjustments	–912.2	–1.086.8
=	**Sub-total**	**138.0**	**99.7**
Change to assets and liabilities arising from operating activities			
+/–	Due from banks	–474.2	4.890.1
+/–	Due from customers	–3.525.3	5.456.6
+/–	Financial assets at fair value	6.519.1	–5.453.1
+/–	Financial investments	407.9	969.1
+/–	Other assets arising from operating activities	251.3	–37.7
+/–	Due to banks	6.264.3	–6.959.1
+/–	Due to customers	–2.408.5	–9.893.7
+/–	Securitised liabilities	–899.3	–1.977.7
+/–	Financial liabilities at fair value	–6.250.3	11.151.9
+/–	Other liabilities arising from operating activities	–126.2	–284.5
+	Interest received	4.374.7	3.705.5
+	Dividends received	131.1	42.8
–	Interest paid	–3.304.0	–2.364.1
–	Income tax payments	–194.9	–10.9
Cash flow from operating activities		**903.7**	**–665.1**
+	Proceeds from the disposal of		
	equity investments	0.0	0.3
	intangible assets	0.0	1.7
–	Disbursements for the purchase of		
	financial investments classified as held to maturity	–4.2	–458.8
	equity investments	–0.1	–6.2
	shares in investments accounted for using the equity method	–8.9	–4.0
	intangible assets	–9.1	–9.9
	property, plant and equipment	–2.1	–1.9
+	Proceeds from the disposal of shares in affiliated, non-consolidated companies	0.1	0.0
–	Disbursements for the purchase of shares in affiliated, non-consolidated companies	–3.8	–0.1
+/–	Changes in scope of consolidation	–1.7	3.0
Cash flow from investing activities		**–29.8**	**–475.9**
–	Payments to company owners and minority interests	–25.4	–1.3
–	Dividends paid	–28.6	–28.6
–	Outflow of funds from subordinated capital	–484.5	–0.4
+/–	Changes in scope of consolidation	0.0	–0.3
Cash flow from financing activities		**–538.5**	**–30.6**
=	Changes to cash and cash equivalents	335.4	–1.171.6
+/–	Other effects	0.0	0.1
+	Cash and cash equivalents at the start of the period	285.7	1.457.2
Cash and cash equivalents at the end of the period		**621.1**	**285.7**

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 [41]).

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.

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

The cash flow statement is of minor importance for banks as it does not provide any information about the actual liquidity position. For details of DekaBank Group's liquidity risk management, please see the risk report.

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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 IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) apply. Account is 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, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes. DekaBank has applied the "one statement approach" in accordance with IAS 1.81 and publishes a statement of comprehensive income.

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

Amendments to IFRS 3 and IAS 27

On 12 June 2009, the European Union incorporated the amended standards IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements) into Community law. The amendments to IFRS 3 relate in particular to the reporting of acquisition-related costs for business combinations, accounting for minority interests, contingent purchase price payments and successive company acquisitions. As part of the revision of IAS 27, changes were made to the accounting for changes in shareholdings with and without loss of control as well as new regulations on the allocation of losses between group and minority companies. The amendments were applied for the first time in the reporting year and there was no material impact on the consolidated financial statements.

IFRS 9

In November 2009, the International Accounting Standards Board (IASB) published the IFRS 9 standard (Financial Instruments) regulating the categorisation and recognition of financial instruments. The amendments provide in future two categories for the measurement of financial assets – measurement at amortised cost and measurement at fair value. In October 2010, IFRS 9 was extended to include accounting for financial liabilities and derecognition of financial instruments. With the exception of the regulations for liabilities voluntarily measured at fair value, the regulations of IAS 39 were adopted unchanged. The supplements to IFRS 9 are to be applied as of 2013. The standard has not yet been incorporated into Community law by the European Union and is therefore not relevant for the current consolidated financial statements.

Other IFRS amendments to be applied for the first time in financial year 2010 also had no impact, or no material impact, on the consolidated financial statements. Standards and interpretations published by IASB and IFRIC, which have so far only been partly adopted by the European Union and do not have to be applied until subsequent financial years, were not applied early. They will have no impact, or no material impact, on the consolidated financial statements.

Segment reporting

[1] Explanation of segment reporting

In accordance with IFRS 8, the segment reporting is based on the management approach. This requires that the segment information is presented in line with the internal reporting as submitted to the "Chief Operating Decision Maker" on a regular basis for decision-making, resource allocation and performance assessment purposes.

In principle, the DekaBank Group's management reporting is based on the IFRS reporting standards. As net income before tax is only conditionally suitable for internal managing the business divisions, in 2005 the economic result was defined as the central management indicator. In line with the requirements of IFRS 8, since 2007 the economic result has also been included in the external reporting as material segment information.

In addition to net income before tax, the economic result comprises changes in the revaluation reserve as well as the interest rate and currency-related valuation result from original lending business and underwriting business. This essentially refers to financial instruments of the loans and receivables and held to maturity category, which are measured at amortised cost in the consolidated financial statements and whose valuation result is also included in internal reporting. Consequently, the existing economic hedges which do not meet the criteria for hedge accounting under IAS 39 or for which hedge accounting may not be applied, are illustrated in full for internal management purposes. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in reconciliation to Group income before tax in the "reconciliation" column.

The following segments correspond to the business division structure of the Group as also used in internal reporting. The segments are defined by the different products and services of the Group:

Asset Management Capital Markets

The segment Asset Management Capital Markets consists of all the Group's activities concerning capital market-based asset management for private and institutional customers. In addition to funds and structured investment concepts, the product range also includes products from selected international cooperation partners. The Group's investment funds cover all the major asset classes, sometimes in conjunction with guaranteed, discount and bonus structures. The offering for private retirement pensions encompasses fund-based *Riester* and *Rürup* products. The segment also comprises advisory, management and asset management mandates for institutional customers as well as Institutional Sales. The range of services offered by the segment also includes the Master KAG activities, which institutional customers can use to pool their assets under management with one investment company. The Asset Management Capital Markets segment also comprises services for custodial accounts, fund administration as well as central fund management services.

Asset Management Property

All property-related activities of the DekaBank Group are pooled in the Asset Management Property segment. This encompasses property investment products for private and institutional investors. The product range includes open-ended mutual and special property funds, individual property funds, property funds of funds as well as real estate finance and infrastructure finance funds. The segment also includes the purchase and sale of property, management of these assets including all other property-related services (real estate management) as well as product development of Group-wide property-based activities. Real Estate Lending completes the Asset Management services offered with financial solutions for third parties, thus offering professional property investors various exit routes.

Corporates & Markets

The Corporates & Markets segment comprises the lending activities that are suitable for Asset Management, the trading and sales activities of Capital Markets and Treasury business. The segment acts as a central service provider for intra-Group and external Asset Management customers. Short-term products are a major focus of the trading and sales activities, as is the structuring of equity and interest rate derivatives for funds and savings banks. The Corporates & Markets segment also encompasses all activities relating to exchange traded funds (ETFs) covering product development, management, market making and ETF sales. The lending business comprises the management and product launch of credit assets, e.g. trade/export finance, public sector and infrastructure financing, which are suitable for Asset Management or meet the needs of institutional customers. In addition, Corporates & Markets includes liquidity positioning and liquidity risk management as well as asset/liability management.

Corporate Centres/Other

Income and expenses that are not attributable to the other reporting segments are reported under Corporate Centres/Other. These essentially relate 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.

[2] Segmentation by operating business divisions

	Asset Management Capital Markets		Asset Management Property		Corporates & Markets	
			Economic result			
€m	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Net interest income[2)]	31.4	20.5	72.4	77.5	250.9	307.2
Net risks	–	–	–14.4	–82.7	12.2	–178.9
Net commission income	799.1	714.7	164.7	165.8	96.3	94.4
Net financial income[3)]	–18.2	–20.2	–6.4	–2.9	117.0	513.3
Other income	–12.3	–27.1	–24.1	1.8	4.2	0.3
Total income	**800.0**	**687.9**	**192.2**	**159.5**	**480.6**	**736.3**
Administrative expenses (including depreciation)	368.5	362.4	135.2[4)]	142.7[4)]	233.1	218.3
Restructuring expenses[5)]	3.5	8.9	1.9	–2.6	0.4	0.8
Total expenses	**372.0**	**371.3**	**137.1**	**140.1**	**233.5**	**219.1**
(Economic) result before tax	**428.0**	**316.6**	**55.1**	**19.4**	**247.1**	**517.2**
Cost/income ratio[6)]	0,46	0,53	0,65	0,59	0,50	0,24
Group risk (Value-at-risk)[7)]	396	312	200	210	1,461	1,571
Assets under management	132,471	130,115	22,751	21,128	5,030	4,654
Gross loan volume under Section 19 (1) KWG	–	–	7,756	7,104	128,170	131,712

[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)] The Asset Management Capital Markets segment includes interest income of €125.0m and interest expenses of €93.6m. In principle, the interest result is managed on the basis of surplus amounts.
[3)] This includes income from trading positions, non-trading financial income, income from other financial investments as well as income from repurchased debt instruments.

Non-core business

Credit portfolios and structured capital market credit products that are less suitable for product solutions in Asset Management are reported as non-core business. The segment includes trade and export finance not covered by government export credit insurance, leveraged financing as well as structured capital market credit products such as asset or mortgage-backed securities, collateralised loan obligations and synthetic products, which are monitored and managed separately.

In principle, income and expenses are allocated on a source-specific basis to the relevant segment on the basis of a defined allocation key. In the reporting year, the allocation of expenses included expenses previously reported in the Corporate Centres/Other segment and now allocated on a source-specific basis to the respective reporting segments. Furthermore, earnings components previously shown under other income in internal management reporting are now reported under net financial income in line with the comprehensive income statement. The figures for the previous year were adjusted accordingly.

The services exchanged between segments, the cross-divisional organised savings banks sales and the Corporate Centres are provided on the basis of reciprocal agreements between service provider and recipient. The valuation is carried out in principle at market prices with the segments trading with each other like external suppliers.

Corporate Center/ Other[1]		Total core business		Non-core business		Group		Reconciliation		Group	
Economic result				Economic result		Economic result				Net income before tax	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
8.0	2.0	362.7	407.2	59.3	65.8	422.0	473.0	– 75.0	– 20.3	347.0	452.7
–	–	– 2.2	– 261.6	54.2	– 90.8	52.0	– 352.4	–	–	52.0	– 352.4
– 0.5	1.8	1,059.6	976.7	2.1	4.1	1,061.7	980.8	–	– 0.8	1,061.7	980.0
80.5	– 10.1	172.9	480.1	78.0	– 87.9	250.9	392.2	28.5	– 117.1	279.4	275.1
3.5	31.3	– 28.7	6.3	0.1	–	– 28.6	6.3	– 1.9	– 3,4	– 30.5	2.9
91.5	**25.0**	**1,564.3**	**1,608.7**	**193.7**	**– 108.8**	**1,758.0**	**1,499.9**	**– 48.4**	**– 141.6**	**1,709.6**	**1,358.3**
88.4	64.4	825.2	787.8	10.7	18.2	835.9	806.0	–	–	835.9	806.0
– 9.1	24.6	– 3.3	31.7	0.3	0.4	– 3.0	32.1	–	–	– 3.0	32.1
79.3	**89.0**	**821.9**	**819.5**	**11.0**	**18.6**	**832.9**	**838.1**	**–**	**–**	**832.9**	**838.1**
12.2	**– 64.0**	**742.4**	**789.2**	**182.7**	**– 127.4**	**925.1**	**661.8**	**– 48.4**	**– 141.6**	**876.7**	**520.2**
–	–	0.53	0.42	0.08	– 1.01	0.49	0.44				
–	–	2,057	2,093	662	824	2,718	2,917				
–	–	160,252	155,897	–	–	160,252	155,897				
79[8]	79[8]	136,005	138,895	6,618	8,135	142,623	147,030				

[4] This includes goodwill amortisation of €15.7m (previous year: €25.0m) and provisions for property used by the Bank amounting to €17.5m (previous year: €12.6m).
[5] Restructuring expenses are reported in the consolidated financial statements under other operating profit.
[6] Calculation of the cost/income ratio excluding restructuring expenses and net risks.
[7] Value-at-risk with confidence level of 99.9% and holding period of 1 year as at 31 December. Differences in the totals are due to rounding off.
[8] The gross loan volume includes equity investments not allocated to the respective segments but illustrated separately in the Corporate Centres/Other segment.

In addition to the economic result, assets under management represent another key ratio for the operating segments. Assets under management primarily comprise the income-relevant fund assets of the mutual and special funds under management in the AMK and AMI business divisions. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner fund, third party fund and liquidity portions of fund-based asset management as well as advisory and management mandates. The passively managed exchange traded funds (ETFs) are reported in the Corporates & Markets business division. Assets under management refer to customer funds under management. Assets under management also include DekaBank's own portfolios of €2,624.3m (previous year: €2,764.6m). These mainly relate to start-up financing for newly launched funds as well as market maker holdings for ETF trading.

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 (including revocable lending commitments) subject to default risk and excluding provisions for loan losses.

Reconciliation of segment results to the consolidated financial statements

The reporting and measurement differences between internal reporting and IFRS net income before tax amounts to €48.4m (previous year: €141.6m) in the financial year.

The valuation result not recognised in income amounted to €59.3m (previous year: €105.7m) in the financial year. Of this, €33.8m (previous year: €87.5m) relates to the interest rate and currency-related valuation results from original lending and underwriting business. €25.5m (previous year: €18.2m) refer to securities in the held to maturity category which are countered by valuation results from the corresponding interest rate swaps in IFRS net income before tax.

The Bank hedges future credit margins on fixed-interest and variable interest foreign currency loans (original position) against currency fluctuations. The accounting and valuation rules for cash flow hedges were applied to economic hedges for the first time in the reporting year. The valuation result for hedging instruments (€–21.2m) is reported accordingly in the revaluation reserve with no impact on income and thus as part of the economic result. The change in the revaluation reserve for available for sale portfolios (31 December 2010: €–1.1m; previous year: €0.8m) is also shown in the economic result.

The other reconciliation amounts shown in the reconciliation column refer to reporting differences between management reporting and the consolidated financial statements. Of these, €75.0m (previous year: €20.3m) relates to internal derivatives which are reported in the economic result in net interest income and the corresponding contrary income effects in net financial income. There are also reporting differences in net financial income and other income from the different allocation of income effects from buying back own issues.

[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.

	Germany		Luxembourg		Other		Total Group	
€m	2010	2009	2010	2009	2010	2009	2010	2009
Income	1,200.5	917.5	497.2	433.2	11.9	7.6	1,709.6	1,358.3
Net income before tax	555.0	259.8	316.3	258.7	5.4	1.7	876.7	520.2
Long-term segment asset[1)]	132.6	154.1	2.8	3.3	1.5	1.1	136.9	158.5

[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 indicated otherwise, 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.

[5] Scope of consolidation

In addition to DekaBank as the parent company, the consolidated financial statements include a total of 11 (previous year: 11) German and 7 (previous year: 8) foreign subsidiaries, in which DekaBank directly or indirectly holds more than 50% of the voting rights. In addition, the scope of consolidation includes 14 special funds (previous year: 11) as well as one mutual fund (previous year: 1).

The newly established Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main,was included in the scope of consolidation, along with the special funds A-DGZ 11-FONDS SICAV-SIF, Luxembourg, A-DGZ 13-FONDS, Luxembourg, A-DKBankLUX1-FONDS, Luxembourg and the sub-pool of assets of Deka Investors Investmentaktiengesellschaft A-DK Bonds 1-Fonds, Frankfurt/Main. The changes in the scope of consolidation do not materially affect the balance sheet or statement of comprehensive income of the DekaBank Group.

As in the previous year, a total of 22 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.

DekaBank Deutsche Girozentrale Luxembourg S.A. acquired the retail business of LBBW Luxembourg S.A. as at 1 January 2011. DekaBank secured the contract in a competitive bidding process. Also as at 1 January 2011, DekaBank Deutsche Girozentrale Luxembourg S.A. acquired WestLB International S.A. which is now trading under the name VM Bank International S.A., Luxembourg. Through the acquisition, DekaBank is ensuring that customers also continue to have access to the existing range of products and services as well as their established contact partners.

The mutual fund holdings in the DekaBank Group's own portfolio are not consolidated due to their minor importance. The significance for the presentation of the assets, financial position and earnings of the Group is assessed using simulation calculations. The units in the mutual funds are recognised at fair value through profit or loss. They are reported in the balance sheet under financial assets valued at fair value.

Equity investments in S Broker AG & Co. KG, Dealis Fund Operations GmbH and Luxemburger Leben S.A. (associated companies) and the equity investment in S PensionsManagement GmbH (joint venture company) are included in the consolidated financial statements using the equity method.

The subsidiaries, joint ventures, associated companies and 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 shareholdings (note [76]).

[6] Consolidation principles

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

Subsidiaries and 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 to the lower value (see note [48]). 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 statement of comprehensive income. From a Group perspective, minority interests in investment funds, insofar as they have a redemption right at any time, constitute debt capital and are thus reported under other liabilities.

Intragroup receivables and liabilities as well as expenses, income and interim results from intragroup 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 in line with IFRS rules for 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 mutual funds which are valued at fair value. These are shown in the balance sheet under financial assets 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. Valuation effects from financial instruments measured at fair value which have a settlement date after the reporting date are recognised in the income statement and reported under other assets or other liabilities respectively.

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 rewards have essentially been transferred. Financial assets are also derecognised if control or power of disposal has been transferred and the risks and opportunities from the financial assets essentially not retained. Financial liabilities are derecognised when the principal has been repaid in full.

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 with an impact on 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 derivatives unless they are hedging instruments.

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 sub-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.

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 39.47c and allocated to other liabilities. The present value of outstanding premium payments is netted out against the liability under the financial guarantee (equity approach).

Loan commitments where the resultant loan receivables are to be sold, or for which the fair value option is to be exercised, are measured at fair value through profit or loss in accordance with IAS 39. All other loan commitments are recorded off the balance sheet in accordance with the rules of IAS 37. If the creditworthiness analyses conducted indicate that a default by the borrower is probable, loan provisions are recognised in the amount of the best estimate of the expected expenditure.

[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.

These are based on bid prices for assets and on ask prices for liabilities. As DekaBank measures the whole portfolio at average prices, a corresponding adjustment is carried out at the respective valuation date which is recognised in income or under equity depending on the underlying financial instrument. During the reporting year, the estimates on which the bid/ask adjustment is based were revised and adjusted, taking greater account of portfolio-specific and instrument-specific features in line with empirical values from past accounting periods. This led to a positive effect on the profit for the period of around €70m.

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

Where unlisted, derivatives are measured using accepted models. Fair values for foreign exchange future contracts are determined on the basis of the future rates as at the reporting date. The fair value of credit default swaps is determined using standard valuation procedures (e.g. hazard rate and Copula models).

[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 be treated as a hedge in accordance with IAS 39 (hedge accounting).

In order to apply hedge accounting, 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. IAS 39 additionally requires proof of an effective hedge. 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. The effectiveness of the hedge is determined for each hedge both at the start and during the term of the hedge.

As part of its asset liability management, the DekaBank uses fair value hedges as defined in IAS 39. Interest rate swaps used to hedge the lending, securities and underwriting business and which meet hedge accounting criteria are essentially designated as hedging instruments. Only microhedges, where the hedging instruments can counter one or more similar underlying transactions, may be designated as hedges.

