Taking responsibility

Annual Report 2009
DekaBank Group

Olympia Partner Deutschland

Finanzgruppe

DekaBank

DekaBank Group at a glance

Business development indicators		31.12.2009	31.12.2008	Change %
Total assets	€m	133,283	138,609	−3.8
Assets under Management (AMK and AMI)	€m	151,243	142,456	6.2
of which: Asset Management Capital Markets (AMK)	€m	130,115	123,515	5.3
of which: Asset Management Property (AMI)	€m	21,128	18,941	11.5
Number of securities accounts	thousand	4,817	5,024	−4.1
		1.1.–31.12.2009	**1.1.–31.12.2008**	
Net sales (AMK and AMI)	€m	1	1,938	−99.9
of which: Asset Management Capital Markets (AMK)	€m	−2,478	520	(< −300)
of which: Asset Management Property (AMI)	€m	2,479	1,418	74.8
Performance indicators				
Total income	€m	1,499.9	880.4	70.4
of which: Net interest income	€m	473.0	390.5	21.1
of which: Net commission income	€m	980.8	958.5	2.3
Total expenses	€m	838.1	808.9	3.6
of which: Administrative expenses (incl. depreciation)	€m	806.0	808.2	−0.3
Economic result	€m	661.8	71.5	(> 300)
Net income before tax	€m	520.2	−49.2	(> 300)
Key ratios				
Return on equity [1]	%	20.3	2.2	18.1%-points
Cost/income ratio [2]	%	43.5	68.9	−25.4%-points
Key regulatory figures		**31.12.2009**	**31.12.2008**	
Capital and reserves	€m	4,052	3,862	4.9
Core capital ratio (incl. market risk positions)	%	9.7	8.4	1.3%-points
Core capital ratio (excl. market risk positions)	%	12.7	10.5	2.2%-points
Total capital ratio	%	13.8	12.5	1.3%-points
Risk ratios				
Total risk-bearing capacity	€m	5,152	5,043	2.2
Group risk (value-at-risk) [3]	€m	2,917	3,292	−11.4
Utilisation of risk-bearing capacity	%	56.6	65.3	−8.7%-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		3,667	3,920	−6.5
Average number of positions occupied		3,294	3,355	−1.8

[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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DekaBank Group

The Board of Management (from left to right): Oliver Behrens, Walter Groll, Franz S. Waas Ph.D., Dr. h. c. Friedrich Oelrich, Dr. Matthias Danne, Hans-Jürgen Gutenberger

Foreword by the Board of Management

Dear Shareholders and Investors,

In difficult conditions, it is particularly important to rely on one's strengths while also seeing the bigger picture to be able to build confidence. For DekaBank, 2009 was a year of concentrating on the Bank's own performance and consistently aligning its approach to meet the challenges of the financial markets. Both aspects are reflected in the results for the year. With a record economic result, we have proved the strength of our business model and provided an important, confidence-building signal to the savings banks and customers. At the same time, we succeeded in strengthening the quality of our portfolio of products and services in a difficult market environment, achieving milestones that go beyond the reported figures. We are convinced that this combination is the only approach that will allow us to achieve our aim of adding value for our shareholders, sales partners and customers on a sustained basis.

At €661.8 m, DekaBank achieved its best economic result to date in financial year 2009. This proves that we have survived the financial market crisis and its adverse impact, drawing on our own resources. It also highlights that the approach adopted as early as 2006 of consistently aligning our capital market services with the requirements of the savings banks and customers is future-proof. We have made significant progress in this respect in 2009. It became very obvious that DekaBank's business model, which is based on integrating Asset Management and supporting capital market business, provides stability, particularly in a challenging market environment. The aim of our capital market services is to reinforce fund-based investment products in terms of their marketability and also make a substantial contribution to the Bank's overall results. We succeeded in achieving both in the past few months and the present Annual Report documents this achievement.

In 2009, our business activities centred on rebuilding trust in capital market-based products, which investors had lost in the wake of the financial market crisis. The basic prerequisites are now in place. The fact that investment funds are regulated by law and offer a transparent and bankruptcy-proof solution is a bonus in itself. It is underpinned by product-related benefits, such as consistent risk diversification, systematic liquidity management and, with regard to the economy as a whole, access to the capital markets on an equal footing irrespective of the volume invested. Ultimately, we intend to convince customers through our outstanding product quality.

The Deka investment funds comprehensively succeeded in achieving this across all asset classes in 2009 – equity funds in particular led the way but bond funds investing in corporate and emerging market bonds were also at the forefront. The large majority of our funds outperformed the relevant benchmark. For Deka's investment funds, product quality is more than a promise. It is a verifiable reality. This was confirmed by the excellent places achieved in performance comparisons, including the award from *Capital* magazine as one of the top fund company with a maximum five-star rating.

Our claim as the central asset manager for the *Sparkassen-Finanzgruppe* is to provide all customers with product solutions that are tailored to their individual requirements. We have therefore progressively expanded our range of products and services, especially to include funds which focus on the aspect of security while at the same time offering investors opportunities in the capital markets. By way of an example, the funds of the Deka-CapGarant series launched in the reporting year should be mentioned.

We also recorded a positive trend in property-based investments. The trust customers place in us was reflected by a further rise in net sales. Another success was the combination of Deka-ImmobilienFonds and Deka-ImmobilienEuropa as well as WestInvest 1 and WestInvest InterSelect in autumn 2009. This resulted in two large property funds with a robust structure, which offer an excellent long-term investment basis.

We also supplemented our product range for institutional investors in the past financial year. This comprised the launch of additional index funds by our subsidiary ETFlab as well as multi-asset-class funds and Deka Loan Investments, which enable savings banks to participate in infrastructure and property finance.

All our activities are aimed at achieving a sustained impact. We are aware that financial success must be in line with our environmental and social responsibilities. To highlight our claim in this respect, we adopted a sustainability strategy for DekaBank in 2009. We do not treat sustainability as a fashionable trend, but see it as a permanent undertaking which we consistently implement in our actions relating to environmental management, HR policy, products and social commitment. In this sense, sustainable actions mean taking responsibility. “Taking responsibility” is therefore also the motto for this year’s Annual Report.

To set a personal sign in visual terms as well, the drawings we have chosen to illustrate our Annual Report were selected from those submitted by children of our employees as part of a painting competition. These imaginative pictures reflect the multi-faceted topic and remind us that a change in perspective is always worthwhile.

Sincerely,

Franz S. Waas, Ph.D.

Oliver Behrens

Dr. Matthias Danne

Walter Groll

Hans-Jürgen Gutenberger

Dr. h. c. Friedrich Oelrich

Children and rating agencies simply see some things in the same way.

Sustainability is a topic that concerns us all. Whether you are looking at the world from a child's perspective or that of a rating agency scanning the corporate universe, the benchmark remains the same. In essence, it all amounts to using resources responsibly, whether on a small or large scale. The question of whether and how individuals and companies show their commitment in terms of sustainability also matters. It is equally important that such commitment is credible, consistent and sustainable.

A sustainable approach is essential for companies, in particular. Business models that are profitable as well as future-proof must be based on forward-looking and responsible actions. Asset managers like DekaBank are keenly aware that asset management is a matter of trust. Only those who succeed in combining long-term financial success with responsible commitment to their community are able to build trust. This is why we are not exclusively guided by financial indicators, but also consider ecological and social standards.

Today, offering an innovative range of sustainable products is no longer enough. It is just as important to take a stand in general. For example, on climate change and where polar bears will go as the ice shelf continues to melt.

The children's drawings, which provide the visual framework for our Annual Report, highlight the many dimensions of sustainability. They address a variety of issues, ranging from climate change to provisioning by squirrelling away money, and building according to environmental standards. This diverse topic has inspired highly imaginative drawings. All of the drawings were submitted by the children of employees as part of a competition. They contribute to focusing our view on what counts – taking responsibility. It is the motto we have selected for this year's Annual Report, which includes a separate sustainability report with extensive information for the first time. After all, sustainability starts at home, and this is another point on which children and rating agencies agree.

Sustainability becomes a factor for success if we jointly take responsibility.

The world offers space for diverse forms of life, and we need to make sure that this remains the case in the future. People therefore have a joint responsibility for ensuring that our globe remains a good place to live for future generations.

Acting together also means that everyone takes responsibility for others. This type of responsible behaviour has a long tradition in the *Sparkassen-Finanzgruppe*. For more than 200 years, the savings banks have been rooted in their respective regions and their business policy is geared to the long term. In this way, they contribute to sustainable development in the local economy. Since the savings banks focus on the common good, they are not forced to base their strategies and decisions on short-term yield expectations. Instead, they are able to focus on the aim of creating and maintaining a sustainable basis. As the central asset manager for the *Sparkassen-Finanzgruppe*, DekaBank relies on this guiding principle to add value in the long term – for customers, shareholders and employees. We are committed to achieving this on the basis of a sustainable corporate approach, in financial, environmental and social terms. To us, sustainability is not a fair weather idea but rather represents a permanent undertaking. Indeed, taking social responsibility is part of the "genetic code" of the *Sparkassen-Finanzgruppe*. As a result, it impacts decisively on all our actions.

Based on this responsibility, we developed our sustainability strategy in 2009 and defined specific courses of action for its implementation. This sets a frame for individual activities. From the responsible use of resources in the workplace to sustainable investment products and finance, as well as climate-aware construction and sustainable HR management, all activities are geared to jointly taking responsibility and making a contribution to shaping a future worth living.

Thinking of tomorrow today – DekaBank's business model.

Thinking of tomorrow means setting targets, developing a clear strategy and consistently implementing it. It also means making certain sacrifices today, in order to benefit tomorrow. A bit like the "squirrelling away principle". Alongside strategic vision, this requires above all discipline.

Irrespective of whether an individual is pursuing personal goals or a company is developing a sustainable strategy, those who are after long-term success must rely on their strengths. Our business model therefore deliberately focuses on our core competence of providing a comprehensive range of products and services in Asset Management. Our activities are integrated across the business divisions, Corporate Centres and Sales and also with the savings banks. This adds value for our customers along the entire value-creation chain – not only today but also for tomorrow.

Generating steady income is one thing, but securing it long term is another matter. It calls for a responsible and risk-aware approach, as asset manager, product provider and market player. Not losing sight of the fact that resources are limited is equally important. Consequently, DekaBank's business model builds on a harmonious triad of long-term economic growth, environmental responsibility and social commitment – this is how we define the term "sustainable".