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. In principle, the effectiveness of the fair value hedges is monitored on a daily basis using regression analysis. If a hedge is no longer effective, it is cancelled. Monitoring of the effectiveness and any necessary hedge cancellations are carried out on a daily basis. The prospective effectiveness test is performed using the critical term match method.

The rules on cash flow hedge accounting were applied in the Group for the first time in the reporting year. The underlying transactions are future cash flows from foreign currency loans that are recognised in the income statement and are hedged against currency risks. Spot exchange deals and currency forwards are designated as hedging instruments.

In a cash flow hedge, the effective portion of the change in fair value of the hedging derivative is reported under equity (revaluation reserve for cash flow hedges) with no impact on income. The underlying transactions are measured and reported in accordance with the respective categorisation. The hedging instruments are shown in the balance sheet as positive or negative market values from derivative hedging instruments. The amounts recorded in the revaluation reserve are taken to income during the period in which the hedged future cash flow is also recognised in the income statement. The earnings components attributable to the ineffective portion of the hedge are recorded with an effect on income.

Daily reporting, which compares the expected future cash flows from the underlying transactions with the cash flows from the hedges, is used to measure the prospective effectiveness. The cash flow hedge is deemed to be effective if the future cash flows from the hedged transactions at least offset the cash flows from the hedges. If the future cash flows change (e.g. through unscheduled repayments, interest payment dates of loans), the hedge is adjusted directly, ensuring same-day effectiveness. To prove effectiveness retrospectively, monthly checks are conducted to determine whether the cash flows actually received correspond to the cash flows expected from the original hedge.

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 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, provided they would be independent financial instruments, would meet the criteria for a derivative.

In 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. Non-monetary items are converted in accordance with their respective valuation standard; non-monetary items valued at amortised cost are converted at the rate for the acquisition valuation (historical rate). Nonmonetary items carried at fair value are converted at the current reporting date rate like monetary items. The result from currency translation is recognised in the income statement under trading profit or loss (for the trading book portfolio) or in profit or loss from financial instruments designated at fair value (for the non-trading portfolio). In principle, income and expenses are converted at the mean spot rate on the day on which they are recognised in the income statement.

The financial statements of foreign subsidiaries prepared in a foreign currency are converted using the modified reporting date rate method. All assets and liabilities are converted at the reporting date rate. The items in the statement of comprehensive income 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 statement of comprehensive income), equity is converted on the basis of historical exchange rates at the time of acquisition by the Group. The resulting translation differences are 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. If the fair value option is applied, the transactions are reported under profit or loss from financial instruments designated at fair value.

In addition to genuine repurchase and lending agreements, the DekaBank Group carries out triparty transactions. Triparty repo and triparty lending transactions were concluded in the reporting year.

Triparty repo transactions are concluded between DekaBank and external counterparties via an agent. The triparty agent administers the transaction and manages the collateral. The default risk remains between the counterparties and is not transferred to the triparty agent.

In triparty lending transactions, securities transactions (lending or borrowing) are executed bilaterally between DekaBank and an external counterparty, with the collateral managed by a triparty agent. For accounting purposes, triparty transactions are treated in the same way as genuine repurchase and lending agreements.

[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 rewards 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 rental and lease agreements concluded by the DekaBank Group as lessee essentially comprise operating leases. The property, plant and equipment to which the operating leases relate are accordingly not reported in the balance sheet. The rental and lease instalments 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 and shown in other assets.

The DekaBank Group as lessor

As at the reporting date, there are no leases in place with companies in the DekaBank Group as lessor.

[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 apart from interest payments for receivables held for trading purposes (for portfolios in the trading book) which are reported in trading profit or loss. 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. 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 statement of comprehensive income.

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 and the actual nominal interest received, the recording of interest income from unwinding in the statement of comprehensive income is waived.

The portfolio valuation allowances for creditworthiness risks reflect the assumptions concerning impairments of the loan and securities portfolio that have already occurred at the reporting date but have not yet become known. The assessment base includes financial instruments in the loans and receivables and held to maturity categories. Portfolio valuation allowances are determined taking borrower ratings, counterparty default history and current economic development (expected loss) into account.

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 rates for valuation allowances.

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

[16] Risk provision for securitised instruments

At DekaBank, securitised instruments are primarily categorised as designated at fair value and are accordingly measured at fair value through profit or loss. Consequently only loans and receivables are to be regularly tested for impairment. In accordance with the regulations under IAS 39.59, the Bank has stipulated specific qualitative and quantitative impairment indicators for securitised instruments, which include trigger breaches in the pool, rating downgrades and significant negative changes in fair value resulting from creditworthiness. An impairment test must be carried out if such indicators arise.

To determine the recoverable amount, the future payment streams from the respective transactions are estimated and discounted using the original effective interest rate for fixed-interest products and using the nominal interest rate for non fixed-interest products. Product-specific special features are taken into account when estimating the cash flows. The main scenario input parameters, which are the constant default rate, constant prepayment rate and recovery rate, are determined when analysing the cash flow from granular transactions such as retail ABS especially. In contrast to ABS, a qualitative analysis with an individual assessment of each securitised loan is carried out for CMBS.

The impairment requirement is determined as the difference between the recoverable amount and the book value of the securities and recognised in the income statement under profit or loss on financial investments.

[17] 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 subcategory held for trading. These are financial instruments that have been acquired or issued with the intention of trading. 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, refinancing expenses and trading commission are also reported in trading profit or loss.

Designated at fair value

Financial assets and financial liabilities at fair value also include other financial instruments allocated on initial recognition 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 subcategory. 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.

[18] 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.

Hedging derivatives are valued at fair value using accepted valuation models based on observable measurement parameters. 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.

In a cash flow hedge, the effective portion of the change in fair value of the hedging derivative is reported under equity (revaluation reserve for cash flow hedges) with no impact on income. The amounts recorded in the revaluation reserve are recorded with an effect on income under profit or loss on financial investments measured at fair value during the period in which the hedged cash flow is also recognised in the income statement.

[19] Financial investments

Financial investments mainly include bonds that are negotiable on the stock exchange and other fixed interest securities, shares and other non fixed-interest securities, shares in subsidiaries, joint ventures and associated companies that are not consolidated as well as other equity investments.

The item financial investments comprises financial instruments in the loans and receivables, held to maturity and available for sale categories. Securities shown under loans and receivables or as held to maturity are reported at amortised cost. Financial assets in the available for sale category are reported at fair value. Interests in associated unlisted companies and other equity investments for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at cost in accordance with IAS 39.46c.

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. Valuation results from financial instruments in the available for sale category, after taking into account deferred taxes, are recorded directly under equity in the revaluation reserve.

Financial investments are regularly subject to an impairment test. A potential impairment on tradable securities in the loans and receivables, held to maturity and available for sale categories exists in principle if, as a result of a deterioration in the creditworthiness of the issuer, the market value of an instrument has fallen significantly below its cost of acquisition or if the drop in market value is long term.

If there is an impairment, a valuation allowance is to be recognised taking account of the expected payment streams from valuable collateral (guarantees, credit default swaps etc.). Impairments are recorded with an effect on income under profit or loss on financial investments. If the reasons for a previously recognised valuation allowance no longer apply, a write-up is to be reported for the debt instrument. 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.

If the result of the impairment test shows there is no need to recognise a specific valuation allowance, the corresponding financial investments in the loans and receivables and held to maturity categories are to be taken into account in the measurement basis for the portfolio valuation allowances. As with loans, portfolio valuation allowances for creditworthiness risks on financial investments are determined using the expected loss method. No portfolio valuation allowances are recognised for financial investments in the available for sale category.

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 annual 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 in accordance with the equity method, these are subject to an impairment test and if necessary, the equity value of the shares will be written down. Revaluations take place if the reasons for depreciation no longer apply through write-ups up to the recoverable amount, but at maximum only up to the amount of the book value that would have been applicable in the previous periods without the impairment losses. Impairments and revaluations are recognised in the income statement under profit or loss on financial investments.

[20] 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 external services.

As in the previous year, software developed in-house or purchased is amortised over four 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 statement of comprehensive income.

[21] Property, plant and equipment

In addition to plant and equipment, the item property, plant and equipment includes, in particular, land and buildings used for the company's own commercial activities. 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. As in the previous year, property, plant and equipment are depreciated on a straight line basis over the following periods in accordance with their estimated useful economic life:

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

For materiality reasons, economic assets as defined in Section 6 (2) Income Tax Act (EStG) have been written down in the year of acquisition in accordance with the tax regulations.

Impairment losses in excess of scheduled depreciation are recognised immediately as write-downs. 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.

[22] 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.

[23] 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 in each case. 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.

[24] 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.

[25] Provisions 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 projected 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 higher of the present value of the entitlements earned and the fair value of the plan assets 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 lifetime 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 defined contribution plans. Under the fund-based defined contribution plans, the contributions are provided by both employer and employee and are invested in investment funds. 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. 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 company retirement pensions 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 for the fund-based defined contribution plans consist primarily of fund assets allocated per individual employee and other assets to cover the biometric risks arising from benefits becoming due early and the additional financing risk. In addition, commitments under final salary plans and general contribution schemes were funded through the creation of ring-fenced plan assets using a CTA. This section of the plan assets is invested in a special fund with an investment strategy based on an integrated asset liability assessment. 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 the amount of the present value of the commitment. 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. Furthermore, employees of the DekaBank Group also have the option of paying into working hours accounts. The accounts are maintained in money and, like the defined benefit plans, are covered by plan assets in Deka Trust e.V. The amount carried in the balance sheet is the difference between the extent of the commitments and the fair value of the plan assets.

[26] 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.

[27] 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. The negative valuation effects from regular way financial instruments measured at fair value, of which the settlement date is after the reporting date, are also reported under other liabilities.

[28] Subordinated capital

Subordinated capital includes subordinated liabilities, profit-participation items and typical silent capital contributions. Silent capital contributions, which are 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.

[29] 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.

[30] Equity

Subscribed capital is the capital paid in by shareholders in accordance with the Bank's statutes. Capital reserves include premiums from the issue of shares in the company in accordance with the provisions of the Bank's statutes.

Reserves from retained earnings are broken down into statutory reserves, reserves required under the Bank's statutes 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 with no impact on income, 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.

The effective portion of the fair value changes in the hedging instruments from cash flow hedges is also reported in the revaluation reserve after taking account of any applicable deferred tax. The amounts recorded in the revaluation reserve are taken to income during the period in which the hedged future cash flows are also recognised in the income statement. The earnings components attributable to the ineffective portion of the fair value change in the hedging instruments are also recorded with an effect on income.

The differences arising from the conversion of financial statements of foreign subsidiaries prepared in a foreign currency are posted in the currency translation reserve.

Minority interests are shown as a separate sub-item under equity.

Notes to the statement of comprehensive income

[31] 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	2010	2009	Change
Interest income from			
Lending and money market transactions	1,612.7	2,112.4	–499.7
Interest rate derivatives (economic hedges)	1,060.7	846.6	214.1
Fixed-interest securities and debt register claims	559.5	725.8	–166.3
Hedging derivatives (hedge accounting)	103.6	61.1	42.5
Current income from			
Shares and other non fixed-interest securities	130.5	21.1	109.4
Equity investments	1.5	2.1	–0.6
Total interest income	**3,468.5**	**3,769.1**	**–300.6**
Interest expenses for			
Liabilities	1,197.1	1,574.9	–377.8
Interest rate derivatives (economic hedges)	1,215.3	781.2	434.1
Hedging derivatives (hedge accounting)	209.6	155.4	54.2
Securitised liabilities	408.1	688.7	–280.6
Subordinated capital	47.2	52.1	–4.9
Typical silent capital contributions	44.2	64.1	–19.9
Total interest expenses	**3,121.5**	**3,316.4**	**–194.9**
Net interest income	**347.0**	**452.7**	**–105.7**

The profit from the disposal of receivables amounting to €16.6m (previous year: €17.1m) is reported under interest income from lending and money market transactions.

In the reporting year, interest amounting to €9.4m (previous year: €9.4m) was collected on impaired loans and securities. 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 stood at €742.0m (previous year: €949.6m).

Overall, interest income of €1,741.5m (previous year: €2,224.3m) and interest expenses of €1,260.4m (previous year: €1,941.6m) were reported for financial assets and liabilities not measured at fair value.

[32] Provisions for loan losses

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

€m	2010	2009	Change
Allocations to provisions for loan losses	−34.6	−363.9	329.3
Direct write-downs on receivables	−2.5	–	−2.5
Reversals of provisions for loan losses	83.0	11.2	71.8
Income on written-down receivables	6.1	0.3	5.8
Provisions for loan losses	**52.0**	**−352.4**	**404.4**

[33] Net commission income

€m	2010	2009	Change
Commission income from			
Investment fund business	2,244.0	2,075.7	168.3
Securities business	125.9	134.8	−8.9
Lending business	37.3	32.7	4.6
Other	35.9	37.0	−1.1
Total commission income	**2,443.1**	**2,280.2**	**162.9**
Commission expenses for			
Investment fund business	1,353.9	1,279.1	74.8
Securities business	11.5	10.4	1.1
Lending business	13.0	7.6	5.4
Other	3.0	3.1	−0.1
Total commission expenses	**1,381.4**	**1,300.2**	**81.2**
Net commission income	**1,061.7**	**980.0**	**81.7**

Commission income is measured at the fair value of the consideration received or to be claimed. Fees from services and performance-related commission are recognised in the income statement if the service has been rendered or significant performance criteria have been met. Fees for services which are rendered over a particular period are recognised over the period in which the service is rendered.

Commission income from investment fund business essentially comprises management fees, asset management fees and sales commission. The vast majority of the net commission income stems from portfolio-related sustained commission relating to existing business. Performance-related remuneration and income from lump sum costs are also shown under commission income from investment fund business. The corresponding expenses relating to the lump sum costs are reported in the respective expenses item – mainly in administrative expenses – on a source-specific basis. The commission expenses for the investment fund business are primarily attributable to services provided by sales partners.

Commission expenses in the amount of €4.6 thousand (previous year: €68.6 thousand), which are not included when determining the effective interest rate, were incurred for financial instruments not measured at fair value through profit or loss.

[34] 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.

€m	2010	2009	Change
Sale result	–39.4	–228.7	189.3
Valuation result	–388.6	–27.8	–360.8
Net interest income and current income from trading transactions	737.7	626.6	111.1
Commission on trading transactions	–15.8	–15.4	–0.4
Trading profit or loss	**293.9**	**354.7**	**–60.8**

Net interest income from trading includes refinancing expenses of €250.5m (previous year: €322.8m). The valuation result of €–168.8m (previous year: €103.3m) was determined using valuation models.

[35] 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 subcategory as well as the profit or loss on derivatives in the banking book. In principle, the valuation results are determined using market prices. If no market prices are available, the market values are calculated based on current market data using standard valuation models.

€m	2010	2009	Change
Sale result	–31.9	–27.4	–4.5
Valuation result	47.1	–57.1	104.2
Foreign exchange profit or loss	–13.6	41.4	–55.0
Commission	–0.2	–0.2	–
Total	**1.4**	**–43.3**	**44.7**

The valuation result includes net expenses for the following line items of €46.4m (previous year: €83.6m) from creditworthiness-related changes in value:

€m	2010	2009	Change
Loans and receivables in the designated at fair value category	0.3	0.7	–0.4
Liabilities in the designated at fair value category	–46.7	–84.3	37.6
Total	**–46.4**	**–83.6**	**37.2**

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 €37.7m (previous year: €422.9m), which were determined using valuation models.

[36] 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	2010	2009	Change
Valuation result from hedged underlying transactions	–24.3	–89.3	65.0
Valuation result from hedging derivatives	23.2	79.3	–56.1
Total	**–1.1**	**–10.0**	**8.9**

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

[37] Profit or loss on financial instruments

€m	2010	2009	Change
Net income from the sale of			
Securities in the category			
Loans and receivables	0.4	–2.7	3.1
Available for sale	0.0	0.3	–0.3
Shares in affiliated companies	–0.1	–	–0.1
Net income from the sale of financial investments	**0.3**	**–2.4**	**2.7**
Depreciation as a result of impairment of investments accounted for using the equity method	–16.6	–24.8	8.2
Net income from investments valued using the equity method	2.4	1.8	0.6
Allocation to provisions for loan losses	–0.9	–5.7	4.8
Reversal of provisions for loan losses	–	4.8	–4.8
Net income from financial investments	**–14.8**	**–26.3**	**11.5**

Based on the current earnings forecast, DekaBank's equity interest in the S PensionsManagement Group produces a prorated result of €0.2m (previous year: €–0.3m). The difference between the projected and actual result for 2009, in the amount of €1.2m (previous year: €–1.0m), was recorded as income. As part of an indicative measurement of the equity interest as at 31 December 2010, a prorated value in use of €11.7m was ascertained and amortised accordingly.

In accordance with the preliminary financial statements of the company, a prorated positive result of €1.4m (previous year: €0.6m) from the equity investment in Dealis Fund Operations GmbH was included in the result from companies valued at equity in the reporting year.

The equity investment in Luxemburger Leben S.A. was included in the consolidated financial statements for the first time in the reporting year, using the equity method. In accordance with the preliminary financial statements of the company, a prorated negative result of €0.4m was included in the result from companies valued at equity. As part of an indicative measurement of the equity interest as at 31 December 2010, a prorated company value of €1.6m was ascertained and amortised accordingly.

[38] Administrative expenses

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

€m	2010	2009	Change
Personnel expenses			
Wages and salaries	324.9	316.0	8.9
Social security contributions	35.2	34.3	0.9
Allocation to/reversal of provisions for pensions and similar commitments	16.4	12.2	4.2
Expenses for defined contribution plans	2.0	2.1	–0.1
Other expenses for retirement pensions and benefits	0.8	2.9	– 2.1
Total personnel expenses	**379.3**	**367.5**	**11.8**
Other administrative expenses			
Marketing and sales expenses	32.4	37.5	–5.1
Computer equipment and machinery	66.0	59.5	6.5
Consultancy expenses	131.6	119.9	11.7
Costs of premises	58.6	58.0	0.6
Postage/telephone/office supplies as well as IT information services	33.7	35.5	–1.8
Other administrative expenses	101.4	86.4	15.0
Total other administrative expenses	**423.7**	**396.8**	**26.9**
Depreciation of property, plant and equipment	5.6	5.4	0.2
Depreciation of intangible assets	11.6	9.6	2.0
Impairment of intangible assets	15.7	26.7	–11.0
Administrative expenses	**835.9**	**806.0**	**29.9**

Other administrative expenses include in particular expenses for services relating to outsourced fund administration, travel costs, annual accounts and auditing costs 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	2010	2009	Change
Up to 1 year	46.5	46.0	0.5
Between 1 and 5 years	165.2	162.3	2.9
More than 5 years	101.1	140.1	–39.0

[39] Other operating income

The breakdown in other operating income is as follows:

€m	2010	2009	Change
Income from repurchased debt instruments	−1.9	−3.4	1.5
Other operating income			
Rental income	2.7	2.7	–
Reversal of other provisions	4.3	17.8	−13.5
Other income	47.8	57.9	−10.1
Total other operating income	54.8	78.4	−23.6
Other operating expenses			
Other taxes	6.4	15.8	−9.4
VAT from provision of intra-Group services	13.5	15.5	−2.0
Restructuring expenses	4.3	39.0	−34.7
Other expenses	56.2	33.9	22.3
Total other operating expenses	80.4	104.2	−23.8
Other operating income	−27.5	−29.2	1.7

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. Other income includes fee payments for trust transactions amounting to €947.1 thousand (previous year: €482.9 thousand).