Basically, this approach follows the "squirrelling away principle": collecting, spreading, securing – step by step, year after year. This also includes making sacrifices to set up reserves for the future. At the same time, it is vital to ensure that enough is left for future generations. Small successes should then also impact favourably on a large scale.


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Sustainability must be lived and not just demanded, including at home.

"Switch me off when you leave." This sticker is on every computer and printer at DekaBank, which is just one of the many examples of ecological awareness in the workplace. Admittedly, it is a small signal. However, it shows that we take our environmental responsibility very seriously.

Our sustainability strategy sets the frame for this. As part of this strategy, we undertake to minimise the negative impact of business operations on the environment. What this means in concrete terms for day-to-day operations is described in our environmental guidelines. We attach great importance to efficient and sustainable use of natural resources. Our aim is to reduce the energy, paper and water consumption of DekaBank in the long term. Lower consumption also has the positive side-effect of producing less waste.

When it comes to mobility, we limit the environmental impact of business travel. We give preference to environmentally friendly means of transport. Besides, some business trips are avoided, since conference calls and videoconferencing can sometimes establish contact just as successfully.

Sustainability does not stop at anyone's front door. We encourage our employees and business partners to be environmentally aware. For example, we support the "Cycling to work" campaign and, where possible, choose suppliers who also adopt a sustainable approach.

To pool the numerous activities efficiently and economically, DekaBank has set up its own environmental management. It ensures that the environmental guidelines are not only written on paper, but actually lived. In addition, it makes our environmental commitment transparent by building on recognised standards. In March 2009, DekaBank's environmental management system was certified to European DIN EN ISO 14001 standard. This demonstrates that we are headed in the right direction.

Where work and life are combined, jobs can vary greatly.

Sometimes the things we don't immediately see are those that matter most and we need to take a second look to see the pros such as flexible working hours, family-oriented human resources policy and a comprehensive advanced training programme. All the better if such benefits form an integral part of policy and reflect sustainable human resources management. This kind of policy has a lasting effect, well beyond the present and also beyond the workplace.

It's what counts. After all, the key to a company's success are qualified and committed employees. Motivating, promoting and supporting staff represents an investment in the future and is something we at DekaBank do on a continuous basis and not just in individual instances. Our life cycle-based human resources policy forms an integral part of our corporate culture. We offer our employees individual building blocks that are tailored to suit age, professional background and personal circumstances. These range from training to executive career options, from choosing working hours to a personal qualification plan, as well as active health management and offering crèche and kindergarten places.

Where the work-life balance is right, professional performance will follow. This is why we do not mind where our employees work – in the office or from home. DekaBank actively promotes a family-oriented and health-centred human resources policy. The Bank offers practical part-time working using more than 200 different models and working hour accounts, which can be used to care for elderly relatives. In addition, it provides health courses at the Deka Health Centre. In recognition of this commitment, we have already received the *"audit berufundfamilie"* certificate (work-family audit certificate) as a family-friendly employer twice and were given the Corporate Health Award with distinction in 2009. There is more than one way to achieve our objective of treating the most important resources we have responsibly, in other words, our employees.

The beauty of our sustainable fund products is that they offer something for everyone.

Sustainable crops make a good long-term harvest. This principle essentially also applies to investments. For investors, sustainability and yield are not contradictory. Recent years have shown that sustainable investments can compete with the best.

Investors who make sustainable investments with this in mind can expect attractive long-term yields that benefit them, the environment and future generations. This is made possible, for example, by our DekaSelect: Nachhaltigkeit fund of funds launched in 2009. Its portfolio comprises traditional sustainability funds as well as funds which address key issues for the future, such as renewable energy, the supply of drinking water and micro-financing services for developing countries. The Deka-UmweltInvest equity fund focuses on topics such as climate protection and environmental technology. It enables investors to participate in the earnings opportunities provided by an international growth sector. At the same time, the fund contributes to environmental protection. Sustainability criteria are also increasingly important for foundations, charities and church-run organisations when considering investments. In many cases, they are stipulated as a requirement in the investment guidelines. The concept of the Deka-Stiftungen Balance mixed fund is tailored to the requirements of this particular target group. Top ratings from renowned rating agencies prove that yields are by no means neglected.

However, sustainability is not only a topic of which our investment funds are aware. We ensure that all decisions along the value-creation chain in Asset Management are justifiable from an ecological, social and ethical standpoint. For example, our project financing is guided by the requirements of the Equator Principles, which are based on the environmental and social standards of the World Bank Group.

In short, our sustainable financial services generate yields that are in line with general market conditions and at the same time benefit the global sustainability balance. That is the beauty of this approach.

Whatever the shape of sustainable building, we think it's worth an award.

Imagination and functionality are not necessarily mutually exclusive. On the contrary, their combination produces tomorrow's architecture. It calls for new standards, because the buildings of the future will not be designed according to the principle of higher, bigger and more spectacular. They will focus on responsible and forward-looking construction, especially in terms of sustainability aspects. This means saving resources, optimum use of energy sources, setting innovative ecological standards and securing the efficiency of buildings in the long term. The resultant environment for future generations is "green", not only in visual terms, but is at the same time convincing to investors.

This is important to us as an asset manager. We stipulate the most stringent requirements for the buildings in which we invest, both in terms of financial and ecological quality standards. At global level, DekaBank is among the ten major property finance providers and the market leader in property funds management in Germany. The Bank also maintains close ties with architecture through its social commitment. As part of a long-term partnership, we jointly initiated the International Highrise Award (IHP) in 2004 with the German Museum of Architecture (DAM). The award is presented by the City of Frankfurt every two years for globally outstanding design of high-rise buildings. An international panel judges the nominated buildings on the basis of aesthetic design aspects and efficiency, and also firmly includes sustainability aspects.

Our social commitment is aimed at making a favourable impact beyond our time and creating long-term values. Notable examples include the Bank's development partnerships with the Museum of Modern Art and the House of Finance, both located in Frankfurt, and DekaBank's collection of 21st century art. We also support the *Deutsche Krebshilfe e. V.* cancer charity in Germany and the Don Bosco Mission. We believe that sustainable social commitment is as multi-faceted as sustainable building and when it comes to the imagination, the sky is the limit.

Group management report 2009

At a glance

In 2009, the political arena, financial sector and real economy overcame major challenges. The serious financial market crisis now seems to be over. Following further turmoil in the first quarter of this year, the financial markets have noticeably eased again, thanks in part to the committed intervention of central banks. Private and institutional investors have returned, injecting liquidity back into some previously dried up market segments. In this context, risk and liquidity premiums, which had increased once again in spring 2009, dropped significantly over the course of the year. After going into free fall at the end of 2008/ beginning of 2009, the real economy reached a stable base surprisingly quickly. By autumn 2009, the worst recession since the global economic crisis of 1929 was overcome. Nevertheless, the overall situation remains fragile. Imminent loan losses, rising unemployment figures in the long term and the negative impact of growing national debt will require that all market players remain alert in the future. It cannot be ruled out that the liquidity markets may dry up again in 2010, which in turn may result in a significant widening of risk premiums.

DekaBank was able to prove the particular strengths of its business model in 2009, which result from a strategic combination of asset management and capital market business. At €661.8m, we achieved the highest economic result in the company's history for our shareholders, the savings banks and *Landesbanken*. The clear increase on the previous year (€71.5m) was attributable firstly to DekaBank's forward-looking balance sheet management and the resultant comfortable liquidity position. We have used this liquidity comprehensively for low-risk investments at attractive terms. Secondly, the expansion of customer business and resultant net financial income contributed to the higher result, as did positive market developments and the lower risk premiums on capital market credit products. Supported by the recovery of the markets, the negative valuation results still evident in the first quarter of 2009 were subsequently compensated. Another contributing factor was the slight decrease in administrative expenses as part of the quality and process campaign (QPO) launched in the year under review.

Although income from asset management continued to be very limited as a result of the financial market crisis, we achieved an increase in net commission income on the previous year. Overall, sales and assets under management stabilised in the year under review following the market disruption in the fourth quarter of 2008. DekaBank strengthened its market position and created a strong starting position for 2010. The decisive factors in achieving this included the further development of DekaBank's product offering in terms of mutual funds, exchange traded index funds (ETFs) and derivatives, coupled with markedly improved fund performance and increases in efficiency as well as infrastructure investments.

DekaBank responded promptly to the changed market and customer requirements in the wake of the financial market crisis and sharpened its business model in 2009 (see page 21). As the central asset manager for the *Sparkassen-Finanzgruppe*, the Bank has geared its product offering even more precisely to customer requirements and ensured that its capital market expertise serves Asset Management even more consistently. Lending business and credit substitute transactions that are not suited to Asset Management no longer represent a strategic focus and have been separated from core business. This is accompanied by strictly limited risk positions.

DekaBank has started 2010 with a focused strategy, leaner cost basis and justified optimism. The popularity of our funds and services with savings bank customers creates new growth opportunities in an environment in which other market players are facing greater difficulties following the financial market crisis and subsequent crisis in the real economy. The same applies to savings banks as institutional customers, as we have further fine-tuned the set of instruments we make available to them for liquidity and risk management. We have continued the quality and process campaign to focus existing processes on key services. At the same time, this creates scope for targeted investments in a direction which will secure the future of DekaBank. Alongside risks, non-core business also offers opportunities for write-ups. These are continually monitored and managed on the basis of a strategy that reduces relevant business while safeguarding assets.

Business model and structure of the DekaBank Group

Business model sharpened

DekaBank is the central asset manager for the *Sparkassen-Finanzgruppe*. DekaBank develops integrated asset management solutions 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.

Based on the interaction of the Asset Management Capital Markets (AMK), Asset Management Property (AMI) and Corporates & Markets (C&M) business divisions, DekaBank develops its product offering closely aligned with key capital market trends while broadening access to asset classes and responding to different risk profiles and investment strategies with tailored products. In this respect, the business divisions are supported by Savings Banks Sales, Institutional Sales, which is part of AMK, and eight Corporate Centres that provide cross-divisional services.

Clear customer and product focus

DekaBank has consistently pursued the previously commenced strategic development and sharpened its business model in 2009, in order to focus even more on its role as the central asset manager for the *Sparkassen-Finanzgruppe*.