[40] 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	2010	2009	Change
Current tax expense	180.2	105.6	74.6
Deferred taxes	21.3	44.0	−22.7
Total	201.5	149.6	51.9

The rate of tax that applies in Germany comprises the applicable corporation tax rate of 15% plus the solidarity surcharge of 5.5% and the respective rate of trade tax. As 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 26.21% (previous year: 26.21%). This tax rate is assumed as the expected tax rate in the reconciliation statement below. As in the previous year, the other domestic companies determine their deferred taxes at a tax rate of around 32%.

The foreign companies determine deferred taxes using the respective tax rate for the country in question. The tax rate amounts to 28.80% (previous year: 28.59%) for the DekaBank Luxembourg fiscal group.

The origination or reversal of temporary differences led to deferred tax assets of €8.7m, while deferred tax liabilities from the utilisation of tax loss carryforwards amounted to €30.0m.

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

€m	2010	2009	Change
IFRS – net income before tax	876.7	520.2	356.5
x income tax rate	26.21%	26.21%	
= Anticipated income tax expense in financial year	**229.8**	**136.3**	**93.5**
Increase from taxes on non-deductible expenses	8.6	16.5	–7.9
Decrease from taxes on tax-exempt income	47.4	6.7	40.7
Effects of differing effective tax rates	8.0	10.0	–2.0
Tax effects from past periods	–0.5	–9.9	9.4
Tax on joint ventures/partnerships	–0.2	–0.4	0.2
Tax effect of special funds	1.1	–3.9	5.0
Withholding tax	–1.2	3.7	–4.9
Tax effect of equity valuation	2.8	6.7	–3.9
Other	0.5	–2.7	3.2
Tax expenses according to IFRS	**201.5**	**149.6**	**51.9**

In addition to the effect from the unscheduled amortisation of goodwill relating to WestInvest Gesellschaft für Investmentfonds mbH, the non-deductible expenses also include trade tax additions.

The tax-exempt income is mainly attributable to the special funds held by DekaBank. In the previous year, the effects mainly related to the Luxembourg companies of the DekaBank Group.

As in the previous year, the tax impact of the at-equity valuation essentially relates to further amortisation of the equity interest in S PensionsManagement Group.

Notes to the consolidated balance sheet

[41] Cash reserves

The breakdown in cash reserves is as follows:

€m	31.12.2010	31.12.2009	Change
Cash on hand	4.2	4.3	–0.1
Balances with central banks	615.6	280.4	335.2
Balances with post office banks	1.3	1.0	0.3
Total	**621.1**	**285.7**	**335.4**

The balances with central banks include balances in the Deutsche Bundesbank of €511.8m (previous year: €247.7m). The required minimum reserve was constantly maintained in the reporting year and amounted to €238.4m (previous year: €226.4m) at the year-end.

[42] Due from banks

€m	31.12.2010	31.12.2009	Change
Domestic banks	29,780.0	31,485.6	–1,705.6
Foreign banks	9,916.1	7,723.6	2,192.5
Due from banks before risk provision	39,696.1	39,209.2	486.9
Provision for loan losses	–385.8	–374.5	–11.3
Total	39,310.3	38,834.7	475.6

DekaBank paid €6.9bn (previous year: €4.6bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower respectively.

[43] Due from customers

€m	31.12.2010	31.12.2009	Change
Domestic borrowers	9,533.6	9,676.7	–143.1
Foreign borrowers	18,082.6	14,442.9	3,639.7
Due from customers before risk provision	27,616.2	24,119.6	3,496.6
Provisions for loan losses	–205.1	–256.2	51.1
Total	27,411.1	23,863.4	3,547.7

DekaBank paid €4.9bn (previous year: €0.9bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower respectively.

[44] 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 allowances for country risks.

€m	31.12.2010	31.12.2009	Change
Provisions for loan losses – due from banks			
Specific valuation allowances	384.5	373.0	11.5
Portfolio valuation allowances for creditworthiness risks	1.3	1.5	–0.2
Provisions for loan losses – due from customers			
Specific valuation allowances	131.3	173.3	–42.0
Portfolio valuation allowances for country risks	15.1	20.7	–5.6
Portfolio valuation allowances for creditworthiness risks	58.7	62.2	–3.5
Total	590.9	630.7	–39.8

As at the reporting date, the total amount of non-performing loans stood at €742.0m (previous year: €949.6m). Provisions for loan losses amounting to €502.5m (previous year: €519.7m) were recognised for these loans. The total amount of financial assets whose contractual terms and conditions were renegotiated to avoid a payment delay or default amounted to €97.6m (previous year: €130.7m) in the reporting year.

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

€m	Opening balance 01.01.2010	Allocation	Utilisation	Reversal	Reclassi-fication	Currency effects	Closing balance 31.12.2010
Provisions for loan losses – due from banks							
Specific valuation allowances	373.0	–	–	–	11.4	0.1	384.5
Portfolio valuation allowances for creditworthiness risks	1.5	–	–	0.2	–	–	1.3
Sub-total	**374.5**	**–**	**–**	**0.2**	**11.4**	**0.1**	**385.8**
Provisions for loan losses – due from customers							
Specific valuation allowances	173.3	33.6	25.9	57.6	–	7.9	131.3
Portfolio valuation allowances for country risks	20.7	–	–	7.0	–	1.4	15.1
Portfolio valuation allowances for creditworthiness risks	62.2	0.3	–	3.8	–	–	58.7
Sub-total	**256.2**	**33.9**	**25.9**	**68.4**	**–**	**9.3**	**205.1**
Provisions for credit risks							
Specific risks	20.2	–	–	14.4	–	1.2	7.0
Portfolio risks	8.6	0.7	–	0.0	–	–	9.3
Sub-total	**28.8**	**0.7**	**–**	**14.4**	**–**	**1.2**	**16.3**
Total	**659.5**	**34.6**	**25.9**	**83.0**	**11.4**	**10.6**	**607.2**
Of which property risks	108.0	13.6	25.6	–	–	6.6	102.6
Of which transport & trade finance	57.1	–	–	15.0	–	2.8	44.9
Of which Corporates	–	39.3	0.3	–	–	0.9	39.9

€m	Opening balance 01.01.2009	Allocation	Utilisation	Reversal	Reclassi-fication	Currency effects	Closing balance 31.12.2009
Provisions for loan losses – due from banks							
Specific valuation allowances	181.4	159.1	–	–	32.5	–	373.0
Portfolio valuation allowances for creditworthiness risks	2.5	–	–	1.0	–	–	1.5
Sub-total	**183.9**	**159.1**	**–**	**1.0**	**32.5**	**–**	**374.5**
Provisions for loan losses – due from customers							
Specific valuation allowances	66.9	161.7	51.7	2.1	–	–1.5	173.3
Portfolio valuation allowances for country risks	24.2	0.8	–	3.6	–	–0.7	20.7
Portfolio valuation allowances for creditworthiness risks	33.3	28.9	–	–	–	–	62.2
Sub-total	**124.4**	**191.4**	**51.7**	**5.7**	**–**	**–2.2**	**256.2**
Provisions for credit risks							
Specific risks	14.0	11.0	–	4.5	–	–0.3	20.2
Portfolio risks	6.3	2.4	–	0.1	–	–	8.6
Sub-total	**20.3**	**13.4**	**–**	**4.6**	**–**	**–0.3**	**28.8**
Total	**328.6**	**363.9**	**51.7**	**11.3**	**32.5**	**–2.5**	**659.5**
Of which transport & trade finance	53.2	16.4	11.3	–	–	–1.2	57.1
Of which utility and project finance	51.1	95.1	32.1	–	–	0.1	114.2
Of which property risks	34.8	83.0	8.3	–	–	–1.5	108.0

Key ratios for provisions for loan losses:

%	2010	2009
Reversal/allocation ratio as at reporting date[1] (Quotient from net allocation and lending volume)	0.10	–0.67
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.05	0.10
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.09	0.11
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	1.25	1.25

[1] Reversals ratio shown without leading sign.

The calculations of the key ratios are based on the following lending volume:

€m	31.12.2010	31.12.2009
Due from banks[1]	23,839.7	26,239.3
Due from customers[1]	21,709.6	22,754.4
Contingent liabilities	570.8	648.3
Irrevocable lending commitments	2,278.7	2,715.2
Total	**48,398.8**	**52,357.2**

[1] Excluding money transactions

Provision for loan losses by risk segment:

	Valuation allowances and provisions[1] for loan losses		Loan defaults[2]		Net allocations to[3]/reversals of valuation allowances and provisions for loan losses	
€m	31.12.2010	31.12.2009	2010	2009	2010	2009
Customers						
Property risks	102.6	108.0	26.1	8.0	–13.6	–83.0
Utility & project finance	21.3	114.2	–	32.1	93.1	–95.1
Transport & trade finance	44.9	57.1	–	11.3	15.0	–16.4
Equity investments	3.0	3.0	–	–	–	–
Corporates	39.9	–	0.4	–	–39.3	–
Public infrastructure	8.6	2.5	–	–	–6.2	–0.1
Other	1.1	0.2	–	–	–0.8	0.1
Total customers	221.4	285.0	26.5	51.4	48.2	–194.5
Banks	385.8	374.5	–4.3	–	0.2	–158.1
Total	607.2	659.5	22.2	51.4	48.4	–352.6

[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

[45] 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	31.12.2010	31.12.2009	Change
Held for trading			
Promissory note loans	50.1	21.6	28.5
Money market securities	489.9	1,904.6	–1,414.7
Bonds and debt securities	16,272.8	19,912.4	–3,639.6
Shares	346.4	810.1	–463.7
Investment fund units	2,415.6	2,823.1	–407.5
Participating certificates	2.5	–	2.5
Other non fixed-interest securities	47.9	18.1	29.8
Positive market values from derivative financial instruments (trading)	19,161.6	18,448.3	713.3
Other trading assets	31.9	–	31.9
Total – held for trading	**38,818.7**	**43,938.2**	**–5,119.5**
Designated at fair value			
Amounts due from securities repurchase agreements	2,532.6	2,538.7	–6.1
Promissory note loans	66.4	83.0	–16.6
Bonds and debt securities	11,896.0	13,358.4	–1,462.4
Shares	10.1	7.3	2.8
Investment fund units	544.1	516.0	28.1
Participating certificates	5.1	11.8	–6.7
Positive market values from derivative financial instruments (economic hedges)	2,682.1	2,761.0	–78.9
Total – designated at fair value	**17,736.4**	**19,276.2**	**–1,539.8**
Total	**56,555.1**	**63,214.4**	**–6,659.3**

The maximum default risk for loans and receivables in the designated at fair value category amounts to €66.4m (previous year: €83.0m) as at the reporting date.

Loans and receivables in the designated at fair value category include cumulative creditworthiness-related value adjustments of €+0.3m (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	31.12.2010	31.12.2009	Change
Bonds and other fixed-interest securities	26,689.6	32,302.6	–5,613.0
Shares and other non fixed-interest securities	2,783.7	3,552.7	–769.0

[46] Positive market values from derivative hedging instruments

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

€m	31.12.2010	31.12.2009	Change
Fair value hedges			
Assets			
Due from banks			
Loans and receivables category	4.7	3.1	1.6
Due from customers			
Loans and receivables category	11.7	15.6	–3.9
Liabilities			
Due to banks	16.6	10.8	5.8
Due to customers	115.3	80.0	35.3
Securitised liabilities	74.5	74.0	0.5
Subordinated capital	29.3	22.9	6.4
Total fair value hedges	**252.1**	**206.4**	**45.7**

The hedging instruments referred chiefly to interest rate swaps.

[47] Financial investments

€m	31.12.2010	31.12.2009	Change
Loans and receivables			
Bonds and other fixed-interest securities	2,223.6	2,629.0	–405.4
Held to maturity			
Bonds and other fixed-interest securities	3,262.4	3,256.5	5.9
Available for sale			
Bonds and other fixed-interest securities	96.1	94.7	1.4
Shares and other non fixed-interest securities	0.2	0.2	–
Equity investments	31.9	31.5	0.4
Shares in affiliated, non-consolidated companies	6.0	2.3	3.7
Shares in associated companies, not valued at equity	–	0.3	–0.3
Shares in companies valued at equity	24.4	29.7	–5.3
Financial investments before risk provision	**5,644.6**	**6,044.2**	**–399.6**
Risk provision	–10.5	–9.6	–0.9
Total	**5,634.1**	**6,034.6**	**–400.5**

The concerted action by the Federal Republic of Germany and a syndicate of renowned German banks and insurance companies to support the Hypo Real Estate Bank AG Group was extended in December 2010. To this end, a €16.0bn bond was issued by FMS Wertmanagement Anstalt des öffentlichen Rechts, which is wholly-owned by the Financial Market Stabilisation Fund (SoFFin). DekaBank participated in this follow-up financing in the amount of €640.3m.

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	31.12.2010	31.12.2009	Change
Bonds and other fixed-interest securities	4,466.7	5,497.9	–1,031.2
Shares and other non fixed-interest securities	0.1	0.1	–

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

€m	Equity investments	Shares in affiliated companies	Shares in associated companies	Shares in companies valued at equity	Total
Historical cost					
As at 1 January 2009	30.6	5.3	0.3	120.1	156.3
Additions	6.2	0.1	–	3.9	10.2
Disposals	0.3	–	–	–	0.3
Reclassifications and other changes	–5.0	–0.1	–	5.1	–
Change in scope of consolidation	–	–3.0	–	–	–3.0
As at 31 December 2009	31.5	2.3	0.3	129.1	163.2
Additions	0.1	3.8	–	8.9	12.8
Disposals	–	0.1	–	–	0.1
Reclassifications and other changes	0.3	–	–0.3	–	–
As at 31 December 2010	31.9	6.0	–	138.0	175.9
Cumulative amortisation/changes in value					
As at 1 January 2009	–	–	–	76.4	76.4
Amortisation/impairment	–	–	–	24.8	24.8
Result from companies valued at equity				1.8	1.8
As at 31 December 2009	–	–	–	99.4	99.4
Amortisation/impairment	–	–	–	16.6	16.6
Result from companies valued at equity				2.4	2.4
As at 31 December 2010	–	–	–	113.6	113.6
Book value as at 31 December 2009	**31.5**	**2.3**	**0.3**	**29.7**	**63.8**
Book value as at 31 December 2010	**31.9**	**6.0**	**–**	**24.4**	**62.3**

There are no officially listed market prices for companies valued at equity in the Group. An impairment in the equity investment in S PensionsManagement GmbH was ascertained on the basis of a valuation report as part of an impairment test. Accordingly, the book value of the equity investment was written down to €11.7m. Similarly, the book value of the equity investment in Luxemburger Leben S.A. was written down to €1.6m based on a valuation report.

[48] Intangible assets

€m	31.12.2010	31.12.2009	Change
Purchased goodwill	78.0	93.7	–15.7
Software			
Purchased	8.4	9.1	–0.7
Developed in-house	14.1	15.9	–1.8
Total software	22.5	25.0	–2.5
Total	100.5	118.7	–18.2

The full amount of the goodwill shown relates to the holding in WestInvest Gesellschaft für Investmentfonds mbH. DekaBank's holding is 99.74% in total. The goodwill is allocated to the Asset Management Property division as a cash-generating unit.

In the reporting year, an impairment test was performed to assess the recoverability of the 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 five-year period on the basis of internal forecasts and past empirical values, particularly for the future development of assets under management and the proportional gross lending volume. In addition, an annuity in line with the forecast for 2015 and a long-term growth rate of 1.0% were taken into account. This was discounted at a capitalisation rate of 10.15%. The book value of the goodwill was written down by the determined impairment of around €15.7m, to €78.0m.

The following table shows the movement in intangible assets:

€m	Purchased goodwill	Software – purchased	Software developed in-house	Total software	Total
Historical cost					
As at 1 January 2009	145.4	76.9	54.5	131.4	276.8
Additions	–	4.2	5.7	9.9	9.9
Disposals	–	2.5	–	2.5	2.5
As at 31 December 2009	145.4	78.6	60.2	138.8	284.2
Additions	–	4.0	5.1	9.1	9.1
Change in currency translation		0.8	–	0.8	0.8
As at 31 December 2010	145.4	83.4	65.3	148.7	294.1
Cumulative amortisation					
As at 1 January 2009	25.0	65.5	39.3	104.8	129.8
Unscheduled amortisation	26.7	–	–	–	26.7
Scheduled amortisation	–	4.7	5.0	9.7	9.7
Disposals	–	0.7	–	0.7	0.7
As at 31 December 2009	51.7	69.5	44.3	113.8	165.5
Unscheduled amortisation	15.7	–	–	–	15.7
Scheduled amortisation	–	4.7	6.9	11.6	11.6
Change in currency translation	–	0.8	–	0.8	0.8
As at 31 December 2010	67.4	75.0	51.2	126.2	193.6
Book value as at 31 December 2009	93.7	9.1	15.9	25.0	118.7
Book value as at 31 December 2010	78.0	8.4	14.1	22.5	100.5

[49] Property, plant and equipment

€m	31.12.2010	31.12.2009	Change
Land and buildings	14.6	15.1	–0.5
Plant and equipment	18.8	20.3	–1.5
Technical equipment and machines	3.0	4.5	–1.5
Total	36.4	39.9	–3.5

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

€m	Land and buildings	Plant and equipment	Technical equipment and machines	Total
Historical cost				
As at 1 January 2009	28.0	49.5	62.9	140.4
Additions	–	0.4	1.4	1.8
Disposals	–	0.1	1.9	2.0
As at 31 December 2009	28.0	49.8	62.4	140.2
Additions	–	0.6	1.6	2.2
Disposals	–	0.6	0.3	0.9
Change in currency translation	–	1.2	0.5	1.7
Change in scope of consolidation	–	–0.5	–	–0.5
As at 31 December 2010	28.0	50.5	64.2	142.7
Cumulative amortisation				
As at 1 January 2009	12.5	27.4	56.9	96.8
Scheduled amortisation	0.4	2.1	2.9	5.4
Disposals	–	–	1.9	1.9
As at 31 December 2009	12.9	29.5	57.9	100.3
Scheduled amortisation	0.5	2.0	3.1	5.6
Disposals	–	0.6	0.3	0.9
Change in currency translation	–	1.2	0.5	1.7
Change in scope of consolidation	–	–0.4	–	–0.4
As at 31 December 2010	13.4	31.7	61.2	106.3
Book value as at 31 December 2009	**15.1**	**20.3**	**4.5**	**39.9**
Book value as at 31 December 2010	**14.6**	**18.8**	**3.0**	**36.4**

[50] Income tax assets

€m	31.12.2010	31.12.2009	Change
Current income tax assets	82.2	5.6	76.6
Deferred income tax assets	14.8	273.2	–258.4
Total	**97.0**	**278.8**	**–181.8**

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.

Nearly all of the tax loss carryforwards in the previous year related to DekaBank. These were almost all utilised in the reporting year. At the reporting date, deferred tax assets of €0.6m were recognised for a loss carryforward at one foreign business operation.

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

€m	31.12.2010	31.12.2009	Change
Assets			
Due from banks	0.4	–	0.4
Due from customers	–	0.1	–0.1
Financial assets at fair value	25.8	15.2	10.6
Financial investments	4.4	3.0	1.4
Other assets	4.8	0.2	4.6
Liabilities			
Due to banks	0.7	1.0	–0.3
Due to customers	21.4	13.0	8.4
Securitised liabilities	19.9	217.3	–197.4
Financial liabilities at fair value	569.4	1,469.2	–899.8
Negative market values from derivative hedging instruments	118.4	1.3	117.1
Provisions	23.8	47.6	–23.8
Other liabilities	10.8	13.3	–2.5
Loss carryforwards	**0.6**	**30.6**	**–30.0**
Sub-total	**800.4**	**1,811.8**	**–1,011.4**
Netting	–785.6	–1,538.6	753.0
Total	**14.8**	**273.2**	**–258.4**

The deferred tax assets include €1.4m (previous year: €41.9m) which are medium or long-term in nature. At the reporting date, no deferred tax had been recognised at two Group companies for tax loss carryforwards (total of loss carryforwards not taken into account: €0.6m). There were no further temporary differences, loss carryforwards or tax credits for which deferred tax assets had not been recorded as at the reporting date.

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.

Deferred income tax assets amounting to €5.6m were offset against equity in connection with cash flow hedges; the associated derivative financial instruments were reported in the balance sheet as negative market values from derivative hedging instruments.

[51] Other assets

€m	31.12.2010	31.12.2009	Change
Amounts due from non-banking business	3.7	6.7	–3.0
Amounts due or refunds from other taxes	2.3	80.4	–78.1
Amounts due from investment funds	151.5	196.6	–45.1
Other assets	99.3	94.5	4.8
Prepaid expenses	29.3	28.5	0.8
Total	**286.1**	**406.7**	**–120.6**

Other assets include the overpaid profit shares of the atypical silent partners from the application of the taxes already withheld by DekaBank for the benefit of the partners amounting to €22.1m (previous year: €41.0m) as well as amounts due from custodial account holders of €3.7m (previous year: €3.4m).

[52] Due to banks

€m	31.12.2010	31.12.2009	Change
Domestic banks	16,984.9	16,198.8	786.1
Foreign banks	12,523.7	7,027.0	5,496.7
Total	**29,508.6**	**23,225.8**	**6,282.8**

Amounts due to banks include payments received from genuine repurchase agreements and collateralised securities lending transactions amounting to €8.2bn (previous year: €6.1bn).

[53] Due to customers

€m	31.12.2010	31.12.2009	Change
Domestic customers	15,854.4	18,153.5	–2,299.1
Foreign customers	5,515.4	5,619.9	–104.5
Total	**21,369.8**	**23,773.4**	**–2,403.6**

This item also included payments received from genuine repurchase agreements and collateralised securities lending transactions amounting to €0.7bn (previous year: €20.7m).

[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 €0.9bn (previous year: €1.0bn) were deducted from the issued bonds.

€m	31.12.2010	31.12.2009	Change
Bonds issued	23,342.1	23,913.8	–571.7
Money market securities issued	753.6	1,133.4	–379.8
Total	**24,095.7**	**25,047.2**	**–951.5**

[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. Securities short portfolios are also reported in this item.

€m	31.12.2010	31.12.2009	Change
Held for trading			
Trading issues	1,791.7	1,615.6	176.1
Securities short portfolios	4,170.2	7,466.6	–3,296.4
Negative market values from derivative financial instruments (trading)	26,437.5	28,036.0	–1,598.5
Total – held for trading	**32,399.4**	**37,118.2**	**–4,718.8**
Designated at fair value			
Issues	12,198.3	13,846.2	–1,647.9
Negative market values from derivative financial instruments (economic hedges)	3,279.1	2,820.0	459.1
Total – designated at fair value	**15,477.4**	**16,666.2**	**–1,188.8**
Total	**47,876.8**	**53,784.4**	**–5,907.6**

The issues in the designated at fair value category include cumulative creditworthiness-related changes in value amounting to €–46.6m (previous year: €–9.3m).

The book value of liabilities allocated to the designated at fair value category is €364.0m higher than the repayment amount. In the previous year, the book value was €68.6m below the repayment amount.

[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 transactions:

€m	31.12.2010	31.12.2009	Change
Fair value hedges			
Assets			
Due from banks			
Loans and receivables category	216.3	222.1	–5.8
Due from customers			
Loans and receivables category	200.3	189.1	11.2
Financial investments			
Loans and receivables category	100.1	82.9	17.2
Liability items			
Due to customers	–	0.1	–0.1
Securitised liabilities	0.6	1.1	–0.5
Total fair value hedges	**517.3**	**495.3**	**22.0**
Cash flow hedges			
Asset items	13.7	–	13.7
Total	**531.0**	**495.3**	**35.7**

The hedging instruments referred chiefly to interest rate swaps (fair value hedges) and currency forwards (cash flow hedges).

[57] Provisions for pensions and similar commitments

The following table shows the movement in provisions:

€m	Opening balance 01.01.2010	Addition	Utilisations	Reclassifications	Change in plan assets	Closing balance 31.12.2010
Provisions for pensions	1.3	14.7	8.3	–	–6.0	1.7
Provisions for similar commitments	13.9	1.0	4.7	6.1	–	16.3
Provisions for working hours accounts	–	0.7	0.2	–	–0.5	–
Total	**15.2**	**16.4**	**13.2**	**6.1**	**–6.5**	**18.0**

€m	Opening balance 01.01.2009	Addition	Utilisations	Reclassifications	Change in plan assets	Closing balance 31.12.2009
Provisions for pensions	5.8	10.9	11.0	–	–4.4	1.3
Provisions for similar commitments	18.1	0.4	4.9	0.3	–	13.9
Provisions for working hours accounts	–	0.9	–	–	–0.9	–
Total	**23.9**	**12.2**	**15.9**	**0.3**	**–5.3**	**15.2**

The item includes provisions for defined benefit obligations and is broken down as follows:

€m	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Unfunded defined benefit obligations	17.8	15.1	19.1	240.2	255.1
Fully or partially funded defined benefit obligations	312.1	264.8	233.9	33.5	27.5
Fair value of plan assets as at reporting date	−313.4	−292.8	−264.2	−32.3	−26.5
Total commitment	**16.5**	**−12.9**	**−11.2**	**241.4**	**256.1**
Actuarial net gains and losses not reported in the balance sheet	1.5	28.1	35.1	6.1	−27.4
Of which experience-based adjustments to the value of the pension commitments as at the reporting date	3.4	7.0	−1.5	5.6	−15.5
Of which experience-based adjustments to the expected return on the plan assets as at the reporting date	−0.5	9.2	−15.1	−3.5	0.6
Pension provisions recognised	**18.0**	**15.2**	**23.9**	**247.5**	**228.7**

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

€m	31.12.2010	31.12.2009	Change
Current service cost	13.5	11.1	2.4
Interest expenses	14.1	13.6	0.5
Change – additional liability	2.0	2.2	−0.2
Actuarial gains and losses	−0.3	−0.8	0.5
Expected return on the plan assets	−14.6	−14.1	−0.5
Impact of settlements	–	−1.1	1.1
Allocation to provisions for pensions	**14.7**	**10.9**	**3.8**
Allocation to similar commitments	1.0	0.4	0.6
Allocation to working hours accounts	0.7	0.9	−0.2
Total	**16.4**	**12.2**	**4.2**

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

%	31.12.2010	31.12.2009	Change
Discount rate to calculate present value	4.75	5.40	−0.65
Pension trend for adjustments according to Section 16 (2) Company Pension Funds Act (BetrAVG)[1]	2.00	2.00	–
Pension adjustment with overall trend updating[1]	2.50	2.50	–
Salary trend[1]	2.50	2.50	–

[1] Not relevant for the valuation of 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	2010	2009	Change
Defined benefit obligations as at 1 January	**279.9**	**253.0**	**26.9**
Current service cost	13.5	11.1	2.4
Interest expenses	14.1	13.6	0.5
Allocation to similar commitments	1.0	0.4	0.6
Allocation to working hours accounts	0.7	0.9	−0.2
Change in additional liability from fund-based commitments	2.0	2.2	−0.2
Change in commitments	31.9	14.6	17.3
Impact of settlements	–	−3.0	3.0
Utilisation	−13.2	−12.9	−0.3
Defined benefit obligations as at 31 December	**329.9**	**279.9**	**50.0**

As at the reporting date, the plan assets were composed as follows:

€m	31.12.2010	Expected yield 2010	31.12.2009	Expected yield 2009
Mutual funds	59.4	5.70%	42.6	6.65%
Special funds	252.0	4.20%	248.0	4.80%
Other assets	2.0	−7.70%	2.2	−8.80%
Total	**313.4**		**292.8**	

Long-term yields in the capital market or observable past capital market developments in the individual asset classes are used to determine the expected performance of the plan assets.

The units in mutual funds are used to fund fund-based commitments and working hours accounts. Funds were invested in a special fund for commitments under final salary plans and general contribution schemes, the investment strategy of which is based on an integrated asset liability assessment. Other assets relate mainly to term life assurance policies. The premium balance with the insurer will be used up over the remaining term of the current insurance contracts. This therefore produces a negative expected yield.

Movement in plan assets:

€m	2010	2009	Change
Fair value of plan assets as at 1 January	**292.8**	**264.2**	**28.6**
Allocation to plan assets			
Through employer contributions	4.3	4.3	–
Through employee contributions	5.7	5.0	0.7
Return on plan assets			
Expected return on plan assets	14.6	14.1	0.5
Actuarial gains and losses	–0.5	9.2	–9.7
Withdrawal for benefits	–3.5	–1.0	–2.5
Withdrawal for settlement of obligations	–	–3.0	3.0
Fair value of plan assets as at 31 December	**313.4**	**292.8**	**20.1**

[58] Other provisions

€m	31.12.2010	31.12.2009	Change
Provisions for income taxes	–	89.5	–89.5
Provisions for credit risks	16.3	28.9	–12.6
Provisions for legal proceedings and recourses	3.2	3.2	–
Provisions in human resources	0.4	0.2	0.2
Provisions for restructuring measures	17.4	37.5	–20.1
Sundry other provisions	189.6	180.8	8.8
Total	**226.9**	**340.1**	**–113.2**

Other provisions include €55.8m (previous year: €167.4m) which are medium or long-term in nature.

The product range of the DekaBank Group includes investment funds, whose return is forecast on the basis of current money market interest rates set by the Group. However, this does not constitute a guarantee or assurance that the forecast performance will actually be achieved. Although the DekaBank Group is not contractually obliged to support these funds, the Group retains the right to support the desired performance of the fund. As at 31 December 2010, a provision of €80.1m (previous year: €90.7m) was recognised under sundry other provisions. The level of the provision is determined using possible loss scenarios taking account of the risks related to liquidity, interest rate structure, duration and spreads. As at 31 December 2010, the underlying total volume of the funds amounted to €7.5bn (previous year: €7.6bn).

The movement in other provisions is as follows:

€m	Opening balance 01.01.2010	Addition	Utilisation	Reversal	Reclassi-fications	Currency effects	Closing balance 31.12.2010
Provisions for income taxes	89.5	–	–	–	–89.5	–	–
Provisions for credit risks (specific risks)	28.9	0.7	–	14.4	–	1.1	16.3
Provisions for legal proceedings and recourses	3.2	–	–	–	–	–	3.2
Provisions in human resources	0.2	0.4	0.2	–	–	–	0.4
Provisions for restructuring measures	37.5	3.6	10.3	7.3	–6.1	–	17.4
Sundry other provisions	180.8	46.2	24.8	12.7	–	0.1	189.6
Other provisions	**340.1**	**50.9**	**35.3**	**34.4**	**–95.6**	**1.2**	**226.9**

€m	Opening balance 01.01.2009	Addition	Utilisation	Reversal	Reclassi-fications	Currency effects	Closing balance 31.12.2009
Provisions for income taxes	86.6	7.4	4.3	0.2	–	–	89.5
Provisions for credit risks (specific risks)	20.3	13.4	–	4.5	–	–0.3	28.9
Provisions for legal proceedings and recourses	0.5	3.0	0.1	0.2	–	–	3.2
Provisions in human resources	–	0.2	–	–	–	–	0.2
Provisions for restructuring measures	15.6	36.0	6.9	6.9	–0.3	–	37.5
Sundry other provisions	150.9	78.1	41.1	7.1	–	–	180.8
Other provisions	**273.9**	**138.1**	**52.4**	**18.9**	**–0.3**	**–0.3**	**340.1**

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	31.12.2010	31.12.2009	Change
Provisions for income taxes	82.2	–	82.2
Current income tax liabilities	191.9	122.6	69.3
Deferred income tax liabilities	32.9	275.5	–242.6
Total	**307.0**	**398.1**	**–91.1**

The provisions for income taxes relate to corporation tax, solidarity surcharge and trade taxes. In the previous year, these were reported under other provisions. The provisions for income taxes include €78.8m which are medium or long-term in nature.

Current income tax liabilities include payments due but not yet paid as at the reporting date for income taxes from 2010 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	31.12.2010	31.12.2009	Change
Assets			
Due from banks	43.5	3.4	40.1
Due from customers	21.4	14.4	7.0
Financial assets at fair value	632.2	1,630.3	−998.1
Positive market values from derivative hedging instruments	74.1	37.1	37.0
Financial investments	40.6	26.0	14.6
Intangible assets	3.7	4.2	−0.5
Property, plant and equipment	0.8	1.0	−0.2
Other assets	1.4	94.0	−92.6
Liabilities			
Provisions	0.7	1.0	−0.3
Other liabilities	0.1	2.7	−2.6
Sub-total	**818.5**	**1,814.1**	**−995.6**
Netting	−785.6	−1,538.6	753.0
Total	**32.9**	**275.5**	**−242.6**

The deferred tax liabilities include €27.4m (previous year: €265.0m) 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.

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 portfolio, amounted to €0.7m (previous year: €1.1m) as at the reporting date. As in the previous year, these are allocated to the financial investments item.

[60] Other liabilities

The breakdown of other liabilities is as follows:

€m	31.12.2010	31.12.2009	Change
Liabilities			
Liabilities from non-banking business	0.4	0.3	0.1
Liabilities from current other taxes	23.9	17.2	6.7
Commissions not yet paid to sales offices	72.6	80.1	–7.5
Securities spot deals not yet settled	14.1	13.8	0.3
Debt capital from minority interests	24.7	–	24.7
Other	75.8	85.6	–9.8
Accruals			
Closing and other audit costs	3.4	2.6	0.8
Sales performance compensation	316.9	277.5	39.4
Personnel costs	112.4	96.6	15.8
Other accruals	66.1	70.4	–4.3
Prepaid income	19.0	26.7	–7.7
Total	**729.3**	**670.8**	**58.5**

The debt capital from minority interests item includes the minority interests in consolidated investment funds. This is shown as other liabilities, since the unitholders have a redemption right at any times.

The item other includes trade accounts payable of €39.9m (previous year: €32.8m), liabilities to custodial account holders of €3.3m (previous year: €5.0m) as well as outstanding invoices from current operations.

[61] Subordinated capital

€m	31.12.2010	31.12.2009	Change
Subordinated bearer bonds	628.5	855.4	–226.9
Subordinated promissory note loans	202.2	200.3	1.9
Prorated interest on subordinated liabilities	22.1	22.2	–0.1
Profit participation capital	78.0	78.0	–
Prorated interest on profit	5.0	5.0	–
Capital contributions of typical silent partners	500.0	755.6	–255.6
Prorated interest on capital contributions of typical silent partners	44.2	64.1	–19.9
Total	**1,480.0**	**1,980.6**	**–500.6**

The structuring of 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	85.0	85.0	6.15 – 6.46	18.05.2012
2002	300.0	298.6	5.38	31.01.2014
2004	300.0	298.0	4.63	21.12.2015
2006	40.0	40.0	4.43	11.04.2016
2009	75.0	75.0	6.00	05.07.2019

According to the provisions of Section 10 (5) of the German Banking Act (KWG), profit participation capital forms part of the liable capital. The claims of 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	33.0	–	6.42	31.12.2011
2002	5.0	–	6.44	31.12.2011
2002	20.0	–	6.31	31.12.2011
2002	20.0	20.0	6.46	31.12.2013

The typical silent capital contributions (tranche I) terminated with effect from 31 December 2009 were repaid during the reporting year with a nominal amount of €255.6m. The interest expenses for tranche I of the capital contributions by silent partners up until the date of repayment amounted to €8.3m (previous year: €28.1m).

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 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 [31]).

[62] Atypical silent capital contributions

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

[63] Equity

€m	31.12.2010	31.12.2009	Change
Subscribed capital	286.3	286.3	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings			
Statutory reserve	13.2	13.2	–
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	3,540.2	2,923.0	617.2
Total reserves from retained earnings	**3,604.7**	**2,987.5**	**617.2**
Revaluation reserve			
For cash flow hedges	–21.2	–	–21.2
For financial investments in the available for sale category	2.4	3.5	–1.1
Applicable deferred taxes	4.9	–1.0	5.9
Total revaluation reserve	**–13.9**	**2.5**	**–16.4**
Currency translation reserve	11.6	4.1	7.5
Consolidated profit/loss	28.6	28.6	–
Minority interests	0.7	0.7	–
Total	**4,108.3**	**3,500.0**	**608.3**

In financial year 2010 a negative valuation result from effective cash flow hedges amounting to €21.2m was recorded in the revaluation reserve. No ineffective earnings components of hedging instruments were recognised in income in the reporting period. The hedged cash flows are expected in the following subsequent reporting periods and are scheduled to be recognised in income in those respective periods.

€m	31.12.2010
Expected cash flows from assets	
Up to 3 months	28.3
3 months to 1 year	73.5
1 year to 5 years	239.6
More than 5 years	87.3
Total expected cash flows	**428.7**

Notes to financial instruments

[64] Book values by valuation category

At DekaBank, financial instruments are classified by balance sheet line item and IFRS categories in accordance with IFRS 7.