The Bank's core business has since comprised products and services that fulfil the following three conditions:

- They meet direct demand from the *Sparkassen-Finanzgruppe* and its customers or are linked to it as downstream activities.
- They are suitable for Asset Management, whether for use in product solutions or to release synergies along the value-creation chain.
- Risk positions are only entered into in relation to customer transactions and if they can be hedged in the market, or if they are accepted in order to release synergies in Asset Management and are clearly limited by the amount of equity by which they are backed.

With this strategic direction, DekaBank realigns its business model to match the requirements of savings banks and their customers as well as institutional customers in selected markets even more closely and perceives its role as that of a service provider for these target groups.

Capital market business geared to Asset Management

Capital market business in the Corporates & Markets business division was reviewed on the basis of what constitutes core business and now focuses on the asset classes and core functions that support Asset Management. DekaBank's capital market activities service customer-based demand for the Bank's own funds, that of the savings banks and other institutional investors.

In line with this aim, lending business has focused on credit assets, which generate fixed cash flow that can be planned in the long term. This makes them attractive for Asset Management. Alternatively, they are used to cover institutional demand, for example via syndication. The suitability of the core credit segments identified for Asset Management is continuously reassessed on the basis of changing market conditions.

Separation of non-core business

The allocation of loan portfolios and structured capital market credit products to the new non-core business segment was primarily driven by strategic considerations rather than their value. The positions pooled in non-core business are not so suitable for product solutions in Asset Management. In some cases, we expect significant write-up potential in the sub-segments of non-core business. The segment includes trade and export finance, which is not covered by state export credit insurance (ECA), and leveraged finance from the former Credits portfolio. Structured capital market credit products, such as asset and mortgage-backed securities, collateralised loan obligations and synthetic products from the former securitisation portfolio have been allocated to the non-core business portfolio.

The volume of this portfolio will gradually diminish over the coming years. This is partly due to selected disposals, which will be carried out taking into consideration current market prices and the risks and opportunities associated with future developments, and partly to the scheduled maturity of contracts. In the event of an accelerated reduction of the portfolio, DekaBank would realise unnecessary valuation losses. Moreover, the DekaBank Group's comfortable liquidity situation also ensures that this will not be necessary. Instead, the Bank pursues portfolio management that safeguards assets in the interests of shareholders and which is in line with DekaBank's value-oriented long-term strategy.

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. DSGV and the *Landesbanken* both hold 50% equity stakes in DekaBank; the shares of the *Landesbanken* are held indirectly by GLB GmbH & Co. OHG (49.17%) and NIEBA GmbH (0.83%), a subsidiary of NORD/LB.

The DekaBank Group strictly adheres to the principles of responsible company management. The corporate governance principles for Group management and supervision define clear and distinct responsibilities for boards and committees and promote rapid decision-making. The Board of Management, which comprises six members, has overall responsibility for managing DekaBank. The members of the Board of Management are supported by management committees at 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 integrates the expertise of the *Sparkassen-Finanzgruppe* into its decision-making via several advisory boards and 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 experience of the markets.

The close cooperation of the Board of Management and Administrative Board is based on trust. The Administrative Board of DekaBank has 30 members in accordance with the Bank's statutes. These include representatives from the *Sparkassen-Finanzgruppe*, employee representatives and representatives from the *Bundesvereinigung der kommunalen Spitzenverbände* (German Federal Organisation of Central Municipal Organisations), the latter in an advisory capacity. The work of the Administrative Board is processed in part by the full Board and in part by various expert committees. To this end, the Administrative Board has formed the General Committee and the Audit Committee from its members. The German Federal Minister of Finance has overall government 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 here. In addition, WestInvest Gesellschaft für Investmentfonds mbH is based in Düsseldorf. Based in Munich, the subsidiary ETFlab Investment GmbH 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%). At the beginning of 2009, fund accounting in Germany and some areas of fund administration were 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 (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 allround solutions for private and institutional customers 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, 4.8 million custody clients in Germany, Luxembourg and Switzerland use the fund-based products and services. Alongside the funds and structured investment products of the DekaBank Group, the range of products offered also comprises products from selected international cooperation partners.

For private investors, AMK offers a wide range of investment funds. Currently, 637 mutual funds facilitate investment 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 as well as products that meet specific requirements. As at year-end 2009, the DekaBank Group's mutual securities funds ranked in second place in the German market in terms of fund assets according to BVI.

With our fund-based asset management products, we offer continuous market analysis and consultancy for private investors. Comprehensive asset allocation across all asset classes means that investors can implement their own strategies, depending on their individual risk/reward profile. Alongside funds of funds, structured investment concepts encompass fund-linked asset management with the Sparkassen-DynamikDepot, Schweiz PrivatPortfolio, Swiss Vermögensmanagement and Swiss Fund Selection products.

While retail sales of mutual funds are processed by the savings banks, DekaBank additionally maintains direct sales activities in Institutional Sales. AMK manages 357 special funds as well as 123 advisory and management mandates on behalf of institutional investors. The range of services also includes the Master KAG activities (135 mandates), which institutional customers use to pool their assets under management with one investment company.

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)*.

Services encompass all aspects of investment custody business, including portfolio management, fund controlling and fund reporting. At the beginning of 2009, fund accounting and some areas of fund administration in Germany were 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. In addition to synergies and cost advantages, the joint venture offers DekaBank accelerated migration of functions to a new fund administration platform.

Furthermore, in the financial year ended, the process to merge Deka Investment GmbH and Master KAG Deka FundMaster Investmentgesellschaft mbH was also launched. It is scheduled to be completed by mid-2010. The original structure met the previous requirements of institutional investors for separate fund management and administration. This aspect has lost importance in recent years. The merged company will operate under the name of Deka Investment GmbH.

Asset Management Property business division (AMI)

The DekaBank Group's property expertise is pooled in the Asset Management Property (AMI) business division. It offers property investment products with different risk/reward profiles for private and institutional investors. In addition, customised property finance is offered to professional property investors, which is often passed on to institutional investors as an investment. Product quality is decisively promoted by direct access to the different property assets and investors, currently ensured in 24 countries and at the same time being expanded with high synergetic effects across both sub-divisions.

In 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, the subsidiary Deka Immobilien GmbH is responsible for the acquisition, sale and management of property as well as rental management, and product development. 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 investment fund business includes open-ended mutual property funds, special funds, individual property funds, property funds of funds as well as property and infrastructure loan funds. As at 1 October 2009, we streamlined the product range of mutual funds. Deka-ImmobilienFonds was combined with Deka-ImmobilienEuropa and WestInvest 1 with WestInvest InterSelect. By pooling these funds, DekaBank created two high-volume European property funds with a temporarily higher proportion in Germany. These funds now feature an even more robust structure, enhanced risk diversification and greater stability. The globally invested Deka-ImmobilienGlobal fund rounds off the investment range of open-ended mutual property funds for private investors. In addition, the portfolio comprises twelve special funds, two individual property funds and 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 AMI fund assets (according to BVI) of €20.3bn as at the 2009 year-end, distributed across 430 properties in Germany and abroad, DekaBank is the market leader in Germany for mutual property funds and one of the leading property asset managers in Europe.

Real Estate Lending puts to use and complements the existing Asset Management expertise on commercial property, 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, the resources required in fund business are utilised more efficiently, and optimum integration with the relevant business partners is achieved in property business. In principle, financing activities are limited to the same types of use and regions as in Asset Management.

Corporates & Markets business division (C&M)

The lending business that is compatible with Asset Management (excluding property finance), trading and sales activities of Capital Markets and Treasury activities are grouped together in the Corporates & Markets (C&M) business division. C&M acts as an investor, structurer and manager of risk products and provides access to primary and secondary markets. Furthermore, the business division offers innovative capital market and derivatives solutions, creating the basis for targeted expansion of DekaBank's Asset Management offering. C&M supplies the *Sparkassen-Finanzgruppe* with liquidity 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. In strategic terms, trading and sales activities focus on short-term products (money market and repo/lending) as well as structuring equity and interest rate derivatives for funds and the savings banks in the Debt Trading and Share Trading units. The trading unit is rounded off by commission business relating to shares, bonds and exchange traded derivatives on behalf and account of internal and external customers.

In addition, we are expanding business with exchange traded index funds (ETFs) for institutional customers, broadening the product spectrum and maximising product benefits through active market making. While the ETFlab subsidiary is responsible for developing, setting up, marketing and managing the products, market making and sales are pooled in the Linear Equity Risks and ETF Sales units at DekaBank in Frankfurt. The units work closely with Institutional Sales.

The management of securities in the investment funds continues to represent core capital market business. Repo/lending transactions are particularly important in this respect, as they are used to supply the savings bank sector with short-term liquidity. They also support the funds as part of the relevant investment strategy with the aim of enhancing fund performance.

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

- as part of syndicates in the field of energy, grid and supply infrastructure (utility & project finance),
- of aircraft and ships as well as export finance, where this is covered by state export credit insurance (export credit agency, ECA),
- of infrastructure measures (public infrastructure) – supported by infrastructure consultancy by DKC DekaKommunal Consult, and
- for savings banks and the public sector in Germany (public sector finance), which essentially meet the requirements of cover pool eligibility for public sector *Pfandbriefe* and covered bonds.

Treasury is now maintained as a separate sub-division. It is responsible for DekaBank's liquidity positioning and liquidity risk management (funding & liquidity) and for setting up and managing market risk positions in the investment book (asset liability management).

The activities of the Public Finance sub-division, which had been set up in the previous year, were discontinued in financial year 2009.

Savings Banks Sales and Corporate Centres

All business divisions work closely with Savings Banks Sales, for which a particular Management Board member is responsible within DekaBank. In addition to the centralised marketing and sales management, sales are divided into three main regions of Germany (North/East, Mid and South). The Sales unit forms an important interface between DekaBank and its alliance partners and also between production and marketing with a focus on retail customers. Moreover, the unit is responsible for various central duties, such as product and brand management and sales control. The business divisions and Sales unit are supported by a total of eight Corporate Centres with clearly defined core competences, business objectives and management targets and indicators (Fig. 1). They function at cross-divisional level and ensure smooth business operations.

In organisational terms, Institutional Sales is allocated to the AMK business division. However, it carries out tasks for all of the business divisions.