€m	31.12.2010	31.12.2009	Change
Asset items			
Loans and receivables (lar)			
Due from banks	39,310.3	38,834.7	475.6
Due from customers	27,411.1	23,863.4	3,547.7
Financial investments	2,214.9	2,620.6	−405.7
Held to maturity (htm)			
Financial investments	3,260.6	3,255.3	5.3
Available for sale (afs)			
Financial investments	158.6	158.7	−0.1
Held for trading (hft)			
Financial assets at fair value	38,818.7	43,938.2	−5,119.5
Designated at fair value (dafv)			
Financial assets at fair value	17,736.4	19,276.2	−1,539.8
Positive market values from derivative hedging instruments	252.1	206.4	45.8
Total asset items	**129,162.7**	**132,153.5**	**−2,990.7**
Liability items			
Liabilities			
Due to banks	29,508.6	23,225.8	6,282.8
Due to customers	21,369.8	23,773.4	−2,403.6
Securitised liabilities	24,095.7	25,047.2	−951.5
Subordinated capital	1,480.0	1,980.6	−500.6
Held for trading (hft)			
Financial liabilities at fair value	32,399.4	37,118.2	−4,718.8
Designated at fair value (dafv)			
Financial liabilities at fair value	15,477.4	16,666.2	−1,188.8
Negative market values from derivative hedging instruments	531.0	495.3	35.7
Total liability items	**124,861.9**	**128,306.7**	**−3,444.8**

[65] Net income by valuation category

The individual valuation categories produce the following income contributions:

€m	2010	2009	Change
Held to maturity (htm)	12.6	105.1	–92.5
Loans and receivables (lar)	1,788.2	1,784.2	4.0
Other liabilities	–1,262.0	–1,951.1	689.1
Income not recognised in profit or loss	–1.1	1.0	–2.1
Income recognised in profit or loss	5.5	9.7	–4.2
Available for sale (afs)	4.4	10.7	–6.3
Held for trading (hft)	203.7	260.4	–56.7
Designated at fair value (dafv)	–38.4	201.3	–239.7
Valuation result from hedge accounting for fair value hedges	–1.1	–10.0	8.9
Result from hedge accounting for cash flow hedges not recognised in profit or loss	–21.2	–	–21.2

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.

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

In connection with the amendments to IAS 39 published in October 2008, the DekaBank Group reclassified securities out of the held for trading and available for sale categories into the loans and receivables category. No further reclassifications were carried out during the reporting year. As at the reporting date, the following financial instruments reclassified in 2008 were still held in the portfolio:

€m	Book value 31.12.2010	Fair Value 31.12.2010	Valuation result 2010	Book value 31.12.2009	Fair Value 31.12.2009	Valuation result 2009
Reclassification out of held for trading category as at 15.12.2008	9.7	9.7	1.8	8.3	7.9	0.5
Reclassification out of available for sale category as at 31.12.2008	5.6	5.6	–	5.6	5.6	–5.3
Total	**15.3**	**15.3**	**1.8**	**13.9**	**13.5**	**–4.8**

Had the financial instruments in the held for trading category not been reclassified, a valuation result of €1.8m (previous year: €–0.5m) would have been achieved as at the reporting date. As in the previous year, the valuation result for the financial instruments in the available for sale category would have been the same without reclassification due to the valuation allowances recognised in the income statement in previous years.

[66] Fair value data

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

	31.12.2010			31.12.2009		
€m	Fair value	Book value	Difference	Fair value	Book value	Difference
Asset items						
Cash reserve	621.1	621.1	–	285.6	285.6	–
Due from banks (loans and receivables)	39,897.5	39,310.3	587.2	39,400.7	38,834.7	566.0
Due from customers (loans and receivables)	27,672.3	27,411.1	261.2	24,111.3	23,863.4	247.9
Financial assets at fair value	56,555.1	56,555.1	–	63,214.4	63,214.4	–
Positive market values from derivative hedging instruments	252.1	252.1	–	206.4	206.4	–
Loans and receivables	2,186.1	2,214.9	−28.8	2,597.3	2,620.6	−23.3
Held to maturity	3,268.7	3,260.6	8.1	3,316.8	3,255.3	61.5
Available for sale	158.6	158.6	–	158.7	158.7	–
Financial investments	5,613.4	5,634.1	−20.7	6,072.8	6,034.6	38.2
Total asset items	**130,611.5**	**129,783.8**	**827,7**	**133,291.2**	**132,439.1**	**852.1**
Liability items						
Due to banks	29,705.7	29,508.6	197.1	23,439.2	23,225.8	213.4
Due to customers	21,932.5	21,369.8	562.7	24,316.3	23,773.4	542.9
Securitised liabilities	24,050.7	24,095.7	−45.0	25,078.9	25,047.2	31.7
Financial liabilities at fair value	47,876.8	47,876.8	–	53,784.4	53,784.4	–
Negative market values from derivative hedging instruments	531.0	531.0	–	495.3	495.3	–
Subordinated liabilities	1,475.6	1,480.0	−4.4	2,034.7	1,980.6	54.1
Total liability items	**125,572.3**	**124,861.9**	**710.4**	**129,148.8**	**128,306.7**	**842.1**

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 values of amounts due from banks or customers are determined using the present value method. The future cash flows from receivables are discounted at a risk-adjusted market rate. The differing credit ratings of borrowers are taken into account through appropriate adjustments in the discount rates. This procedure also applies to securities held as loans and receivables. The fair value determined on the basis of financial valuation models can be 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 settlement of the financial instrument.

Financial instruments in the held to maturity category are fixed-interest securities for which there is a liquid market. The fair values here correspond to the market prices.

The fair value of long-term liabilities is determined on the basis of market prices as well as 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 redemption price published by the respective investment company is used for the valuation of non-consolidated funds.

Allocation according to fair value hierarchy

For allocation to the fair value hierarchy in accordance with the provisions of IFRS 7, the quality of the input parameters for determining fair value is defined according to the three levels below:

Level 1: Market prices, i.e. prices from active markets that are used unchanged
Level 2: Market data which are not market prices as in level 1 but which are directly (prices) or indirectly (derived from prices) observable in the market
Level 3: Factors which are not based on observable market data (i.e. assumptions and estimates of the management)

The decisive factor governing allocation of the individual financial instruments to the fair value hierarchy shown below is the level input that is significant to the fair value measurement in its entirety.

The table below shows the allocation of all financial instruments carried at fair value in accordance with the fair value hierarchy based on fair values with accrued interest:

	31.12.2010				31.12.2009			
€m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Derivative financial instruments	1,233.9	22,452.3	58.6	23,744.8	2,962.1	19,375.6	71.6	22,409.3
Bonds and other fixed-interest securities	16,211.5	9,012.6	2,487.9	27,712.0	20,723.3	11,124.2	2,794.5	34,642.0
Shares and other non fixed-interest securities	3,319.0	5.1	–	3,324.1	4,179.2	11.8	–	4,191.0
Other financial assets at fair value	211.9	1,910.7	–	2,122.6	484.6	1,788.1	–	2,272.7
Liabilities								
Derivative financial instruments	140.5	32,863.1	38.5	33,042.1	6,796.1	27,150.6	104.9	34,051.6
Other financial instruments	6,586.6	8,779.1	–	15,365.7	10,083.8	10,144.2	–	20,228.0

Structured financial instruments with embedded derivatives that have to be separated, which are allocated to the trading book or for which the fair value option has been exercised, are shown in the table under derivative financial instruments.

Provided that they are not products traded on the stock market, derivatives are in principle measured using standard valuation models based on observable market data. Furthermore, as of this reporting year, in some individual cases and under restrictive conditions, derivatives traded on the stock market have also been measured using standard, accepted valuation models. This case-by-case regulation applies to special EUREX options where the published price is not based on sales or actual trading volume, but on the valuation using a theoretical EUREX model. Accordingly, there was a reclassification from level 1 into level 2 in derivatives on both the assets and liabilities side.

Fair values for insufficiently liquid securities as well as interest rate swaps and interest rate/currency swap agreements as well as unlisted interest rate futures are determined on the basis of discounted future cash flows (the discounted cash flow model). The market interest rates applying to the remaining term of the financial instruments are always used. The transactions valued using this method are allocated to level 2.

In some cases, the fair value for non-synthetic securitisations as at the reporting date was calculated using the discounted cash flow model. Where the spreads currently observable for the relevant transaction are deemed to be valid, the market interest rate was used as the input for the discounted cash flow model. Otherwise the modified discounted cash flow model was used. The underlying discounting rate used in the model was determined on the basis of the current swap curve, the implied historical spread – derived from the last available liquid market price – and an adjustment for any changes in the credit rating in the interim. The value thus calculated was also adjusted by a factor, determined using an indicator model. This factor reflects how the last observable market price would have had to change in the meantime (liquidity factor). In our opinion, the resultant fair value represents the price which market players acting rationally would have agreed. As this model includes subjective elements, we have also determined market values for alternative possible model parameter values. As at 31 December 2010, the market value could have been €7.3m lower or €12.4m higher accordingly. Where observable prices or price indications for individual transactions were deemed to be valid, these were applied or used to check the plausibility of the model-based fair values. As in the previous year, all non-synthetic securitisation transactions amounting to €2.4bn (previous year: €2.8bn) have been allocated to level 3.

The cash flows used for the theoretical valuation of securitisation items are based on detailed analyses of the securitised securities. Here as well, subjective assumptions must be made, e.g. regarding the exercise of call rights or refinancing probabilities for expiring loans, which enables alternative scenarios. In addition to the standard scenario, DekaBank also determines the values using a scenario with a market development that is less favourable for the Bank. Under this adverse scenario, the market value of the theoretically valued positions would have been €9.1m lower as at 31 December 2010.

The fair value of synthetic securitisation transactions is determined using Copula models calibrated to the market prices of liquid tranches. These are also shown in level 3. When valuating the bespoke CSO positions, DekaBank uses one of the standard base correlation mapping procedures. However, as there is a large number of alternative mappings, none of which is particularly superior, DekaBank also determines the difference compared with these other valuations. As at 31December 2010, the market value of the bespoke CSOs could have been €1.2m lower or higher accordingly.

Disclosures relating to financial instruments in fair value hierarchy level 3

The movement in financial instruments in level 3 is shown in the table below based on fair values excluding accrued interest:

€m	Opening balance 01.01.2010	Reclassifi-cations out of level 3	Pur-chases	Disposals	Maturity/ repayment	Valuation result	Closing balance 31.12.2010
Assets							
Derivative financial instruments	71.5	–	4.0	32.9	–	16.0	58.6
Other financial instruments	2,788.1	–	–	–22.8	417.5	87.7	2,481.1
Total assets	**2,859.6**	**–**	**4.0**	**10.1**	**417.5**	**103.7**	**2,539.7**
Liabilities							
Derivative financial instruments	104.9	–	36.1	99.2	–	3.4	38.4

€m	Opening balance 01.01.2009	Reclassifi-cations out of level 3	Pur-chases	Disposals	Maturity/ repayment	Valuation result	Closing balance 31.12.2009
Assets							
Derivative financial instruments	97.0	–	–	4.8	–	–20.7	71.5
Other financial instruments	5,535.6	1,631.0	–	535.4	486.2	–94.9	2,788.1
Total assets	**5,632.6**	**1,631.0**	**–**	**540.2**	**486.2**	**–115.6**	**2,859.6**
Liabilities							
Derivative financial instruments	146.7	–	–	3.7	–	45.5	104.9

As at the reporting date, a valuation result of €5.1m (previous year: €–2.1m) was attributable to the level 3 financial instruments in the portfolio, which are allocated to the held for trading sub-category; this was reported in trading profit or loss. The valuation result for the financial instruments in the designated at fair value sub-category and the level 3 derivative financial instruments in the banking book amounted to €88.3m (previous year: €–85.4m) and is reported in profit or loss on financial instruments designated at fair value. The valuation result also includes reversals of premiums and discounts amounting to €13.8m (previous year: €17.4m), which is reported in net interest income.

A negative result totalling €1.2m (previous year: profit of €6.0m) was realised on the disposal of derivative financial instruments. This result is shown in profit or loss on financial instruments designated at fair value. A profit of €32.6m (previous year: €–9.2m) was realised on the sale of non-derivative financial instruments, of which €2.7m (previous year: €2.5m) was reported under net interest income and €29.9m (previous year: €–11.7m) under profit or loss on financial instruments designated at fair value.

[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	2010	2009
Interest rate risks OTC products						
Interest rate swaps	226.5	452.8	3,790.6	3,351.4	7,821.3	7,100.3
Forward rate agreements	8.6	0.3	–	–	8.9	1.4
Interest rate options						
Purchases	0.1	–	3.6	3.2	6.9	6.3
Sales	–	–	0.1	–	0.1	–
Caps, floors	–	–	4.8	5.8	10.6	–
Other interest rate contracts	0.2	0.1	42.3	51.1	93.7	144.7
Stock exchange traded products						
Interest rate futures/options	1.2	1.4	0.4	–	3.0	2.9
Sub-total	**236.6**	**454.6**	**3,841.8**	**3,411.5**	**7,944.5**	**7,255.6**
Currency risks OTC products						
Foreign exchange future contracts	23.7	176.0	0.2	–	199.9	79.2
(Interest rate) currency swaps	36.2	28.7	282.3	31.1	378.3	324.7
Sub-total	**59.9**	**204.7**	**282.5**	**31.1**	**578.2**	**403.9**
Share and other price risks OTC products						
Share forward contracts	85.2	11.1	–	–	96.3	177.0
Share options						
Purchases	1,317.4	1,375.0	4,440.5	86.2	7,219.1	6,491.0
Credit derivatives	0.1	0.6	138.9	123.7	263.3	289.5
Other forward contracts	0.3	–	–	–	0.3	14.3
Stock exchange traded products						
Share options	0.9	511.1	5,374.9	75.5	5,962.4	6,775.9
Share futures	4.8	3.7	–	–	8.5	56.8
Sub-total	**1,408.7**	**1,901.5**	**9,954.3**	**285.4**	**13,549.9**	**13,804.5**
Total	**1,705.2**	**2,560.8**	**14,078.6**	**3,728.0**	**22,072.6**	**21,464.0**

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	2010	2009
Interest rate risks						
OTC products						
Interest rate swaps	240.4	444.1	4,030.1	3,369.9	8,084.5	7,403.7
Forward rate agreements	11.3	3.4	–	–	14.7	5.6
Interest rate options						
Sales	4.5	4.6	12.6	6.9	28.6	24.3
Caps, floors	–	–	1.9	3.7	5.6	2.5
Other interest rate contracts	–	8.1	123.3	123.9	255.3	241.0
Stock exchange traded products						
Interest rate futures/options	0.8	0.1	0.1	–	1.0	3.4
Sub-total	**257.0**	**460.3**	**4,168.0**	**3,504.4**	**8,389.7**	**7,680.5**
Currency risks						
OTC products						
Foreign exchange future contracts	33.7	177.0	0.2	–	210.9	101.3
(Interest rate) currency swaps	–	201.6	411.8	342.0	955.4	392.6
Sub-total	**33.7**	**378.6**	**412.0**	**342.0**	**1,166.3**	**493.9**
Share and other price risks						
OTC products						
Share forward contracts	2.9	1.9	–	–	4.8	31.5
Share options						
Sales	1,532.7	2,099.4	6,497.5	114.7	10,244.3	9,593.2
Credit derivatives	–	1.0	137.2	91.2	229.4	361.4
Other forward contracts	0.3	80.8	3.4	–	84.5	51.4
Stock exchange traded products						
Share options	506.7	1,801.3	7,717.7	101.5	10,127.2	13,134.0
Share futures	61.7	0.8	–	–	62.5	23.5
Sub-total	**2,104.3**	**3,985.2**	**14,355.8**	**307.4**	**20,752.7**	**23,195.0**
Total	**2,395.0**	**4,824.1**	**18,935.8**	**4,153.8**	**30,308.7**	**31,369.4**

The following table shows the positive and negative market values from derivative transactions by counterparty:

	Positive fair values		Negative fair values	
€m	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Banks in the OECD	9,350.6	7,956.0	10,585.0	8,650.0
Public offices in the OECD	96.0	99.0	19.8	12.0
Other counterparties	12,626.0	13,409.0	19,703.9	22,707.4
Total	**22,072.6**	**21,464.0**	**30,308.7**	**31,369.4**

[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 were in principle recognised according to contractual maturity, however financial instruments in the held for trading sub-category were recognised as having a maximum maturity of one year due to the intention to trade.

€m	31.12.2010	31.12.2009	Change
Assets			
Due from banks			
Due on demand and indefinite term	6,727.6	4,987.8	1,739.8
Up to 3 months	8,011.8	8,037.8	−26.0
Between 3 months and 1 year	4,476.6	4,441.5	35.1
Between 1 year and 5 years	17,829.0	13,527.5	4,301.5
More than 5 years	2,265.3	7,840.1	−5,574.8
Due from customers			
Due on demand and indefinite term	2,442.4	432.6	2,009.8
Up to 3 months	2,395.5	1,716.7	678.8
Between 3 months and 1 year	2,872.6	2,471.3	401.3
Between 1 year and 5 years	13,832.2	12,064.1	1,768.1
More than 5 years	5,868.4	7,178.7	−1,310.3
Financial assets at fair value			
Due on demand and indefinite term	3,371.7	4,149.7	−778.0
Up to 3 months	8,126.9	9,419.0	−1,292.1
Between 3 months and 1 year	30,704.1	35,816.2	−5,112.1
Between 1 year and 5 years	10,622.9	6,810.2	3,812.7
More than 5 years	3,729.5	7,019.3	−3,289.8
Positive market values from derivative hedging instruments			
Up to 3 months	2.3	1.9	0.4
Between 3 months and 1 year	0.1	4.8	−4.7
Between 1 year and 5 years	153.9	96.7	57.2
More than 5 years	95.8	103.0	−7.2
Financial investments			
Due on demand and indefinite term	0.2	0.3	−0.1
Up to 3 months	83.2	83.5	−0.3
Between 3 months and 1 year	753.5	997.4	−243.9
Between 1 year and 5 years	1,326.9	909.3	417.6
More than 5 years	3,408.0	3,980.3	−572.3

€m	31.12.2010	31.12.2009	Change
Liabilities			
Due to banks			
Due on demand and indefinite term	6,471.0	3,262.4	3,208.6
Up to 3 months	16,826.9	13,669.0	3,157.9
Between 3 months and 1 year	1,608.1	1,236.7	371.4
Between 1 year and 5 years	4,095.4	4,052.6	42.8
More than 5 years	507.2	1,005.1	–497.9
Due to customers			
Due on demand and indefinite term	6,378.5	7,926.9	–1,548.4
Up to 3 months	4,519.6	4,054.4	465.2
Between 3 months and 1 year	1,222.5	1,140.5	82.0
Between 1 year and 5 years	6,808.5	5,868.1	940.4
More than 5 years	2,440.7	4,783.5	–2,342.8
Securitised liabilities			
Up to 3 months	861.5	1,506.9	–645.4
Between 3 months and 1 year	766.1	2,600.6	–1,834.5
Between 1 year and 5 years	22,126.4	5,884.2	16,242.2
More than 5 years	341.7	15,055.5	–14,713.8
Financial liabilities at fair value			
Due on demand and indefinite term	4,768.6	8,512.9	–3,744.3
Up to 3 months	5,402.2	7,222.2	–1,820.0
Between 3 months and 1 year	28,027.5	26,117.1	1,910.4
Between 1 year and 5 years	7,332.5	8,443.3	–1,110.8
More than 5 years	2,346.0	3,488.9	–1,142.9
Negative market values from derivative hedging instruments			
Up to 3 months	32.3	11.6	20.7
Between 3 months and 1 year	13.3	1.9	11.4
Between 1 year and 5 years	289.9	232.1	57.8
More than 5 years	195.5	249.7	–54.2
Subordinated capital			
Up to 3 months	71.3	91.3	–20.0
Between 3 months and 1 year	–	485.7	–485.7
Between 1 year and 5 years	1,291.5	967.2	324.3
More than 5 years	117.2	436.4	–319.2

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 potential, on which the Group strategy is based. In principle, 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 very high level of probability will suffice to cover losses from all of 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.

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.

[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.

The capital and reserves are calculated on the basis of the individual financial statements of the consolidated Group companies and their national accounting standards. The following table shows the composition of capital and reserves:

€m	31.12.2010	31.12.2009	Change
Subscribed capital	286.3	286.3	–
Open reserves	489.3	441.7	47.6
Silent capital contributions	552.4	552.4	–
Fund for general banking risks	2,003.9	1,570.8	433.1
Interim profit under Section 10 (3) KWG	–	–	–
Deductions under Section 10 (2a) German Banking Act	10.8	12.4	– 1.6
Deductions under Section 10 (6) and (6a) KWG (half)	4.0	0.3	3.7
Of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	4.0	0.3	3.7
Core capital	**3,317.1**	**2,838.5**	**478.6**
Profit participation capital	20.0	78.0	– 58.0
Subordinated liabilities	746.7	889.0	– 142.3
Other components	277.8	246.6	31.2
Deductions under Section 10 (6) and (6a) KWG (half)	4.0	0.3	3.7
Of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	4.0	0.3	3.7
Supplementary capital	**1,040.5**	**1,213.3**	**– 172.8**
Modified available capital	**4,357.6**	**4,051.8**	**305.8**
Tier III funds	–	–	–
Capital and reserves	**4,357.6**	**4,051.8**	**305.8**

The core capital of the DekaBank Group increased by €478.6m compared to the previous year. The change mainly stems from the application of net income for financial year 2009 with an allocation to the fund for general banking risks.

The supplementary capital declined by €172.8m compared to the previous year. The reduction stems essentially from the fact that subordinated liabilities and profit participation rights have expired.

Since 30 June 2007, the adequacy of the capital and reserves has been determined under the Solvency Regulation (SolvV). The risk weighted default risks are essentially determined according to the IRB approach based on internal ratings. The equity backing of market price risks is carried out using the standard method. Since 2008, operational risks have been measured using the advanced AMA approach. The above risk factors are to be backed by capital and reserves in each case.

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

€m	31.12.2010	31.12.2009	Change
Default risks	18,500.0	20,713.0	−2,213.0
Market risk positions	5,575.0	6,975.0	−1,400.0
Operational risks	1,650.0	1,725.0	−75.0

The decline in default risks results from business-specific changes as well as measures introduced for the first time, such as the recognition under supervisory legislation of the collateral effect of credit default swaps in the banking book, the consideration of depreciation on structured capital market products and the inclusion of foreign real estate collateral.

The decline in market risk positions essentially stems from lower capital charges for the general and specific interest rate change risk in the trading book. To calculate the capital charges, DekaBank uses the standard procedures prescribed by the authority, which normally considerably exaggerate the risk. Development of the economic interest rate risk in the trading book is shown in the risk report in the management report.

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 the important banking subsidiary DekaBank Deutsche Girozentrale Luxembourg S.A.:

%	31.12.2010	31.12.2009	Change
DekaBank Group			
Core capital ratio (including market risk positions)	12.9	9.7	3.2
Total capital ratio	16.9	13.8	3.1
DekaBank Deutsche Girozentrale			
Core capital ratio (including market risk positions)	12.6	9.4	3.2
Total capital ratio	15.9	12.8	3.1
DekaBank Deutsche Girozentrale Luxembourg S.A.			
Core capital ratio (including market risk positions)	11.2	11.4	−0.2
Total capital ratio	25.5	23.4	2.1

The core capital ratio (including market risk positions) takes account of half of the deductions in accordance with Section 10 (6) and (6a) of the German Banking Act (KWG).

The capital and reserves requirement under banking supervisory law was complied with at all times during the reporting year and stands considerably above the statutory minimum values.

[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	31.12.2010	31.12.2009	Change
Irrevocable lending commitments	2,278.7	2,715.2	–436.5
Other liabilities	848.6	636.2	212.4
Total	**3,127.3**	**3,351.4**	**–224.1**

Other financial liabilities include payment obligations of €0.1m (previous year: €0.1m) and subsequent payment obligations of €30.0m (previous year: €30.0m) to external or non-consolidated companies. There is an additional funding obligation for the security reserve of the *Landesbanken* and *Girozentralen* of €80.8m (previous year: €107.9m).

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 the reporting date is €0.6bn (previous year: €0.6bn).

The DekaBank Group's range of products contains investment funds with market value guarantees of varying degrees. For fixed-term funds with these features, the capital invested less charges is guaranteed as at the maturity date, while a minimum unit value is agreed for specific cut-off dates for such funds without a fixed term. As at the reporting date, a provision totalling €1.6m (previous year: €1.9m) had been recognised as a result of the performance of the fund assets. As at the reporting date, the guarantees covered a maximum volume of €7.6bn (previous year: €7.6bn) at the respective guarantee dates. The present value of the volume amounted to €7.2bn (previous year: €7.0bn). The market value of the corresponding fund assets totalled €7.7bn (previous year: €7.6bn).

[72] Assets transferred or received as collateral

Assets were transferred as collateral for own liabilities in connection with genuine repurchase agreements, securities lending transactions and other securities transactions of a similar nature.

€m	31.12.2010	31.12.2009	Change
Book value of transferred collateral securities for			
Repurchase agreements	1,490.5	2,701.7	–1,211.2
Securities lending transactions	487.1	453.3	33.8
Other securities transactions	327.7	3,051.3	–2,723.6
Total	**2,305.3**	**6,206.3**	**–3,901.0**

Furthermore, additional collateral in the amount of €3.5bn was provided for repurchase agreements and securities lending transactions (primarily for borrowing). Assets of €7.7bn were transferred under triparty transactions. In addition, assets amounting to €22.0bn (previous year: €25.0bn) were deposited in the blocked custody account as cover funds in line with the *Pfandbrief* Act.

Furthermore, securities and loans with a book value of €3.9bn were deposited with Deutsche Bundesbank for refinancing purposes. Securities with a book value of €4.7bn were deposited as collateral for transactions on German and foreign futures exchanges.

Collateral received for repurchase agreements and securities lending transactions as well as other securities transactions, which may be repledged or resold even without the default of the party providing the collateral, amounts to €37.9bn (previous year: €11.7bn).

[73] Financial instruments transferred but not derecognised

The Group transfers financial assets while retaining the material risks and rewards arising from these assets. The transfer mainly takes place parting the context of genuine repurchase and securities lending transactions. In addition, securities are primarily sold in combination with the conclusion of derivatives. Consequently, the essential risks relating to creditworthiness, interest rate change, currency and share price are retained, so that in commercial terms there is no disposal. The assets continue to be reported in the balance sheet.

€m	31.12.2010	31.12.2009	Change
Book value of non-derecognised securities for			
Securities lending transactions	487.1	1,480.1	−993.0
Genuine repurchase transactions	1,490.4	2,701.7	−1,211.3
Other sales without commercial disposal	431.9	3,051.3	−2,619.4
Total	**2,409.4**	**7,233.1**	**−4,823.7**

Liabilities of €2.9bn (previous year: €6.1bn) were reported for financial instruments transferred but not derecognised.

[74] Volume of foreign currency transactions

As a result of its business policy, DekaBank does not have extensive open currency positions. The existing currency positions stem mainly from temporary market value changes on financial products, especially capital market credit products.

€m	31.12.2010	31.12.2009	Change
US dollar (USD)	85.8	91.5	–5.7
British pound (GBP)	56.1	148.0	–91.9
Swiss franc (CHF)	13.4	12.7	0.7
Japanese yen (JPY)	4.2	11.4	–7.2
Australian dollar (AUD)	3.4	1.2	2.2
Hong Kong dollar (HKD)	2.5	11.3	–8.8
Other foreign currencies	9.4	18.8	–9.4
Total	174.8	294.9	–120.1

[75] Letter of comfort

Except in the case of political risk, DekaBank will ensure that DekaBank Deutsche Girozentrale Luxembourg S.A. can meet its commitments. DekaBank Deutsche Girozentrale Luxembourg S.A. for its part has issued a letter of comfort in favour of

- Deka International S.A., Luxembourg and
- International Fund Management S.A., Luxembourg.

[76] 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 in %
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Realkredit Klassik	95.32
Teilgesellschaftsvermögen Deka Infrastrukturkredit	88.59
Teilgesellschaftsvermögen A-DK Bonds 1-Fonds	100.00
Deka Real Estate Lending k.k., Tokyo	100.00
Deka(Swiss) Privatbank AG, Zurich	80.00[1)]
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.00
ETFlab Investment GmbH, Munich	100.00
Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main	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, Frankfurt/Main	94.90

[1)] Consolidation ratio based on economic ownership 100%

Consolidated funds:

Name, registered office	Equity share in %
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 3-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 10-FONDS, Frankfurt/Main	100.00
A-DGZ 11-FONDS SICAV-SIF, Luxembourg	100.00
A-DGZ 13-FONDS, Luxembourg	100.00
A-DGZ-FONDS, Frankfurt/Main	100.00
A-DKBankLUX1-FONDS, Luxembourg	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
Deka Treasury Corporates-FONDS, Frankfurt/Main	100.00

Associated companies and joint ventures consolidated at equity:

Name, registered office	Equity share in %	Equity in € thousand	Net income in € thousand
S PensionsManagement GmbH, Cologne	50.00	90,777.4	−279.0
Luxemburger Leben S.A., Luxembourg	50.00	8,000.0	−3,802.6
Dealis Fund Operations GmbH, Frankfurt am Main	49.90	19,134.5	937.5
S Broker AG & Co. KG, Wiesbaden	30.64	27,428.2	−2,460.4

Non-consolidated companies:

Name, registered office	Equity share in %
Datogon S.A., Luxembourg	100.00
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00
Deka Immobilien k.k., Tokyo	100.00
Deka International (Ireland) Ltd. i.L., Dublin	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien	100.00
Deka Loan Investors Luxembourg I, Luxembourg	100.00
Deka Loan Investors Luxembourg II, Luxembourg	100.00
Deka Multi Asset Investors Luxembourg, Luxembourg	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 01 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 02 mbH, Frankfurt/Main	100.00
Deutsche Landesbankenzentrale AG, Berlin	100.00
Europäisches Kommunalinstitut S.A.R.L., Luxemburg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
NSM Omotesando General Incorporated Association, Tokyo	100.00
Perfeus S.A., Luxembourg	100.00
STIER Immobilien AG, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90
Deka-WestLB Asset Management Luxembourg S.A., Luxembourg	51.00
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00

Non-consolidated funds:

Name, registered office	Fund volume €m	Equity share in %
Deka-Immobilien PremiumPlus – Institutionelle, Luxembourg	1.5	100.00
DekaLux-FRL Mix: Chance, Luxembourg	0.6	100.00
DekaLux-FRL Mix: ChancePlus, Luxembourg	0.7	100.00
OPTIVOL 1200, Frankfurt/Main	1.0	100.00
OPTIVOL 750, Frankfurt/Main	1.0	100.00
RE-AVT-FundMaster, Frankfurt/Main	31.2	100.00
Deka-PB Defensiv, Frankfurt/Main	10.1	99.86
Deka-PB Ausgewogen, Frankfurt/Main	10.2	98.80
Deka-PB Offensiv, Frankfurt/Main	10.4	98.48
Deka-Staatsanleihen Europa, Frankfurt/Main	30.9	96.61
ETFlab MSCI Europe MC, Munich	6.1	92.18
ETFlab iBoxx € Liquid Sovereign Diversified 10+, Munich	4.1	90.75
ETFlab MSCI Japan MC, Munich	29.4	90.38
ETFlab MSCI USA MC, Munich	8.2	83.88
ETFlab STOXX® Europe Strong Style Composite 40, Munich	12.4	82.29
ETFlab EURO STOXX 50® Daily Short, Munich	4.7	82.09
DekaLux-FRL Mix: Wachstum, Luxembourg	0.7	80.24
ETFlab iBoxx € Liquid Sovereign Diversified 7-10, Munich	52.2	79.35
ETFlab MSCI Europe LC, Munich	28.5	76.16
Deka-HedgeSelect, Frankfurt/Main	81.4	72.16
ETFlab MSCI Japan LC, Munich	29.5	69.45
ETFlab MSCI Europe, Munich	27.9	69.45
DekaLux-FRL Mix: Rendite, Luxembourg	0.8	68.45
ETFlab iBoxx € Liquid Sovereign Diversified 1-10, Munich	8.6	65.88
Deka-Zielfonds 2045-2049, Frankfurt/Main	2.8	65.79
ETFlab iBoxx € Liquid Sovereign Diversified 3-5, Munich	15.5	64.25
ETFlab MSCI Emerging Markets, Munich	5.7	64.09
Deka-RenditeStrategie 12/2013, Luxembourg	22.1	62.54
ETFlab MSCI USA, Munich	29.4	62.38
Deka-Russland, Luxembourg	104.2	60.86
Deka: EuroGarant 9, Luxembourg	50.9	58.15
ETFlab STOXX® Europe Strong Growth 20, Munich	2.2	57.87
Deka-Zielfonds 2040-2044, Frankfurt/Main	3.2	53.43
ETFlab MSCI Japan, Munich	10.7	51.01
Deka-Zielfonds 2050-2054, Frankfurt/Main	3.2	50.73
RE-FundMaster, Frankfurt/Main	31.9	50.17
ETFlab EURO STOXX 50®, Munich	1,564.9	49.14
Deka-DividendenStrategie, Frankfurt/Main	23.5	45.62
WestInvest TargetSelect Hotel, Düsseldorf	43.9	44.33
ETFlab iBoxx € Liquid Sovereign Diversified 5-7, Munich	35.3	43.69
ETFlab MSCI China, Munich	5.5	41.59
ETFlab DAX®, Munich	898.6	40.55
Deka-ZielGarant 2046-2049, Luxembourg	3.2	39.89
ETFlab iBoxx € Liquid Germany Covered Diversified, Munich	110.3	39.25
Haspa Zielfonds 2021-2024, Frankfurt/Main	1.1	39.15

Non-consolidated funds:

Name, registered office	Fund volume €m	Equity share in %
iShares STOXX Europe 600 Chemicals Swap (DE), Munich	15.5	38.77
Haspa Zielfonds 2025-2028, Frankfurt/Main	1.2	38.31
ETFlab iBoxx € Liquid Sovereign Diversified 1-3, Munich	247.6	38.24
ETFlab Deutsche Börse EUROGOV® Germany 1-3, Munich	55.7	38.04
Deka-Immobilien PremiumPlus – Private Banking, Luxembourg	92.6	37.11
ETFlab Deutsche Börse EUROGOV® Germany Money Market, Munich	655.5	37.09
Haspa Zielfonds 2017-2020, Frankfurt/Main	1.0	36.69
iShares EURO STOXX Technology (DE), Munich	9.3	36.51
ETFlab DAX® (ausschüttend), Munich	149.7	35.77
Deka-BR 45, Frankfurt/Main	7.4	35.70
Deka-Zielfonds 2035-2039, Frankfurt/Main	4.1	35.50
Deka-Institutionell Aktien Europa, Frankfurt/Main	13.0	35.41
ETFlab MSCI USA LC, Munich	58.2	34.33
WestInvest TargetSelect Shopping, Düsseldorf	90.0	33.95
Deka-ZielGarant 2042-2045, Luxembourg	3.1	33.71
ETFlab Deutsche Börse EUROGOV® Germany, Munich	214.1	32.40
ETFlab DAXplus® Maximum Dividend, Munich	123.8	29.61
ETFlab STOXX® Europe Strong Value 20, Munich	3.6	28.64
iShares STOXX Europe 600 Media Swap (DE), Munich	3.8	28.54
Deka-Treasury MultiCredit, Luxembourg	52.5	28.38
ETFlab Deutsche Börse EUROGOV® Germany 3-5, Munich	202.9	27.03
ETFlab EURO STOXX® Select Dividend 30, Munich	45.2	24.32
IFM Euroaktien, Luxembourg	39.4	22.81
iShares STOXX Europe 600 Utilities Swap (DE), Munich	26.9	22.78
iShares EURO STOXX Telecommunication (DE), Munich	22.2	21.68
ETFlab Deutsche Börse EUROGOV® Germany 10+, Munich	28.7	20.50

[77] Related party disclosures

The DekaBank Group has business dealings with related parties. These include DekaBank's shareholders, subsidiaries that are not consolidated due to lack of materiality, joint ventures and associated companies. Non-consolidated own mutual funds and special funds where the holding of the DekaBank Group exceeds 10% as at the reporting date, are shown as subsidiaries, associated companies or other related parties are shown in accordance with their equity holding.

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 [79] for information concerning remuneration and business transactions with the persons in question.

Transactions are carried out with related parties at normal market terms and conditions as part of the ordinary business activities of the DekaBank Group. These relate amongst others to loans, call money, time deposits and derivatives. The liabilities of the DekaBank Group to mutual funds and special funds essentially comprise balances with banks from the temporary investment of liquid funds. The table below shows the extent of these transactions.

Business dealings with shareholders of DekaBank and non-consolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**31.12.2010**	**31.12.2009**	**31.12.2010**	**31.12.2009**
Assets				
Due from customers	–	–	1.4	–
Financial assets at fair value	–	–	0.2	3.9
Other assets	–	–	0.3	0.3
Total asset	**–**	**–**	**1.9**	**4.2**
Liabilities				
Due to customers	13.2	26.8	27.8	10.6
Financial liabilities at fair value	–	–	0.8	0.4
Total liabilities	**13.2**	**26.8**	**28.6**	**11.0**

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

€m	Joint ventures/ associated companies 31.12.2010	Joint ventures/ associated companies 31.12.2009	Other related parties 31.12.2010	Other related parties 31.12.2009
Assets				
Due from customers	19.5	28.2	–	0.2
Financial assets at fair value	–	0.6	–	–
Other assets	8.3	10.6	1.0	0.3
Total asset	**27.8**	**39.4**	**1.0**	**0.5**
Liabilities				
Due to customers	61.4	46.2	1.2	2.1
Other liabilities	–	0.1	–	–
Total liability	**61.4**	**46.3**	**1.2**	**2.1**

During the reporting year, investment companies in the DekaBank Group participated in the agency lending platform offered by DekaBank. In this connection, potentially lendable securities in the managed funds with a total volume on average of €49.4bn (previous year: €53.9bn) were made available to DekaBank in its capacity as agent. In return, the funds received payments from DekaBank of €39.6m (previous year: €34.0m).

[78] Average number of staff

	31.12.2010	31.12.2009	Change
Full-time employees	3,030	3,126	–96
Part-time and temporary employees	524	496	28
Total	**3,554**	**3,622**	**–68**

[79] Remuneration to Board members

€	2010	2009	Change
Remuneration of active Board of Management members			
Short-term benefits	7,884,807	5,334,391	2,550,416
Scope of obligation under defined benefit plans (defined benefit obligation)	9,958,674	6,795,005	3,163,669
Remuneration of former Board of Management members and their dependents			
Post-employment benefits	2,105,159	2,183,010	–77,851
Scope of obligation under defined benefit plans (defined benefit obligation)	32,185,318	31,797,068	388,250
Scope of obligation for similar commitments	2,259,824	2,304,162	–44,338

The short-term benefits due to the members of the Board of Management include all remuneration paid and benefits in kind in the respective financial year, including variable components attributable to previous years and are therefore dependent on business performance in earlier periods. The remuneration for members of the Administrative Board totalled €684.1 thousand (previous year: €657.3 thousand).