Value-oriented strategy and management

Integrated value creation in the DekaBank Group

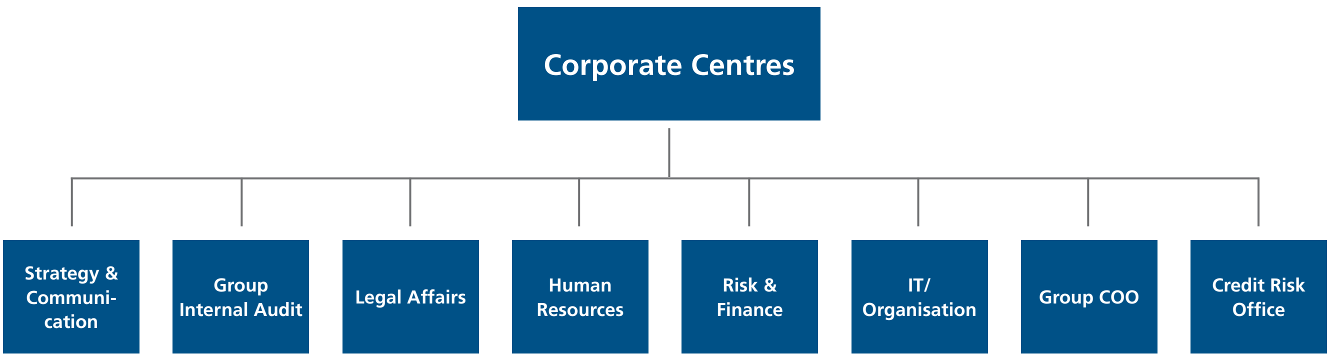
After realigning the business model, including identifying and separating non-core business activities (see page 21), the DekaBank Group is focusing on its role as the central asset manager for the *Sparkassen-Finanzgruppe*. The Group offers an extensive portfolio of solutions comprising Asset Management products and services for the savings banks and their customers via stable technological platforms, while making liquidity and cross-divisional advisory services available to the *Sparkassen-Finanzgruppe* and supporting investment funds in enhancing their performance by generating additional income. To this end, the DekaBank Group uses its lending and capital market business expertise as well as comprehensive access to the capital and property markets.

Value creation ranges from acquiring attractive assets and investment opportunities to structuring and enhancing these 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 portfolio to their own return expectations and risk affinity. With our mission 2012, we are anchoring our claim to be 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 all-round approach.

The DekaBank Group's integrated business model, which is based on the division of labour and was realigned in 2009, creates added value for its alliance partners and end customers. On this basis, the economic result of the business divisions can be increased and therefore also DekaBank's enterprise value.

Quality and process campaign

With the quality and process campaign launched in the year under review, DekaBank secures its long-term competitiveness in a fundamentally changed market environment. More than 400 individual measures are aimed at improving process quality and reducing administrative expenses throughout the Group by 2011. In addition to cost savings, the aim is to increase the customer focus



Corporate Centres *(Fig. 1)*

and efficiency of processes. Furthermore, the lower cost basis will provide greater scope for growth-driven investment in core business.

The measures are essentially aimed at reducing personnel and operating expenses. Personnel expenses will be reduced by cutting staff capacity by 350 jobs. Where possible, this reduction in staff is initially to be achieved without layoffs for operating reasons, and instead by offering options such as voluntary redundancy, early retirement solutions and the increased use of part-time employment (see page 49). Further key savings effects will be achieved through restraint in marketing and sales, lower take-up of external consultancy services, improved purchasing conditions and consistent process optimisation in accordance with the principle of lean management. The measures are backed by close project control. In 2009, we implemented our ambitious targets throughout the Group and already achieved savings amounting to more than €100m compared with the original planning.

Investment in a high-performance IT platform

In order to boost the competitiveness of its business divisions, DekaBank will continue to invest in its IT platform. As a basis for this, we conducted an IT audit in the third and fourth quarters of the year. This focused on taking stock of the existing IT architecture and IT management, developing a new direction for IT governance and a structure for a strategic IT programme. The IT programme launched at the end of 2009 will establish an integrated forward-looking overall IT architecture. The programme entails consolidating the application environment, replacing old applications and introducing a new integration platform to reduce the number of interfaces. At the end of this process, which will take several years, the Bank will have a flexible application environment that guarantees high system stability at reasonable operating costs. Thanks to the technology used, consolidated interfaces and a lower level of complexity, the modernised application environment facilitates rapid adjustments to new market developments. With the planned measures, DekaBank will further reduce IT costs and minimise any IT-related risks arising from the complexity of a continually evolving IT architecture. The sustainability of the programme is backed up by a realignment of IT governance.

Strategy in the business divisions

Strategy in the AMK business division

The AMK business division has further sharpened its profile, with a focus on streamlining the product range and further developing specific products in line with the differentiated requirements of various end customer groups and also reworking the sales concept. The Bank's positioning as central asset manager for the *Sparkassen-Finanzgruppe* remains the overriding aim, driven by a stringent focus on the requirements of its target groups.

Mutual securities funds

AMK offers mutual securities funds for the retail customers of the savings banks. In line with the relevant customer demand, the product range has been split into the categories of actively promoted products (with active sales support) and passively marketed products. This was associated with streamlining the product range on the basis of closures and the combination of funds and unit classes, whether already implemented or planned. All new products must meet stringent criteria. In 2009, product development focused on bond and guaranteed funds, some of which use a total return approach that responds to the continuing marked requirement for security from many investors.

Fund-linked asset management

Fund-linked asset management is positioned as a basic product for high-potential retail customers as part of the savings banks financing concept. In response to the financial market crisis, AMK already implemented comprehensive changes to its management approach at the beginning of 2009. The portfolio is aligned even more closely with the risk profile of customers and managed more flexibly, including the total exclusion of equity funds from the mix for certain specific variants of the Sparkassen-DynamikDepots. Following the introduction of actual maximum loss limits, customers are also protected against loss of value in line with their risk profile. As part of a comprehensive relaunch, we will continue in 2010 to tailor products relating to fund-linked asset management to match customer requirements.

Furthermore, we assist the savings banks in cooperation with the DSGV in developing and enhancing high-quality professional consultation and support processes.

Institutional products

The range of products tailored to the requirements of institutional investors, comprising investments by the savings banks for their own account and by institutional customers, has also been streamlined and now centres on the core requirements of this target group. Development focused mainly on products to optimise payouts, multi asset funds (MAF) and Deka Loan Investments (DeLI), through which the savings banks can participate in infrastructure and property finance. DeLI represents an example of the integrated approach of DekaBank's business divisions. C&M and AMI act as credit providers while AMI is responsible for fund management and AMK for administration and institutional sales.

AMK is increasingly offering overlay management for the numerous Master KAG mandates, which are designed to pool assets under management in one investment company. This type of management facilitates strategic and tactical management of asset allocation at overall portfolio level and has proved successful in promoting customer loyalty.

Institutional Sales is responsible for institutional customers on the basis of key account management. Institutional Sales manages sales of the institutional products of all business divisions on a centralised basis. In cooperation with product specialists, Institutional Sales supports the savings banks in strategic issues, fund allocation, custody account and loan portfolio analysis as well as risk management.

Strategy in the AMI business division

The strategy in the AMI business division is based on the efficient combination of Asset Management and Real Estate Lending. 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 attractive property assets and investors in Germany and abroad, AMI ensures consistent product quality and reliable sales and income contributions. The types of property use (hotels, shopping, office and logistics) and regions serviced are matched as closely as possible in Asset Management and Real Estate Lending. By using the same local expertise in representative offices and coordinating customer activities, significant synergies are leveraged within the business division.

Property-based asset management

The open-ended mutual property funds, some of which were consolidated in the year under review, are consistently geared to private investors. The WestInvest ImmoValue is the only exception in this respect. 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, importance is attributed to balanced regional diversification. Funds received from non-Group funds of funds and institutional investors are specifically channelled into other types of investment. Sales of open-ended mutual property funds will continue to be managed on the basis of sales quotas, whose volume is determined by investment opportunities and the target liquidity ratio of the funds. This active portfolio management as well as consistent management of inflows and outflows into and from funds ensured DekaBank's consistent presence in the market in 2009, a year in which some competitors were absent at times. In future, stability of earnings for the funds and limited liquidity risks will continue to be the primary goal of fund management in a competitive environment that remains challenging.

On the basis of its position as market leader in retail property funds, AMI also provides suitable investment solutions which respond to the long-term stable demand from institutional investors for steady and tax-optimised property investments in top quality assets. These include property investments with alternative profiles, such as the single sector funds in the WestInvest TargetSelect fund family and the new DeLI product. In 2009, the basis was put in place for accelerating growth in the institutional business of AMI.

Real Estate Lending

The strategic focus in Real Estate Lending (REL) is financing properties in countries in which the investment companies also invest. In the current high-risk environment, REL focuses particularly on countries in which AMI has a local presence via its own locations. The basic prerequisite for such financing is that the ability to access the capital markets is guaranteed in each case. New business is only conducted selectively and in categories in which the Bank has specific expertise and taking into account yield and risk aspects. REL concentrates, in particular, on properties that facilitate third party use and are therefore suitable for passing on to savings banks or institutional investors via various exit channels, such as syndication and the first German credit fund, DeLI (Deka Loan Investments). The role of REL as a credit provider to Asset Management and syndication arranger in the savings banks sector is set to be expanded further, also with a view to diversifying earnings. In addition, REL is in a position to promote AMI's direct access to business partners significantly. With regard to lending, the focus remains on transparent structures with a conservative risk profile.

Strategy in the C&M business division

The C&M business division, which acts as a capital market-oriented service provider and product innovator for Asset Management, plays a key role in the implementation of the sharpened business model. The value-creation chain in Asset Management is expanded and optimised through services that add value, derivatives structuring and generating attractive credit assets. As institutional customers, the savings banks and investment funds benefit from DekaBank's strong liquidity and refinancing profile. Overall, the close integration of fund and capital market business generates additional income for the *Sparkassen-Finanzgruppe*.

Markets

The Markets sub-division is in charge of all capital market services that support Asset Management and meet the requirements of the *Sparkassen-Finanzgruppe*. As part of efficient product development and ensuring sufficient market liquidity, these services are also actively offered to customers, including other capital investment companies.

Starting from its strong position in traditional commission business with shares, bonds and derivatives, Markets has developed into an integrated provider of tailor-made structured products for managing the performance and hedging the risks of funds within cash and derivatives brokerage. The position in equity derivatives has already been expanded. The sub-division has responded to the growing demand from fund managers for non-linear structures, especially guaranteed capital funds, by intensifying the development and marketing of relevant products. The range of interest rate derivatives is complemented as required by Asset Management. By expanding business with bonds, interest rate derivatives and credit derivatives, C&M is able to offer institutional customers convincing fixed-income solutions from under one roof. Intelligent trading algorithms have been developed for cash trading. The use of these algorithms enables C&M to achieve particularly efficient and intelligent order execution in highly liquid market segments. They are used, for example, for market making relating to ETFs.

The segment of short-term products essentially focuses on the active management of investment fund securities. In this context, repo/lending transactions are particularly important and set to be expanded further. With these transactions, DekaBank generates collateralised liquidity by lending securities from the funds. The liquidity can then be made available to the savings banks and other counterparties. The Bank earns a positive interest margin from this and gives funds the opportunity of enhancing their performance. The aim is to complement this business with synthetic structures in the long term.

We have expanded the product range in Asset Management to include passive products by launching ETFs for institutional investors via ETFlab Investment GmbH. In the year under review, the investment spectrum of index funds, which previously focused on equity funds and funds with government bonds, was broadened to include *Pfandbriefe* and corporate bonds and has therefore been more precisely tailored to the requirements of the savings banks. A short-index ETF is now also available. To meet growing customer demand for these transparent and favourably priced products, ETF business will be stepped up with the gradual further development of the available range of products. The aim is to reflect the savings banks' passive investment using ETFlab products. This will be accompanied by investment in ETF market making and portfolio trading processes that are eligible for retail business. ETFs are also increasingly used in active asset management, especially in connection with funds of funds.

Credits

In lending business (Credits sub-division), C&M focuses on asset classes that generate steady cash flows and are therefore of interest for the lending business of the Bank's partners in the *Sparkassen-Finanzgruppe*, either as part of innovative fund solutions such as DeLI or through banking syndicates and syndication. This is also associated with the Bank's development from traditional finance provider to credit investor and risk manager. New business is only undertaken after assessing its suitability for Asset Management and/or for other forms of business to be passed on to our customers.

In public sector finance, the focus is on supplying the savings banks with liquidity. Transport infrastructure financing is provided very selectively and primarily in certain regions within the EU, while energy and utilities infrastructure financing is primarily provided in the form of participation in syndication. In aircraft and ship finance, C&M focuses on renowned contractual partners and ensures regional diversification. Export finance is limited to ECA covered transactions.

Treasury

The Treasury sub-division is responsible for refinancing new business. It uses the Bank's liquidity surplus for strategic positions in the context of asset allocation and ensures ongoing development of the relevant management tools. In addition, Treasury manages the market risks associated with investments for the Bank's own account. At organisational level, Treasury is clearly separated from customer-driven business in the Markets sub-division.

Strategy in Savings Banks Sales

Savings Banks Sales plays an important part in the Group's extensive market presence. It constitutes the link between Asset Management and the customer advisers in the savings banks. Based on an in-depth understanding of end customer requirements, the Savings Banks Sales unit supports customer advisers in raising retail customers' awareness of products, some of which are highly complex and require explanation, as well as the underlying trends. In 2009, the unit once again focused on providing prompt and transparent information to customer advisers and fund managers about suitable investment strategies during the financial market and economic crisis. Support for the savings banks in their differentiated customer approach will be among the key initiatives over the coming years.

Strategy in non-core business

In non-core business, the Bank's strategy is based on reducing the portfolio volume while safeguarding assets. In consultation with an accountancy firm, securities have been analysed in terms of their value and expected cash flow. Depending on the prospects in the relevant market, the potential write-ups and risk parameters, including probability of default and spread fluctuations, strategies are defined for the various securities to ensure the best possible impact on DekaBank's enterprise value. Different options are available for this purpose, ranging from disposal in the short term to holding the securities to maturity. The strategies are continually adapted in line with market changes.

Sustainable business policy

DekaBank's mission 2012 reflects its commitment to a sustainable business policy, which reconciles economic, environmental and social aspects. During the year under review, we adopted a sustainability strategy based on the sustainability strategy of the Association of European Savings Banks and the focus of the *Deutscher Sparkassen- und Giroverband* on the common good, and are implementing the strategy by taking targeted measures. 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.

At DekaBank, sustainable corporate management essentially covers the four dimensions of sustainable banking, sustainable HR management, sustainable banking products and social responsibility. Additional central requirements include transparent and open communication of results and progress.

Sustainable banking

DekaBank is committed to ensuring that its business operations affect the environment as little as possible. To this end, the Bank revised its environmental management procedures in the year ended and further developed its environmental management system. DekaBank promotes sustainable commitment to protecting the environment over and above the legal minimum standards, and involves employees and business partners in this approach. The Bank sets itself targets for the continuous improvement of its environmental assessment, which also relate to efficient use of natural resources. The objectives of the environmental management procedures include reduced energy, paper and water consumption and a lower environmental impact from business travel. Environmental aspects are assessed according to standard criteria and regular environmental reports provide transparent information about these. In April 2009, DekaBank's environmental management was certified to European DIN EN ISO 14001 standard.

Sustainable HR management

DekaBank responds proactively to the challenges of demographic change. As an attractive and responsible employer, we appeal to qualified staff and ensure their loyalty to the Bank in the long term. As a matter of fact, the Bank promotes key qualifications in practice, maintains active health management and is committed to equal career opportunities for men and women. In mid-2009, DekaBank was once again awarded the certificate of the Hertie Foundation as a family-friendly company following a comprehensive renewed audit. For more information, please refer to the Employees section on pages 48 to 50.

Sustainable banking products

In product development, we adhere to internationally recognised sustainability standards. This approach takes account of the growing social and ecological requirements of institutional and private investors and minimises corporate and social risks. We consider sustainability aspects in connection with investment products, for example when buying properties for property funds, and in financing. We avoid any loan decisions which are not justifiable from an ecological, social and ethical point of view. Since 2009, DekaBank has taken into account the Equator Principles as part of its project finance business. 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. Against this backdrop, the existing negative list was extended to include any project finance that does not meet the requirements of the Equator Principles.

In Asset Management and capital market business, there are several current examples of consistent compliance with environmental and sustainability aspects:

- The sustainability fund of funds DekaSelect: Nachhaltigkeit launched in January 2009 invests in sustainable and ethical funds and takes into account specific aspects of ecological and sustainable investment, including environmental technology, renewable energy, water and micro-financing.

- Deka Immobilien GmbH acquired two office buildings for the Deka-ImmobilienGlobal open-ended mutual property fund, which are certified to LEED criteria (Leadership in Energy and Environmental Design). They are the 1999 K Street building in Washington D.C., designed by renowned architect Helmut Jahn, and the Bentall V building in Vancouver, which was also awarded the Canadian BOMA Best Level 3 ecological and sustainable certificate for properties.

- The fund management of Deka-Stiftungen Balance has cooperated with the *Institut für Markt-Umwelt-Gesellschaft* (imug) since mid-2009 to review securities in terms of their fulfilment of recognised criteria for sustainable investment. With this approach, the fund responds to the increased demand from institutional investors for cash investments that meet the requirements of socially responsible investment (SRI). In addition to shares and corporate bonds, *Pfandbriefe* and government bonds are assessed for compliance with SRI standards. In this respect, imug works with renowned research agency Experts in Responsible Investment Solutions (EIRIS), which is based in London.

- In lending, stringent sustainability criteria are applied with regard to the individual properties, and these are stipulated as contractual provisions. In consultation with our syndicate partners, we withdrew our financing commitment for the Ilisu dam project in Turkey, because contractually agreed World Bank criteria regarding the environment, resettlement and conservation of cultural heritage were not fulfilled.

Social responsibility

As a member of the community and *Sparkassen-Finanzgruppe*, DekaBank acknowledges that it has a specific obligation in terms of commitment to the common good. Our social commitment focuses on promoting contemporary art and architecture as well as science, social projects and sport. We work in close cooperation with renowned art and cultural organisations, and attach particular importance to ensuring continuity. We invest in long-term partnerships and support the private commitment of our employees to the community.

In financial year 2009, we were once again the main sponsor of the Golf Charity Cup, which comprises 160 tournaments across Germany and takes place in support of *Deutsche Krebshilfe e.V.* (German cancer charity) and its children's foundation, *Deutsche KinderKrebshilfe*. Our traditional Christmas donation to 25 charity projects as part of the DekaBank – *Engagiert vor Ort 2009* (DekaBank – making a local commitment) initiative supports the commitment of our employees to their communities in Germany and abroad.

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

Non-financial performance indicators

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

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

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

- assets under management (AuM). Key elements 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 funds, third party fund and liquidity portions of fund-based asset management and the advisory/management and asset management mandates. For comparative purposes as part of the BVI statistics, we continue to use the fund assets according to BVI.

- fund performance and fund ratings to measure product quality; the average development period for new products and the share of new products in the sales success are used to measure innovation 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 by the *Sparkassen-Finanzgruppe* and the payments to the alliance partners to measure our added value contribution in respect of our partners within the *Sparkassen-Finanzgruppe*.

In the AMI business division, the transaction volume is also monitored on the basis of property purchases and sales, as well as the rental income across all properties. Additional key indicators measure our success in Real Estate Lending, for example the new business result and the share of loans syndicated to alliance partners and institutional investors.

In the C&M business division, key indicators which facilitate the measurement of the quality of processes and our risk management are relevant alongside financial performance indicators. These involve, in particular, 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 towards internal customers are maintained.

We also establish staff-related key indicators, such as the age structure of our workforce (see page 49) and develop indicators to measure 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 with impact on profit or loss (see page 59). In addition, DekaBank aims to increase its enterprise value through a sustained rise in the economic result.

In principle, the economic result is based on the IFRS and includes changes to the revaluation reserve before tax as well as the interest rate-related valuation result from original lending and issuance business alongside net income before tax. 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 that are relevant to the management's assessment of the profit situation are taken into account. In particular, net income before tax excludes the revaluation reserve, which reflects the valuation result for securities in the available for sale category, and the interest rate-related valuation result from hedged underlying transactions (loans and own issues) outside hedge accounting under IAS 39.