In financial year 2010, €1.8m was allocated to provisions for pensions for active members of the Board of Management (previous year: €1.3m). This includes voluntary salary sacrifice components from the short-term benefits of the Board of Management amounting to €0.4m (previous year: €0.1m).

The total commitments of €42.1m determined on an actuarial basis for active and former members of the Board of Management as at the reporting date are countered by plan assets of around €42.6m (previous year: €43.3m).

[80] Auditor's fees

The following fees were recorded as expenses for the auditors of the consolidated financial statements in the reporting year:

€m	2010	2009[1]	Change
Fees for			
Year-end audit services	2.7	2.8	–0.1
Other auditing services	1.1	1.4	–0.3
Tax advisory services	0.1	0.2	–0.1
Other services	2.8	0.8	2.0
Total	**6.7**	**5.2**	**1.5**

[1] Some of the figures for 2009 include the VAT.

[81] Additional miscellaneous information

The consolidated financial statements were approved for publication on 4 March 2011 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/Main, 4 March 2011

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 statement of comprehensive income, the statement of changes in equity, the 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 2010. The preparation of the consolidated financial statements and the group management report in accordance with the 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) is the responsibility of the parent Company'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 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, 7 March 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Roland Rausch	Stefan Palm
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Shareholders, associated companies and committees

Shareholders of DekaBank[1)] (as of 31 December 2010)	
GLB GmbH & Co. OHG	**49.17%**
thereof:	
Landesbank Baden-Württemberg[2)]	14.78%
HSH Nordbank AG[2)]	7.75%
WestLB AG[2)]	7.61%
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –[2)]	2.89%
NORD/LB Norddeutsche Landesbank Girozentrale[2)]	2.39%
Landesbank Saar[2)]	0.98%
Landesbank Hessen-Thüringen Girozentrale	5.51%
Bayerische Landesbank	3.09%
NIEBA GmbH[3)]	4.17%
NIEBA GmbH[3)]	**0.83%**
DSGV ö. K.[2)]	**50.00%**
thereof:	
Savings Banks Association Baden-Wuerttemberg	7.70%
Rhineland Savings Banks and Giro Association	6.56%
Savings Banks Association Lower Saxony	6.46%
Savings Banks Association Bavaria	6.31%
Savings Banks Association Westphalia-Lippe	6.17%
Savings Banks and Giro Association Hesse-Thuringia	5.81%
Savings Banks Association Rhineland-Palatinate	3.21%
Savings Banks Association 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) There is a basic understanding between the shareholder groups – the savings banks and *Landesbanken* – that in 2011, the savings banks will acquire, via their associations, the 50% stake in DekaBank currently held by the *Landesbanken*.
2) Guarantors.
3) 100% subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale

Subsidiaries and associated companies of DekaBank[1)]
(as of 1 April 2011)

Business division Asset Management Capital Markets	
Deka Investment GmbH, Frankfurt/Main	100.0%
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.0%
Deka International S.A., Luxembourg	100.0%
International Fund Management S.A., Luxembourg	100.0%
Deka Treuhand GmbH, Frankfurt/Main	100.0%
VM Bank International S.A., Luxembourg	100.0%
Deka(Swiss) Privatbank AG, Zurich	80.0%
Deka-WestLB Asset Management Luxembourg S.A., Luxembourg	51.0%
S PensionsManagement GmbH, Cologne	50.0%
Sparkassen PensionsBeratung GmbH, Cologne	50.0%
Sparkassen Pensionsfonds AG, Cologne	50.0%
Sparkassen Pensionskasse AG, Cologne	50.0%
Luxemburger Leben S.A., Luxembourg	50.0%
Deka Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.0%
Dealis Fund Operations GmbH, Frankfurt/Main	49.9%
Heubeck AG, Cologne	45.0%
S Broker AG & Co. KG, Wiesbaden	30.6%
S Broker Management AG, Wiesbaden	30.6%
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	10.0%
Erste-Sparinvest Kapitalanlagegesellschaft mbH, Vienna	2.9%
Business division Asset Management Property	
Deka Immobilien Investment GmbH, Frankfurt/Main	100.0%
Deka Immobilien GmbH, Frankfurt/Main	100.0%
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.0%
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.0%
Deka Immobilien Luxembourg S.A., Luxembourg	100.0%
Deka Immobilien k.k., Tokyo	100.0%
Deka Real Estate Lending k.k., Tokyo	100.0%
Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main	100.0%
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.7%
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.9%
Deka-S-PropertyFund No.1 Beteiligungs GmbH & Co. KG, Frankfurt/Main	12.5%
Business division Corporates & Markets	
ETFlab Investment GmbH, Munich	100.0%
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.0%
Deka Beteiligungs GmbH, Frankfurt/Main	100.0%
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.0%
Global Format GmbH & Co. KG, Munich	18.8%
True Sale International GmbH, Frankfurt/Main	7.7%
RSU Rating Service Unit GmbH & Co. KG, Munich	6.5%
SIZ Informatikzentrum der Sparkassenorganisation GmbH, Bonn	5.0%
Liquiditäts-Konsortialbank GmbH, Frankfurt/Main	2.1%

[1)] The shares are held directly or indirectly.

The Group has further holdings which are, however, of minor significance.

Administrative Board and Board of Management of DekaBank

(as of 7 April 2011)

Administrative Board

Heinrich Haasis
Chairman
President of the German Savings Banks and Giro Association e. V., Berlin, and of the German Savings Banks and Giro Association e. V. – public law entity, Berlin
Chairman of the General Committee

Hans-Jörg Vetter
First Deputy Chairman
Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart
First Deputy Chairman of the General Committee
Deputy Chairman of the Audit Committee

Dr. Rolf Gerlach
Second Deputy Chairman
President of the Savings Banks Association Westphalia-Lippe, Münster
Second Deputy Chairman of the General Committee
Chairman of the Audit Committee

Representatives elected by the Shareholders' Meeting

Hans-Dieter Brenner
Chairman of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt/Main
Member of the General Committee

Klemens Breuer
Member of the Management Board of WestLB AG, Düsseldorf

Michael Breuer
President of the Rhineland Savings Banks and Giro Association, Düsseldorf

Thomas Christian Buchbinder
Chairman of the Management Board of Landesbank Saar, Saarbrücken

Dr. Gunter Dunkel
Chairman of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover
Member of the General Committee

Dr. Johannes Evers
Chairman of the Management Board of Landesbank Berlin AG, Berlin

Gerhard Grandke
Managing President of the Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main

Gerd Häusler
Chairman of the Management Board of Bayerische Landesbank, Munich
Member of the General Committee

Reinhard Henseler
Chairman of the Management Board of Nord-Ostsee Sparkasse, Flensburg

Michael Horn
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart
Member of the Credit Committee

Dr. Stephan-Andreas Kaulvers
Chairman of the Management Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen
Deputy Chairman of the Credit Committee

Beate Läsch-Weber
President of the Savings Banks Association Rhineland-Palatinate, Budenheim

Thomas Mang
President of the Savings Banks Association Lower Saxony, Hanover
Member of the General Committee
Member of the Audit Committee
Chairman of the Credit Committee

Harald Menzel
Chairman of the Management Board of Sparkasse Mittelsachsen, Freiberg

Constantin von Oesterreich
Member of the Management Board of HSH Nordbank AG, Hamburg

Hans-Werner Sander
Chairman of the Management Board of Sparkasse Saarbrücken, Saarbrücken
Member of the Credit Committee

Helmut Schleweis
Chairman of the Management Board of Sparkasse Heidelberg, Heidelberg
Member of the General Committee
Member of the Audit Committee

Peter Schneider
President of the Savings Banks Association Baden-Wuerttemberg, Stuttgart

Dr. Harald Vogelsang
President of the Hanseatic Savings Banks and Giro Association and Spokesman of the Management Board of Hamburger Sparkasse AG, Hamburg

Dietrich Voigtländer
Chairman of the Management Board of WestLB AG, Düsseldorf
Member of the Audit Committee

Theo Zellner
Managing President of the Savings Banks Association Bavaria, Munich

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
Mayor of the City of Bergkamen and President of the German Association of Towns and Municipalities, Berlin

Employee Representatives appointed by the Staff Committee

Michael Dörr
Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Heike Schillo
Savings Banks Sales South Germany, DekaBank Deutsche Girozentrale, Frankfurt/Main

(End of the term of office: 31.12.2013)

Board of Management

Franz S. Waas, Ph.D.
Chairman

Oliver Behrens

Dr. Matthias Danne

Walter Groll

Hans-Jürgen Gutenberger

Dr. h. c. Friedrich Oelrich

Executive Managers

Oliver K. Brandt

Manfred Karg

Osvin Nöller

Thomas Christian Schulz

Fund-related committees

(as of 1 April 2011)

Business division Asset Management Capital Markets

Advisory Board Asset Management Capital Markets Retail

Reinhard Klein
Chairman
Deputy Spokesman of the Management Board of Hamburger Sparkasse AG, Hamburg

Michael Horn
Deputy Chairman
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Jochen Brachs
Chairman of the Management Board of Sparkasse Hochschwarzwald, Titisee-Neustadt

Dr. Guido Brune
Member of the Management Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

Gerhard Döpkens
Chairman of the Management Board of Sparkasse Gifhorn-Wolfsburg, Gifhorn

Joachim Gerenkamp
Chairman of the Management Board of Sparkasse Werl, Werl

Manfred Graulich
Chairman of the Management Board of Sparkasse Koblenz, Koblenz

Torsten Heick
Head of Division Private Banking, HSH Nordbank AG, Hamburg

Hans-Peter Knoblauch
Chairman of the Management Board of Sparkasse Salem-Heiligenberg, Salem

Rainer Krick
Member of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt/Main

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

Werner Schmiedeler
Chairman of the Management Board of Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach

Joachim Voss
Head of Division „Verbund“, WestLB AG, Düsseldorf

Axel Warnecke
Member of the Management Board of Taunus Sparkasse, Bad Homburg v. d. H.

Johannes Werner
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

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: 30.06.2012)

Advisory Board Asset Management Capital Markets Institutional

Klemens Breuer
Chairman
Member of the Management Board
of WestLB AG, Düsseldorf

Joachim Hoof
Deputy Chairman
Chairman of the Management Board
of Ostsächsische Sparkasse Dresden,
Dresden

Christian Bonnen
Member of the Management Board
of Kreissparkasse Köln, Cologne

Walter Fichtel
Member of the Management Board
of Kreissparkasse München Starnberg,
Munich

Bernd Gurzki
Chairman of the Management Board
of Sparkasse Emden, Emden

Hans-Heinrich Hahne
Chairman of the Management Board
of Sparkasse Schaumburg, Rinteln

Gerhard Klimm
Executive Manager of Rheinland-Pfalz
Bank, Mainz

Udo Lütteken
Chairman of the Management Board
of Sparkasse Lüdenscheid,
Lüdenscheid

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

Nils Niermann
Member of the Management Board of
Bayerische Landesbank, Munich

Karl Novotny
Chairman of the Management Board
of Sparkasse Neumarkt-Parsberg,
Neumarkt

Günter Rauber
Chairman of the Management Board
of Sparkasse Wolfach, Wolfach

Hubert Riese
Member of the Management Board
of Kreissparkasse Eichsfeld, Worbis

Arthur Scholz
Chairman of the Management Board
of Sparkasse Vogtland, Plauen

Hans-Joachim Strüder
Member of the Management Board
of Landesbank Baden-Württemberg,
Stuttgart

(End of the term of office: 30.06.2012)

Advisory Board Pension Management

Manfred Herpolsheimer
Chairman
Chairman of the Management Board of Sparkasse Leverkusen, Leverkusen

Christoph Schulz
Deputy Chairman
Deputy Chairman of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Brunswick

Andrea Binkowski
Chairwoman of the Management Board of Sparkasse Mecklenburg-Strelitz, Neustrelitz

Michael Bott
Chairman of the Management Board of Sparkasse Waldeck-Frankenberg, Korbach

Helmut Dohmen
Head of Division Private Clients and Private Banking, Baden-Württembergische Bank, Stuttgart

Ludger Gooßens
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

Jürgen Hösel
Chairman of the Management Board of Kreissparkasse Peine, Peine

Heiko Lachmann
Member of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Dr. Herbert Müller
Chairman of the Management Board of Sparkasse Pforzheim Calw, Pforzheim

Siegmund Schiminski
Chairman of the Management Board of Sparkasse Bayreuth, Bayreuth

Ralph Schmieder
Chairman of the Management Board of Sparkasse Südholstein, Neumünster

Dr. Norbert Schraad
Member of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt/Main

Patrick Tessmann
Member of the Management Board of Landesbank Berlin AG, Berlin

Heinz-Dieter Tschuschke
Chairman of the Management Board of Sparkasse Meschede, Meschede

(End of the term of office: 30.06.2012)

Co-operation Board Insurance

Gerhard Müller
Chairman
Member of the Management Board of SV SparkassenVersicherung Holding AG, Stuttgart

Helmut Späth
Deputy Chairman
Deputy Chairman of the Management Board of Versicherungskammer Bayern, Munich

Dr. Harald Benzing
Member of the Management Board of Versicherungskammer Bayern, Munich

Hans-Jürgen Büdenbender
Member of the Management Board of Sparkassen-Versicherung Sachsen, Dresden

Michael Doering
Member of the Management Board of Öffentliche Lebensversicherung Braunschweig, Brunswick

Peter Hanus
Member of the Management Board of Provinzial NordWest Lebensversicherung AG, Kiel

Hermann Kasten
Member of the Management Board of VGH Versicherungen, Hanover

Sven Lixenfeld
Member of the Management Board of SV SparkassenVersicherung Holding AG, Stuttgart

Michael Rohde
Member of the Management Board, Association of Public Insurance Companies, Düsseldorf

Manfred Steffen
Member of the Management Board of ÖSA – Öffentliche Versicherungen Sachsen-Anhalt, Magdeburg

Dr. Hans Peter Sterk
Member of the Management Board of Provinzial Rheinland Versicherung AG, Düsseldorf

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: 31.12.2012)

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/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Heinz-Jürgen Schäfer
Offenbach

Board of Management

Thomas Neiße *Chairman*
Frank Hagenstein
Thomas Ketter
Andreas Lau
Victor Moftakhar
Dr. Ulrich Neugebauer
Dr. Manfred Nuske
Dr. Udo Schmidt-Mohr

DekaBank Deutsche Girozentrale Luxembourg S.A.

Administrative Board

Oliver Behrens
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Walter Groll
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Rainer Mach
Managing Director of DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Rainer Mach *Managing Director*
Wolfgang Dürr
Patrick Weydert

Deka(Swiss) Privatbank AG

Administrative Board

Oliver Behrens
President
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Alfred Schwarzenbach
Vice-President
Company Director, Erlenbach

Gabriele Corte
Head of Institutional Partnerships, Lombard Odier Darier Hentsch & Cie., Zurich

Hans-Jürgen Gutenberger
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Richard Nahmani
Partner of the Privé Holding and Chairman of the Management Board of Lombard Odier Darier Hentsch & Cie., Zurich

Walter Nötzli
Partner of NMP Nötzli, Mai & Partner, Zurich

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Antonio Sergi
Former Member of the Management Board of Banca del Gottardo, Lugano

Board of Management

Michael Albanus
Dr. Andreas Suter

Business division Asset Management Property

Advisory Board Asset Management Property

Johann Berger
Chairman
Deputy Chairman of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt/Main

Johannes Hüser
Deputy Chairman
Chairman of the Management Board of Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück

Peter Axmann
Head of Division Property Clients, HSH Nordbank AG, Hamburg

Hubert Beckmann
Deputy Chairman of the Management Board of WestLB AG, Düsseldorf

Frank Brockmann
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

Toni Domani
Member of the Management Board of Sparkasse Regen-Viechtach, Regen

Peter Dudenhöffer
Member of the Management Board of Sparkasse Germersheim-Kandel, Kandel

Lothar Heinemann
Chairman of the Management Board of Stadt-Sparkasse Solingen, Solingen

Jürgen Kiehne
Chairman of the Management Board of Sparkasse Burgenlandkreis, Zeitz

Dirk Köhler
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

Herbert Lehmann
Chairman of the Management Board of Sparkasse Staufen-Breisach, Staufen

Andreas Pohl
Member of the Management Board of Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover

Dr. Hariolf Teufel
Chairman of the Management Board of Kreissparkasse Göppingen, Göppingen

Ulrich Voigt
Member of the Management Board of Sparkasse KölnBonn, Cologne

Jürgen Wagenländer
Member of the Management Board of Sparkasse Schweinfurt, Schweinfurt

Reinhold Wintermeyer
Member of the Management Board of Sparkasse Oberhessen, Friedberg

Rudolf Zipf
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

(End of the term of office: 30.06.2012)

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/Main

Hans-Jürgen Gutenberger
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Ulrich Bäcker
Burkhard Dallosch
Torsten Knapmeyer
Thomas Schmengler

Deka Immobilien Investment GmbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Wolfgang G. Behrendt
Burkhard Dallosch
Torsten Knapmeyer
Dr. Albrecht Reihlen

WestInvest Gesellschaft für Investmentfonds mbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Burkhard Dallosch
Torsten Knapmeyer
Mark Wolter

Business division Corporates & Markets

Corporate bodies of the subsidiary

ETFlab Investment GmbH

Supervisory Board

Walter Groll
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Steffen Matthias
Consultant, Berlin

Board of Management

Andreas Fehrenbach *Chairman*
Rolf Janka

Savings Banks Sales

Regional Fund Committees for Savings Banks

Regional Fund Committee for Savings Banks North/East I

Sparkasse Erzgebirge, Annaberg-Buchholz
Kreissparkasse Anhalt-Bitterfeld, Bitterfeld-Wolfen
Die Sparkasse Bremen AG, Bremen
Sparkasse Chemnitz, Chemnitz
Ostsächsische Sparkasse Dresden, Dresden
Sparkasse Oder-Spree, Frankfurt (Oder)
Sparkasse Mittelsachsen, Freiberg
Sparkasse Gifhorn-Wolfsburg, Gifhorn
Sparkasse Göttingen, Göttingen
Sparkasse Vorpommern, Greifswald
Saalesparkasse, Halle
Hamburger Sparkasse AG, Hamburg
Sparkasse Harburg-Buxtehude, Hamburg
Sparkasse Hannover, Hanover
Sparkasse Hildesheim, Hildesheim
Sparkasse Westholstein, Itzehoe
Förde Sparkasse, Kiel
Sparkasse LeerWittmund, Leer
Sparkasse Leipzig, Leipzig
Sparkasse zu Lübeck AG, Lübeck
Sparkasse Lüneburg, Lüneburg
Stadtsparkasse Magdeburg, Magdeburg
Sparkasse Emsland, Meppen
Sparkasse Osnabrück, Osnabrück
Sparkasse Vogtland, Plauen
Mittelbrandenburgische Sparkasse in Potsdam, Potsdam
Sparkasse Meißen, Riesa
Sparkasse Schaumburg, Rinteln
Sparkasse Mecklenburg-Schwerin, Schwerin
Salzlandsparkasse, Staßfurt
Kreissparkasse Syke, Syke
Sparkasse Uelzen Lüchow-Dannenberg, Uelzen
Kreissparkasse Verden, Verden
Sparkasse Burgenlandkreis, Zeitz
Sparkasse Zwickau, Zwickau