Since 2007, the economic result has already been used in external reporting at Group and business division level. This means that 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 report (management approach). The valuation and reporting differences with regard to the consolidated financial statements under IFRS must be reported in the reconciliation column relating to Group net income before tax. The items included in the reconciliation column are clearly explained in note [2]. 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 29).

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

After the sharp downturn in the 2008/2009 winter half-year, the global economy picked up far more quickly than expected. This was attributable to committed intervention in monetary and financial policy. Across the globe, trillions of euros in public funds were made available as part of the greatest rescue programme in economic history, in order to temporarily close the gap caused by a shortfall in demand and secure the stability of the financial system. In the second half of 2009, most industrialised countries recorded economic growth again. The recession can therefore be deemed to be over. Concerns voiced at the end of the year that the global economy may slide into depression, sending the financial markets into a downward spiral, although by no means unfounded, did not materialise.

The capital markets anticipated the change in mood in the real economy at an early stage. As a result, prices in the equity and bond markets recovered considerably compared with the previous pessimistic expectations. This stabilised bank and company balance sheets, which in turn strengthened the upward trend, despite the fact that banks had to increase their risk provisions in view of the cyclical increase in loan losses.

With rising prices, the liquidity previously withheld also returned to the financial markets. This contributed considerably to significantly tighter credit spreads on the most risky and less liquid securities. Private investors continue to be risk-aware but are increasingly considering investing in securities in order to benefit from rising prices. Overall, general conditions have improved for DekaBank's Asset Management and capital market business compared with the previous year.

Nevertheless, the situation is associated with considerable future risks. The financial system is still largely dependent on the liquidity supply from central banks. Although the crisis in the real economy has now been overcome, it may yet result in loan losses and further strain on the balance sheets of banks. Recent isolated incidents of distress highlight the fact that the financial system remains fragile. Once the governmental economic programmes run out and short-time working, which is currently being widely used, comes to an end, we can also expect pressure on the labour market. In addition, risks arise from the rising deficits in national budgets. The situation therefore still requires a prudent approach and consistent continuation of the measures introduced to increase efficiency and cut costs.

Financial market crisis and measures

The measures taken in many countries to stabilise the banking sector have achieved the intended impact to date. Capital injections, guarantees for bank liabilities, the purchase of toxic assets and support to ensure the banks' liquidity helped to avert a systemic crisis in the sector.

In Germany, the Special Fund for Financial Market Stabilisation (SoFFin) worth €480bn had granted stabilisation aid totalling €188.7bn to 25 banks overall by year-end 2009. Of the maximum amount available, banks had utilised 39% by the end of the year. Most of this was for guarantees relating to new debt instruments issued and other liabilities of the financial institutions.

In July 2009, the programme of measures was expanded as a result of the Act on the Further Development of Financial Market Stabilisation. This new act allows banks to transfer toxic securities at their book value less 10% to special purpose vehicles, or so-called bad banks. In turn, they receive bonds for which the SoFFin provides guarantees up to a maximum of 20 years. The difference between the price paid by the special purpose vehicles and the lower market value of the toxic securities may be paid over the maturity period in instalments, which must be diverted from the distribution of dividends by the banks.

Overall economic trends

By the third quarter of 2009 at latest, all the major national economies had recorded growth in GDP again compared with the second quarter of the year. However, these growth rates should not obscure the fact that considerable under-utilisation persisted, particularly in the industrialised countries. There is no reliable information regarding the proportion of the capital stock which has been destroyed by the crisis. Consequently, there is also great uncertainty with regard to estimates of the current rate of utilisation of the national economies. However, we assume that capacity utilisation in many western national economies will only slowly return to normal levels again in the coming years. Yet contrary to general expectations, the level of global economic output recorded immediately before the start of the crisis was already matched again by the end of 2009. This was mainly attributable to the strong recovery in Asia. In some countries recovery is proving slower, including Germany, where the pre-crisis level is not expected to be achieved again until 2014.

The emerging markets were also severely affected by the global economic slowdown. However, they also succeeded in quickly returning to positive economic expectations again. The situation of decoupled growth that was already evident prior to the crisis continued. Asia (excluding Japan) recorded a growth rate of 5.6% in the year ended. The shift in the focus of the global economy towards the densely populated emerging markets therefore continued, irrespective of the crisis.

Across Europe, the depth of the recession varied and recovery phases also developed differently. The two eurozone heavyweights, Germany and France, already recorded growth again in the second quarter, while the national economies with marked structural problems had not returned to a growth course by year-end 2009. Although most indicators in Spain, Greece and Ireland were pointing upward again, this was evidently not enough for sustained expansion. Overall, the eurozone economy contracted by 4% in 2009. Growth rates in the second half of the year were slightly below the potential growth for the European Monetary Union from the time prior to the crisis.

The German economy is heavily dependent on international demand. This became particularly evident when the global slump in demand essentially dragged down the German economy as collateral damage of the financial market and property crisis. Conversely, the worldwide economic revival resulted in a substantial rise in the demand for German goods and was met by very well positioned companies, which offer a qualitatively and technologically sophisticated range of products at competitive prices.

However, it will take time for this external economic stimulus to be reflected in domestic demand. To date, investments have only been made to replace old machinery, manufacture new products and cut costs. Very few companies have considered expanding production capacity, especially since there are huge capacity reserves in Germany and at global level. Investment in construction has been supported by the German economic packages. The renewal of roads on the basis of economic package I was already in full swing in the first half of 2009, while the positive impact of the funds made available under the second economic package for local infrastructure only started to take effect later. Consumption stabilised the economy in 2009, despite rising unemployment. Available until the end of August 2009, the environmental allowance ("scrappage allowance") provided considerable impetus in terms of private demand for cars. In addition, the decrease in inflation provided support.

The bottom line was that, although the German economy was out of the recession, a sharp downturn in overall economic activity of 5.0% was recorded for 2009 as a whole.

Lessons had been learnt from previous major banking crises. Firstly, the functioning of the financial system needed to be ensured, because the impact of a domino effect would damage the credit system so substantially that it would take years to rebuild it. Secondly, the economy also needed to be stabilised particularly if – as was the case this time – the slowdown resulted from a shock in terms of expectations. After the collapse of Lehman Brothers, many market players expected a sudden deterioration in financing conditions on a large scale, or even the total collapse of the financial system. Following the major shock in autumn 2008, stabilisation in 2009 can be regarded as having been successful even if various risks persist.

Trends in capital markets

Following the crisis year of 2008 during which practically all asset classes recorded substantial losses, market players started the new trading year with cautious optimism. After all, central banks and governments had made every effort to counter the severe global recession and the associated threats to the financial system. The US central bank (Fed) had already cut key lending rates to virtually 0%, and the European central bank (ECB) was in the middle of a cycle of lowering interest rates. Although the reference interest rate initially was still 2.5%, further cuts seemed just a question of time. Yields in the capital markets were therefore already at a historic low. Ten-year federal bonds in Germany tended towards 3.0%. In the credit markets, the mood was initially upbeat. However, in the equity markets deep pessimism soon took over again. Although the DAX had started the year at a relatively high level of almost 5,000 points, it soon fell to below 3,700 points, the lowest level in five years. The credit market was also affected and spreads increased almost to the highs seen after the collapse of Lehman Brothers. This development was exacerbated by shocking quarterly reports, which revealed substantial losses at investment banks in particular. Furthermore, economic indicators suggested that the first quarter of the new year would be similarly weak to the final quarter of 2008.

However, from spring 2009 onwards, the mood progressively brightened. Banks reported an upturn in business and surprised with positive quarterly results. Leading economic indicators also showed a clear improvement in the economic situation, raising hopes that the deep recession could be over by the summer. Accordingly, the markets launched into an impressive recovery rally, which initially compensated the losses made on shares and corporate bonds since the beginning of the year and eventually resulted in significant profits.

In the wake of these developments, big names in industry and the banking sector issued a record volume of new bonds which were very well received by the market. The favourable trend in the bond market was also remarkable. In summer 2009, concerns emerged about a possible significant future rise in the rate of inflation as a result of the sharp increase in national debt. These resulted in a marked rise in yields. When it became evident that the economic trend would remain moderately positive, fears evaporated. Yields have since come down again. The short end of the yield curve was particularly boosted by the central bank measures to generate liquidity. Although the traditional interbank money market is not yet functioning properly, the liquidity position of banks is more than adequate. The very short money market interest rates have therefore remained at a historically low level.

The trend of the US dollar against the euro provided almost a mirror image of hopes and fears in the capital markets. Well into March, the US dollar was highly sought-after as a safe haven in the crisis and settled at almost €1.25. As hopes of an economic recovery rose, it subsequently lost much of its attractiveness and was eventually down to the low for the year of over €1.50 in the autumn. The oil price trend was similar to the rise of the euro. In February, the price of one barrel of WTI fell to below US$40 and then rose to over US$80. Conversely, the steady increase in the price of gold surprised many, with the precious metal repeatedly achieving all-time highs.

At year-end, the markets experienced further turmoil in the wake of the financial market crisis, this time relating to Dubai and Greece. Concerns about the escalating debt ratio of Greece provoked a perceptible rise in risk premiums on Greek government bonds and bonds from some other peripheral eurozone countries. In contrast, bonds and US Treasuries were in demand as a safe haven. Consequently, yields here fell again and, at least at the short end, recorded levels close to the annual lows.

Trends in property markets

In Germany, accumulated floor space sales in the top 5 locations were down in 2009 by approximately one third compared with the previous year's volume. Although the labour market has proved more robust than expected to date, companies came under pressure to reduce costs and floor space. This resulted in the corresponding decrease in demand. While the downturn in rentals has slowed somewhat, actual rental income has already diminished at a higher rate than nominal rents because of the increase in rental incentives. Rents in prime retail locations have proved very resilient in the crisis. Demand from international retailers was generally higher than supply in this segment. Conversely, tenant interest in locations off the highstreet was down and accordingly such locations recorded a decline in rent levels. In the second half of 2009, the investment market recorded a considerable revival, in particular an increase in high-volume transactions. Demand primarily originated from domestic investors with considerable capital strength. The rise in city centre yields has come to a halt, whereas the value of assets in suburban locations has continued to rise.

In the European office property markets, the accelerated staff reduction resulted in companies requiring less floor space. This in turn created pressure in terms of vacancy rates and the trend in rents. In some markets, such as Madrid, Barcelona, Warsaw, Budapest and Brussels, brisk construction activity exacerbated the situation. With regard to top rents, volatile locations, including London and Madrid and the financial centre of Luxembourg, recorded the most substantial losses. The transaction volume in the European investment markets rose considerably in the second half of 2009 compared with the two weak preceding quarters. Following extreme jumps in some cases in the previous quarters, the yield trend settled down somewhat. Lead markets, such as London and the British regional markets, have since already recorded the first decreases in top yields.

Vacancy rates in the US office markets increased further in the second half of 2009, although the rate at which space became vacant slowed compared with the previous quarters. City centres have been affected more severely by growth in vacancy rates than suburban locations. The capital available for property investments remained scarce in the USA. The dried up market for commercial mortgage-backed securities (CMBS) resulted in pressure and will continue to represent a risk factor in the future. As a result, transaction volume has remained at a historically low level. After a sharp decline in prices in the second quarter, cap rates stabilised again in the third quarter of the year.

The downward spiral of the Asian office markets slowed in step with the economic recovery. Nevertheless, rental markets remained weak. Significant cost pressure induced some companies to relocate selected business activities to decentralised locations. Bucking the general trend and despite weak demand, South Korea's capital Seoul recorded a further but modest increase in rents. Conversely, Tokyo was among the financial centres that were hit hardest by the downturn in rental income. In Australia's rental markets, demand remained substantially below average. As a result of sub-let space becoming vacant, vacancy rates soared in particular in Sydney, and due to cyclical highs in new construction in Brisbane and Perth. Melbourne on the other hand continued to show resilience. A similar picture emerged with regard to rents, with Brisbane and Perth recording the sharpest decline.

Investor attitudes and sector development

As at the reporting date, investors had withdrawn €1.1bn from the mutual securities funds included in BVI statistics. Following funds outflows on a massive scale in the previous year, the situation has therefore stabilised considerably. A high volume of fund units was only returned to money market funds as a result of unfavourable performance. These outflows were countered by strong growth, especially in equity and mixed funds. The decisive factor was an attractive yield in almost all asset classes. Equity funds investing at international level as well as funds with a focus on Germany achieved a 27.3% increase in performance on average. The net funds inflow into open-ended mutual property funds amounted to €3.2bn. With an average performance of 2.5% over a period of one year, they fell slightly short of performance in the previous years. As in previous years, special funds for institutional investors recorded a high inflow of funds and improved their performance significantly.

Despite the positive performance of equity and investment funds, the number of shareholders and fund unit holders declined from 9.3 million to 8.8 million in 2009 according to information from the *Deutsches Aktieninstitut* (German Equities Institute, DAI). The number of indirect shareholders, in particular, was down. Only 6.6 million investors invested in equity funds or mixed funds, which represents a decrease of around 0.5 million on the previous year.

The moderate trend in funds inflows in active asset management highlights increased competition from other types of securities investments, for example ETFs. Due to sustained uncertainty as a result of the financial market crisis, investors continued to prefer low-risk investments, such as sight and long-term time deposits. Insurance products remained a key element in the formation of financial assets by private households, although new business decreased in the life assurance segment. Overall, financial assets held by private households were up again by an estimated 5% in 2009 after the previous year's crisis-driven decline.

Business development and profit performance in the DekaBank Group

Overall assessment by the Board of Management

DekaBank's sharpened business model has proved its worth in the overall rather inconsistent market environment in 2009. Despite higher risk provisions, the DekaBank Group's economic result totalled €661.8m. This represents a significant improvement on the previous year's figure (€71.5m), which was affected by the consequences of the financial market crisis. The close integration of Asset Management and supporting capital market activities, especially active securities and investment fund management and the investment of free liquid funds, resulted in higher income contributions. The positive trend was flanked by the revaluation of capital market credit products which are allocated to core business and which compensated for the negative valuation results still evident overall in the first quarter of 2009. In addition, net commission income was increased in the year ended, despite the challenges faced in fund sales.

In terms of expenses, the various measures taken as part of the quality and process campaign started to take effect. Total administrative expenses were slightly down on the previous year and the cost/income ratio improved from 68.9% to 43.5% year-on-year.

The challenging environment for mutual securities funds severely limited net sales in Asset Management. At €–2.5bn, net sales in the AMK business division were considerably down on the previous year (€0.5bn) as a result of the consequences of the financial market crisis. In fund-based asset management, the outflows of the previous year were significantly reduced on the basis of a revised concept, with a positive trend in the second half of 2009. Sales of special funds, Master KAG and advisory and management mandates for institutional investors rose sharply. Based on moderately increased sales quotas for open-ended property funds, net sales of AMI rose overall to €2.5bn (previous year: €1.4bn). Net sales of AMK and AMI were therefore almost balanced in 2009 (previous year: €1.9bn).

The performance of our funds was significantly up on the previous year. Approximately four fifths of our equity and bond funds outperformed their relevant peer groups and achieved substantial price gains for their investors. Income contributions from the active management of selected securities portfolios as part of repo/lending transactions reinforced this trend. More than one in five equity funds and one in three bond funds received an above-average fund rating from Morningstar by year-end. The open-ended mutual property funds achieved average annualised volume-weighted yields of 3.0% in a difficult market environment (previous year: 4.4%).

Overall, the pleasing performance of our funds boosted new business and at the same time was the driver for the increase in assets under management (AMK and AMI) from €142.5bn to €151.2bn. In terms of fund assets, according to BVI, the DekaBank Group remained in second place for mutual securities funds in the German market at year-end 2009. With regard to open-ended mutual property funds, we have confirmed our position as the market leader.

At 81.3%, the ratio of intra-alliance business, or the share of our products in total fund sales of sales partners, was below the previous year's figure (2008: 85.7%) as a result of the impact of the financial market crisis on fund sales. Overall, the ratio of intra-alliance business continues to highlight DekaBank's important role for the fund sales of its sales partners in the *Sparkassen-Finanzgruppe*. Payments to the alliance partners decreased from €1.1bn to €0.9bn. Compared with the previous year, the figure was affected by a lower sales performance and lower average assets under management as a result of the financial market crisis. We measure our added value contribution for our partners in the *Sparkassen-Finanzgruppe* on the basis of payments to the alliance partners. These include the transferred front-end load from the sale of funds as well as sales performance compensation, sales commission and asset management fees.

Capital market business, which is pooled in C&M and supports Asset Management, delivered a pleasing performance in the reporting year. The DekaBank Group's comfortable liquidity position, among other things in terms of supplying liquidity to the savings banks, was comprehensively utilised. Compared with 2008, net interest income markedly increased due to the targeted investment of liquid funds, in particular. As this is a long-term investment, income contributions of a similar level are expected up until 2015. In addition, brisk customer trading, particularly in corporate bonds, and transactions relating to the investment of liquid funds produced very positive net financial income.

Following selected disposals and the scheduled maturity of individual positions, the volume of non-core business was down by 15.6% from €9.6bn to €8.1bn.

Financial strength and guaranteed risk-bearing capacity at all times provided DekaBank with major competitive advantages again in financial year 2009. Standard & Poor's and Moody's, the leading international rating agencies, affirmed their strong ratings for DekaBank. The rating for long-term unsecured debt was confirmed 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 of €661.8m outstripped the previous year's figure of €71.5m, which was affected by considerable valuation discounts on capital market credit products, as well as the comparable figure for the pre-crisis year 2007 (€514.1m). The DekaBank Group's strength in earnings power is also reflected by the fact that the economic result already entails a higher allocation to provisions for loan losses. Restructuring expenses for implementing the quality and process campaign as well as amortisation of the goodwill from the acquisition of WestInvest in 2004 are also included.

Core business accounts for €789.0m of the economic result. Despite the significant increase in risk provisions (€–261.6m after €–142.0m in 2008), the previous year's level was therefore almost matched. The income contribution from non-core business amounted to €–127.2m (previous year: €–739.3m).

The rise in the comprehensive economic result was largely attributable to strong overall earnings growth from €880.4m in the previous year to €1,499.9m in 2009. This resulted mainly from the higher net interest and financial result. Alongside this 70.4% growth in earnings, the rise in expenses of 3.6% was disproportionately low and resulted primarily from the inclusion of higher restructuring expenses and higher depreciation. The success of the quality and process campaign is reflected, in particular, in the decline in operating expenses.

Net interest income amounted to €473.0m and exceeded the previous year's figure (€390.5m) by 21.1%. The rise is partly attributable to higher net margin income from customer business in the C&M business division (Credits sub-division) and the AMI business division (Real Estate Lending sub-division). In C&M, the investment of liquidity at attractive terms also had a positive impact.

Risk provisions amounted to €–352.4m (previous year: €–291.9m). The higher risk provisions were mainly attributable to higher specific valuation allowances for loan commitments in the C&M business division, in Real Estate Lending and non-core business. In addition, we applied portfolio valuation allowances, including for credit risks. The higher risk provisions comprehensively take into account probable loan defaults in the ongoing difficult financial market environment.

Despite the challenges we faced in terms of fund sales in the past year, at €980.8m, net commission income again exceeded the previous year's level (€958.5m). As a long-term income component, this was almost exclusively attributable to core business. Commission from banking business was down in the period under review, primarily due to restraint in new credit business. Conversely, we achieved growth in commission from investment and fund transactions. With assets under management rising over the course of the year, portfolio-related commission in the AMK business division was up in the second half of the year compared with the level for the first six months of the year. However, for the year as a whole, average assets under management and the resultant income remained below the previous year's figures. This effect was overcompensated by the significantly stronger fund performance and the resultant income.

Net financial income, which comprises trading and non-trading positions, was increased from €–123.6m to €401.5m. Overall, no valuation discounts were recorded on capital market credit products in 2009. In the period under review, the valuation result amounted to €40m (previous year: €–709m). This trend mainly resulted from the upturn in the previously inactive secondary market and tightening credit spreads from the second quarter of 2009 onwards. Income from customer business in the Markets segment (€264m) was also increased.

At €–3.0m, other income was virtually balanced in the financial year ended (previous year: €–53.1m).

In view of the measures taken as part of the quality and process campaign, administrative expenses of €806.0m were slightly down (previous year: €808.2m).