Regional Fund Committee for Savings Banks North/East II

Kreissparkasse Aue-Schwarzenberg, Aue
Stadtsparkasse Bad Pyrmont, Bad Pyrmont
Stadtsparkasse Barsinghausen, Barsinghausen
Kreissparkasse Bautzen, Bautzen
Kreissparkasse Bersenbrück, Bersenbrück
Bordesholmer Sparkasse AG, Bordesholm
Spar- und Leihkasse zu Bredstedt AG, Bredstedt
Kreissparkasse Wesermünde-Hadeln, Bremerhaven
Sparkasse Bremerhaven, Bremerhaven
Sparkasse Jerichower Land, Burg
Stadtsparkasse Burgdorf, Burgdorf
Kreissparkasse Grafschaft Diepholz, Diepholz
Sparkasse Elmshorn, Elmshorn
Sparkasse Emden, Emden
Sparkasse Goslar/Harz, Goslar
Stadtsparkasse Hameln, Hameln
Sparkasse Münden, Hann. Münden
Sparkasse Hennstedt-Wesselburen, Hennstedt
Sparkasse Hohenwestedt, Hohenwestedt
Sparkasse Wittenberg, Lutherstadt Wittenberg
Kreissparkasse Melle, Melle
Sparkasse Mecklenburg-Strelitz, Neustrelitz
Sparkasse Nienburg, Nienburg
Kreissparkasse Grafschaft Bentheim zu Nordhorn, Nordhorn
Kreissparkasse Osterholz, Osterholz-Scharmbeck
Sparkasse Parchim-Lübz, Parchim
Kreissparkasse Peine, Peine
Landsparkasse Schenefeld, Schenefeld
Stadtsparkasse Schwedt, Schwedt
Sparkasse Niederlausitz, Senftenberg
Kreissparkasse Stade, Stade
Sparkasse Märkisch-Oderland, Strausberg
Stadtsparkasse Wedel, Wedel
Sparkasse Wilhelmshaven, Wilhelmshaven
Sparkasse Mecklenburg-Nordwest, Wismar
Stadtsparkasse Wunstorf, Wunstorf
Sparkasse Rotenburg-Bremervörde, Zeven

Further Members North/East I + II

East German Savings Banks Association, Berlin
Hanseatic Savings Banks and Giro Association, Hamburg
Savings Banks Association 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
Taunus Sparkasse, Bad Homburg
Sparkasse Rhein-Nahe, Bad Kreuznach
Sparkasse Mittelmosel – Eifel Mosel Hunsrück, Bernkastel-Kues

Sparkasse Bielefeld, Bielefeld
Kreissparkasse Köln, Cologne
Sparkasse Darmstadt, Darmstadt
Sparkasse Detmold, Detmold
Sparkasse Westmünsterland, Dülmen
Sparkasse Düren, Düren
Stadtsparkasse Düsseldorf, Düsseldorf
Sparkasse Duisburg, Duisburg
Sparkasse Mittelthüringen, Erfurt
Sparkasse Essen, Essen
Sparkasse Oberhessen, Friedberg
Sparkasse Fulda, Fulda
Sparkasse Gera-Greiz, Gera
Sparkasse Gießen, Gießen
Kreissparkasse Groß-Gerau, Groß-Gerau
Sparkasse Hagen, Hagen
Sparkasse Hanau, Hanau
Sparkasse Starkenburg, Heppenheim
Sparkasse Herford, Herford
Kreissparkasse Steinfurt, Ibbenbüren
Kasseler Sparkasse, Kassel
Sparkasse Koblenz, Koblenz
Sparkasse Lemgo, Lemgo
Sparkasse Leverkusen, Leverkusen
Sparkasse Mainz, Mainz
Rhön-Rennsteig-Sparkasse, Meiningen
Kreissparkasse Schwalm-Eder, Melsungen
Sparkasse Minden-Lübbecke, Minden
Sparkasse am Niederrhein, Moers
Sparkasse Mülheim an der Ruhr, Mülheim
Sparkasse Münsterland Ost, Münster
Sparkasse Neuwied, Neuwied
Sparkasse Paderborn, Paderborn
Sparkasse Vest Recklinghausen, Recklinghausen
Kreissparkasse Saarlouis, Saarlouis
Sparkasse Langen-Seligenstadt, Seligenstadt
Sparkasse Siegen, Siegen
Stadt-Sparkasse Solingen, Solingen
Sparkasse Trier, Trier
Sparkasse Wetzlar, Wetzlar
Nassauische Sparkasse, Wiesbaden
Sparkasse Worms-Alzey-Ried, Worms
Stadtsparkasse Wuppertal, Wuppertal

Regional Fund Committee for Savings Banks Mid II

Kreissparkasse Altenkirchen, Altenkirchen
Sparkasse Arnsberg-Sundern, Arnsberg
Sparkasse Wittgenstein, Bad Berleburg
Stadtsparkasse Bad Oeynhausen, Bad Oeynhausen
Sparkasse Beckum-Wadersloh, Beckum
Sparkasse Bensheim, Bensheim
Sparkasse Bottrop, Bottrop
Sparkasse Burbach-Neunkirchen, Burbach
Stadtsparkasse Delbrück, Delbrück
Wartburg-Sparkasse, Eisenach
VerbundSparkasse Emsdetten-Ochtrup, Emsdetten
Sparkasse Odenwaldkreis, Erbach
Sparkasse Erwitte-Anröchte, Erwitte
Verbandssparkasse Goch-Kevelaer-Weeze, Goch
Sparkasse Grünberg, Grünberg
Sparkasse Gütersloh, Gütersloh
Stadt-Sparkasse Haan (Rheinl.), Haan
Herner Sparkasse, Herne
Kreissparkasse Saarpfalz, Homburg/Saar
Sparkasse Jena-Saale-Holzland, Jena
Sparkasse Kamen, Kamen
Sparkasse Germersheim-Kandel, Kandel
Kreissparkasse Kusel, Kusel
Kreissparkasse Limburg, Limburg/Lahn
Kreissparkasse Mayen, Mayen
Sparkasse Meschede, Meschede
Sparkasse Neunkirchen, Neunkirchen
Sparkasse Olpe-Drolshagen-Wenden, Olpe
Sparkasse Radevormwald-Hückeswagen, Radevormwald
Stadtsparkasse Rahden, Rahden
Stadtsparkasse Remscheid, Remscheid
Sparkasse Rietberg, Rietberg
Kreissparkasse Saalfeld-Rudolstadt, Saalfeld
Kreissparkasse Schlüchtern, Schlüchtern
Stadtsparkasse Schmallenberg, Schmallenberg
Sparkasse Sonneberg, Sonneberg
Sparkasse Sprockhövel, Sprockhövel
Sparkasse Stadtlohn, Stadtlohn
Sparkasse Unna, Unna
Stadtsparkasse Versmold, Versmold
Sparkasse Werl, Werl
Verbands-Sparkasse Wesel, Wesel
Stadtsparkasse Wetter (Ruhr), Wetter

Further Members Mid I + II

Rhineland Savings Banks and Giro Association, Düsseldorf
Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main and Erfurt
Savings Banks Association Rhineland-Palatinate, Budenheim
Savings Banks Association Westphalia-Lippe, Münster
Savings Banks Association Saar, Saarbrücken

Regional Fund Committee for Savings Banks South I

Kreissparkasse Ostalb, Aalen
Sparkasse Amberg-Sulzbach, Amberg
Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach
Sparkasse Bayreuth, Bayreuth
Kreissparkasse Biberach, Biberach
Kreissparkasse Böblingen, Böblingen
Sparkasse Kraichgau, Bruchsal
Sparkasse Dachau, Dachau
Stadt- und Kreissparkasse Erlangen, Erlangen
Kreissparkasse Esslingen-Nürtingen, Esslingen
Sparkasse Bodensee, Friedrichshafen and Konstanz
Sparkasse Fürstenfeldbruck, Fürstenfeldbruck
Kreissparkasse Göppingen, Göppingen
Sparkasse Heidelberg, Heidelberg
Kreissparkasse Heilbronn, Heilbronn
Sparkasse Karlsruhe-Ettlingen, Karlsruhe
Sparkasse Allgäu, Kempten
Kreissparkasse Ludwigsburg, Ludwigsburg
Sparkasse Rhein Neckar Nord, Mannheim
Sparkasse Memmingen-Lindau-Mindelheim, Memmingen
Sparkasse Altötting-Mühldorf, Mühldorf
Stadtsparkasse München, Munich
Sparkasse Neumarkt i. d. OPf.-Parsberg, Neumarkt
Sparkasse Neu-Ulm – Illertissen, Neu-Ulm
Sparkasse Offenburg/Ortenau, Offenburg
Sparkasse Pforzheim Calw, Pforzheim
Kreissparkasse Ravensburg, Ravensburg
Kreissparkasse Reutlingen, Reutlingen
Kreissparkasse Rottweil, Rottweil
Sparkasse Schwäbisch Hall-Crailsheim, Schwäbisch Hall
Sparkasse im Landkreis Schwandorf, Schwandorf
Sparkasse Niederbayern-Mitte, Straubing
Baden-Württembergische Bank, Stuttgart
Sparkasse Tauberfranken, Tauberbischofsheim
Kreissparkasse Tuttlingen, Tuttlingen
Sparkasse Schwarzwald-Baar, Villingen-Schwenningen
Kreissparkasse Waiblingen, Waiblingen
Sparkasse Hochrhein, Waldshut-Tiengen
Sparkasse Mainfranken Würzburg, Würzburg

Regional Fund Committee for Savings Banks South II

Sparkasse Berchtesgadener Land, Bad Reichenhall
Sparkasse Bühl, Bühl
Sparkasse im Landkreis Cham, Cham
Sparkasse Deggendorf, Deggendorf
Kreis- und Stadtsparkasse Dinkelsbühl, Dinkelsbühl
Kreissparkasse Ebersberg, Ebersberg
Sparkasse Engen-Gottmadingen, Engen
Sparkasse Forchheim, Forchheim
Sparkasse Freising, Freising
Kreissparkasse Freudenstadt, Freudenstadt
Sparkasse Freyung-Grafenau, Freyung
Sparkasse Gengenbach, Gengenbach
Sparkasse Haslach-Zell, Haslach
Kreissparkasse Heidenheim, Heidenheim
Kreissparkasse Höchstadt, Höchstadt
Sparkasse Hanauerland, Kehl
Sparkasse Hochschwarzwald, Kirchzarten and Titisee-Neustadt
Sparkasse Lörrach-Rheinfelden, Lörrach
Stadt- und Kreissparkasse Moosburg a. d. Isar, Moosburg/Isar
Sparkasse Neckartal-Odenwald, Mosbach
Sparkasse Markgräflerland, Müllheim and Weil/Rhein
Sparkasse Neuburg-Rain, Neuburg/Donau
Vereinigte Sparkassen Eschenbach i. d. OPf. Neustadt a. d. Waldnaab Vohenstrauß, Neustadt/Waldnaab
Sparkasse Regen-Viechtach, Regen
Sparkasse Rothenburg, Rothenburg
Sparkasse Schopfheim-Zell, Schopfheim and Zell
Stadtsparkasse Schrobenhausen, Schrobenhausen
Sparkasse Singen-Radolfzell, Singen/Hohentwiel
Bezirkssparkasse St. Blasien, St. Blasien
Sparkasse Staufen-Breisach, Staufen
Sparkasse Stockach, Stockach
Sparkasse Schönau-Todtnau, Todtnau
Kreis- und Stadtsparkasse Wasserburg am Inn, Wasserburg/Inn
Sparkasse Oberpfalz Nord, Weiden
Sparkasse Wolfach, Wolfach

Further Members South I + II

Savings Banks Association Bavaria, Munich
Savings Banks Association Baden-Wuerttemberg, Stuttgart and Mannheim

Glossary

Advanced measurement approach (AMA) for operational risks
With this approach, the regulatory equity cover for operational risks is calculated using an internal risk model. Equity cover is determined on a VaR basis with a confidence level of 99.9% and a monitoring period of one year.

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.

Asset-backed securities (ABS)
Securities (mainly bonds or promissory note loans) issued by a special purpose vehicle and secured by assets (primarily receivables). ABS paper is 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).

Assets under Management (AuM)
AuM (AMK & AMI) essentially comprise the income-relevant volume of mutual 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.

Balance sheet lending
Transactions in which different refinancing cost levels (liquidity spreads) are traded between banks.

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). A variant of this product group is the bespoke CSO where the portfolio is directly agreed between the arranger and the investor.

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.

Core business
DekaBank's core business comprises launching and managing securities and property funds for private and institutional investors as well as transactions which support and complement Asset Management along the entire Asset Management value-creation chain. These include, among other things, services in connection with fund-based asset management, the investment custody business and activities in the Corporates & Markets business division.

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 indictor is calculated form 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.

ECA cover
Cover for receivables under export credit agreements provided by a state-organised export credit agency (ECA). With regard to export financing, DekaBank focuses on ECA-covered business.

Economic result
As a central control variable, together with economic risk, the economic result forms the basis for risk/return management in the DekaBank Group and is, in principle, determined in accordance with IFRS accounting and measurement policies. As well as net income before tax, the economic result includes changes in the revaluation reserve before tax as well as the interest rate-related valuation result from original lending and issuance business, which are not recognised in the income statement under IFRS but are, however, relevant for assessing the income situation. The economic result is therefore a control variable on an accrual basis whose high level of transparency enables recipients of the external financial reporting to consider the company from the management perspective.

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.

Exchange traded fund (ETF)
Exchange traded investment fund, which is usually managed passively and often reflects a market index (index fund). ETFs are suitable for implementing different investment concepts and they facilitate targeted strategies, such as core-satellite investments, reporting portfolios as liabilities and interest management. They offer added value, particularly for institutional investors.

Exposure
In the monitoring of credit risks, exposure is understood as the sum of all risk positions involved 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 mutual and special funds and funds-of-funds as well as the Master-KAG mandates. 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 funds that invest indirectly in securities, i.e. via other funds. The investment policy of funds-of-funds is mostly geared to the steady reproduction of a certain portfolio structure on the basis of a defined chance/risk 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 secondary loans, silent capital contributions or participating certificates.

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.

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.

MaRisk (German minimum requirements for risk management)
Mandatory requirement by the German Federal Financial Supervisory Authority (BaFin) for the risk management practices of German credit institutions. As the supervisory authority, BaFin provides concrete details regarding Section 25a Para. 1 of the German Banking Act (KWG) in the minimum requirements for risk management.

Master KAG
An investment company functioning as a specialised service KAG (capital investment company) in which it outsources portfolio management tasks for individual mandates to various external asset managers but prepares a consistent series of reports for institutional investors. This enables institutional investors to bundle all their administered assets with a single investment company.

Multi asset fund
Mixed fund which invests in a broad mix of different asset classes – for example, equities, fixed-interest securities and commodities – and uses a comprehensive range of instruments, such as direct investments, funds and derivatives. The portfolios of fund products can therefore be aligned with the most attractive investment options in the various market phases.

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 and fund-of-funds 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 mutual 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.

Non-core business
Positions from credit and capital market business that are not suitable for Asset Management or to release synergies with Asset Management constitute non-core business. At the DekaBank Group, these positions have been separated internally. They are reported separately from core business and reduced while safeguarding assets at the same time.

OR claim
From the standpoint of the DekaBank Group, an OR claim is an unintended event which is associated with a negative change in assets (payment-related amounts, internal use of resources and/or opportunity costs) and which primarily results from the materialisation of an operational risk.

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 cover potential
The primary cover potential is composed of the annual net income contribution, IFRS balance-sheet equity and atypical silent capital contributions. The secondary cover potential consists of subordinated debt capital positions that can also be used to cover primary liabilities.

Primary/secondary market
The primary market (otherwise 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 securities exchanges).

Rating
Standardised creditworthiness/risk assessment of companies, countries or the debt instruments that 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 or Moody's (external ratings).

Ratio of intra-alliance business
Proportion of DekaBank Group products in the total fund sales of the savings banks and Landesbanken as a measure of acceptance in the *Sparkassen-Finanzgruppe*.

Repo/lending transactions
Repo transactions are repurchase agreements (securities repurchase agreements). As part of repo transactions, securities are sold and at the same time repurchase is agreed at a fixed date and price stipulated ex ante. Securities lending involves lending securities for a specific period of time in return for payment. In some cases, the lender makes securities available.

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 result divided by equity including atypical silent capital contributions. The RoE also reflects the payment of interest on capital provided by shareholders.

Revaluation reserves
Revaluation reserves include fair value valuation effects from financial instruments in the available for sale category and deferred tax effects, while not affecting net profit.

Scenario analysis
A scenario analysis focuses on the material risks identified during the self-assessment and uses tree diagrams to provide a detailed description and analysis. In particular, risk indicators need to be taken into account, which facilitate the derivation of ideas for the active management of operational risks.

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. In securities lending transactions, securities are loaned for a limited period of time in return for a fee. If necessary, the borrower furnishes collateral.

Self-assessment
Within the scope of the DekaBank Group's scenario-based self-assessment, assessors regularly identify operational risks on a structured basis in the form of loss scenarios and, using interval estimates, assess the probability of those scenarios occurring as well as the amount of the loss.

Sensitivities
Sensitivities are ratios which reflect changes in market value in response to the change in an individual risk factor.

Sensitivity-based Monte Carlo simulation
Method used to determine the value-at-risk. As part of this approach, the portfolio-related risk factors are simulated as random (stochastic) processes. The variations in the risk factors are assumed to be on the basis of normal distribution, although they also reflect historically observed correlations between risk factor changes.

SME credit fund

Open-ended special fund with a focus on the SME credit asset class, which pools selected loans extended by savings banks to small and medium-sized companies. Units in the SME credit fund, whose legal form constitutes a sub-pool of assets of an investment plc, can exclusively be acquired by savings banks. The loan portfolio manager is Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH. Here, the loans deposited by loan and portfolio management specialists of the *Sparkassen-Finanzgruppe* (Savings Bank Finance Group) are independently analysed and released for purchase by the fund. The fund is managed by Deka Immobilien Investment GmbH. DekaBank acts as the custodian bank.

Spread

Difference between the purchase price and the selling price of certain financial products (e.g. foreign currency, certificates, futures etc.).

Sustainability

DekaBank uses the definition of the term by the World Commission on Environment and Development, a United Nations organisation, from 1987 as the guiding principle of its activities relating to developing a sustainable business model: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Syndication/syndicated loan

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 risk-bearing capacity

Indicator of the relationship between the group risk (business, market price, credit, shareholding, property, property fund risk and operational risk) and the cover potential.

Value-at-risk (VaR)

The VaR of a portfolio identifies the maximum possible l oss that might arise within a prescribed period (= holding period, for example 10 days) and with a specific probability (= confidence level, for example 95%).

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 2011	**August 2011**	Interim Report as at 30 June 2011
	November 2011	Interim Report as at 30 September 2011

Publication dates are preliminary and subject to change.

Internet website

The Annual Report 2010 can be found on our website, including as an **interactive online version**, at www.dekabank.de under "Investor Relations/Reports" in German and English. Previous versions of our annual and interim reports are also available for download here.

Ordering reports

We would be pleased to send you a printed copy of the Annual Report 2010. 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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