Personnel expenses increased by 4.4% year-on-year from €352.0m to €367.5m. This was attributable to the impact of staff being hired for a period of less than one year and staff recruited in the previous year, which was reported as employment in 2009. Furthermore, as a result of the positive profit performance, the provision for anticipated special payments was increased accordingly compared with the previous year. This overcompensated for the lower expenses due to the transfer of employees to Dealis Fund Operations GmbH, the joint venture established together with Allianz Global Investors in 2008, and lower allocation to old-age provisions.

In connection with the quality and process campaign launched throughout the Group in spring 2009, restructuring expenses of around €40m have been incurred on the basis of a company agreement for the implementation of the agreed reduction in full time equivalents (FTE) by the end of 2011. The measures taken to increase efficiency and cut costs will ensure consistent process quality in the long term and create the basis for sustained growth in the economic result of the DekaBank Group. Taking into account the provisions set up in previous years which were written back in the year under review as they are no longer required, restructuring expenses amounted to €32.1m as at the reporting date (previous year: €0.7m).

Operating expenses (excluding depreciation) were reduced from €435.9m to €396.8m. The decrease resulted mainly from the measures taken as part of the quality and process campaign. This more than compensated for the impact of the expenses for fund accounting and administration, which are included in operating expenses. Since the start of 2009, these services have been provided by Dealis Fund Operations GmbH. However, they were still included in personnel expenses in the previous year.

The rise in depreciation to €41.7m (previous year: €20.3m) is due to the above-mentioned unscheduled amortisation of €25m on the goodwill for the shareholding in WestInvest GmbH acquired in 2004 (Fig. 2).

Business development and profit performance in the AMK business division

In the AMK business division, net sales were negative as a result of the impact of the financial market crisis and the low yields on money market funds.

Following in-depth analysis of profitability and sales aspects, AMK streamlined its product range. As a result of combinations and closures, 52 funds and fund unit classes were discontinued. At the same time, we enhanced the product range to include solutions that respond specifically to the increased need for safe investments on the part of investors by offering quantifiable income with transparent products.

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

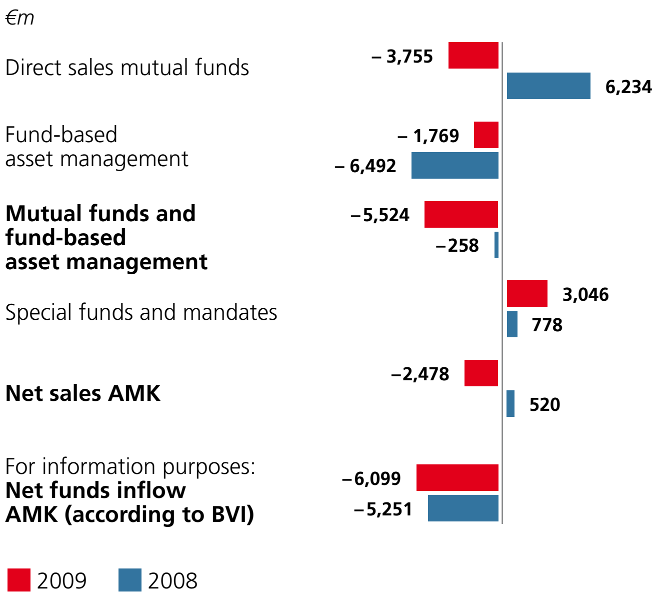
€m	2009	2008	Change	
Net interest income	473.0	390.5	82.5	21.1%
Risk provision	−352.4	−291.9	−60.5	−20.7%
Net commission income	980.8	958.5	22.3	2.3%
Net financial income	401.5	−123.6	525.1	(>300%)
Other income	−3.0	−53.1	50.1	94.4%
Total income	**1,499.9**	**880.4**	**619.5**	**70.4%**
Administrative expenses (including depreciation)	806.0	808.2	−2.2	−0.3%
Restructuring expenses	32.1	0.7	31.4	(>300%)
Total expenses	**838.1**	**808.9**	**29.2**	**3.6%**
Economic result	**661.8**	**71.5**	**590.3**	**(>300%)**

With considerably enhanced performance, especially of equity and bond funds, AMK created the basis for growth in net sales in the coming years.

Net sales performance and assets under management

AMK's net sales performance totalling €–2.5bn was considerably down on the previous year's figure (€0.5bn); (Fig. 3).

AMK sales performance *(Fig. 3)*



Net sales of mutual securities funds and fund-based asset management amounted to €–5.5bn (previous year: €–0.3bn). Especially money market funds saw increased returns of fund units as a result of the fundamental change in the interest rate environment. In contrast, mixed funds recorded positive net sales (€0.7bn) along with the high-margin equity funds (€0.4bn). In fund-based asset management, which essentially encompasses the Deka-Struktur funds of funds and the Sparkassen-DynamikDepot, the situation was far stronger than in the previous year. Although at €–1.8bn net sales were still negative, outflows amounted to only around a quarter of the figure reported in the previous year (€–6.5bn). The Sparkassen-DynamikDepot faced a particularly high level of funds outflows (€–1.3bn). Changes at concept level, above all the introduction of maximum loss limits for three types of securities accounts, helped to minimise the funds outflows expected in view of the loss in value. Despite outflows, the existing overall portfolio volume was maintained as a result of the strong performance.

At €3.0bn, net sales of special securities funds as well as Master KAG and advisory/management mandates were significantly up on the previous year (€0.8bn). The upward trend was attributable in approximately equal parts to special funds and Master KAG mandates (€0.9bn each) and advisory and management mandates (€1.2bn). This means that the negative trend in special funds from the previous year was reversed thanks to high demand from institutional customers. With regard to mandates, the focus was not so much on achieving growth in terms of volume but rather on strengthening customer relationships.

As a result of the strong fund performance, assets under management in the AMK division increased 5.3% to €130.1bn within a year (previous year: €123.5bn); (Fig. 4).

Of this, mutual funds and fund-based asset management accounted for €90.9bn (previous year: €88.8bn). Equity funds climbed highest, with fund assets rising by more than €4bn. In contrast, the volume of low-margin money market funds declined by around €9bn as a result of high funds outflows. This improved the portfolio's overall margin structure and creates an opportunity for generating higher net commission income in subsequent years. The DekaBank Group's share of the mutual securities funds market in terms of fund assets according to BVI amounted to around 19%.

Assets under management in special funds and relating to advisory/management mandates (excluding Master KAG mandates) increased by around 13% to €39.3bn (previous year: €34.7bn) on the strength of the positive net sales and strong performance.

Expanded product range

In the year under review, AMK once again responded to investor requirements at an early stage and provided convincing product solutions across all fund categories.

We have launched two equity fund products, which enable investors to participate in the growing importance of the emerging markets. As an extension of the highly successful series of convergence products, the Deka-Russland fund reflects the Russian equity market. The Deka-EmergingAsia fund invests in the emerging economies in Asia, most notably China and India.

The product launches with highest inflow were bond funds. Deka-EuroRent funds, which make diversified investments in euro-denominated bonds and euro-hedged bonds, and Deka-RentSpezial are new fund series that were carefully matched to meet demand from many investors for quantifiable and transparent products. Deka-RentSpezial pools investment grade bonds from 25 renowned companies, thereby exploiting the attractive environment dominated at times by high yield spreads while broadly diversifying default risk. The disbursement profile of Deka-RentSpezial Plus 1 ensures that opportunities for gains can be calculated.

The successful product group of guaranteed funds was complemented by a further variant, the new Deka-CapGarant concept. The three funds launched in this series to date combine capital protection with full participation in any price gains on the underlying eurozone index basket up to a maximum level (cap) specified when the fund was launched. This also enables investors who require a particularly high degree of security to benefit from the greater yield prospects of the equity market.

Since early 2009, a further fund-based *Riester* product has been available to investors in the old-age provision segment, Deka-ZukunftsPlan. Investments in this product are largely managed individually for each customer. Unlike the case of *Riester* pensions, all investors can additionally save withholding tax-free by making unlimited deposits and can benefit from the capital guarantee at the start of the disbursement phase. The equities proportion is adjusted flexibly in line with the respective situation in the market. This product guarantees the paid-in premiums and state allowances at the start of the disbursement phase as well as the highs reached by the provision portfolio in the final five years prior to this phase. DekaBank was also one of the first providers in the market to adjust its working hours accounts to meet the new regulations under the Act to Improve General Conditions to Ensure Flexible Work Time Regulations (known as the Flexi II Act). A trust and assignment model coupled with the use of guaranteed funds now enables employers to ensure capital preservation and security in the event of insolvency as required by the law.

By revising the concept of fund-linked asset management, we have made this far more flexible for advisers in the savings banks and for end customers. In addition to the introduction of maximum loss limits, the changes to the

Assets under management AMK *(Fig. 4)*

€m	31.12.2009	31.12.2008[1]	Change	
Equity funds	19,900	15,604	4,296	27.5%
Capital protected funds	6,245	5,814	431	7.4%
Bond funds	28,070	29,592	–1,522	–5.1%
Money market funds	17,148	25,695	–8,547	–33.3%
Mixed funds	6,389	4,275	2,114	49.5%
Other mutual funds	4,405	1,340	3,065	228.7%
Owned mutual funds	**82,157**	**82,320**	**–163**	**–0.2%**
Partner funds, third party funds/liquidity in fund-based asset management	6,851	5,193	1,658	31.9%
Partner funds from direct sales	1,855	1,296	559	43.1%
Mutual funds and fund-based asset management	**90,863**	**88,809**	**2,054**	**2.3%**
Special securities funds	28,426	25,980	2,446	9.4%
Advisory/management mandates	10,826	8,726	2,100	24.1%
Special funds and mandates	**39,252**	**34,706**	**4,546**	**13.1%**
Assets under management AMK	**130,115**	**123,515**	**6,600**	**5.3%**
For information purposes:				
Fund assets – mutual funds AMK (according to BVI)	**105,521**	**102,591**	**2,930**	**2.9%**
Fund assets – special funds AMK (according to BVI)	**45,893**	**41,804**	**4,089**	**9.8%**

[1] In February 2009, the BVI introduced a new classification system for individual asset classes. To facilitate comparison, the relevant reclassifications have been applied in individual asset classes for the 2008 figures.

concept include more flexible management of the equities share and the use of hedging instruments, as well as a focus on certain asset classes or segments. Based on the guiding principle of sustainability, the additional DekaSelect fund of funds solution was created for fund-based asset management. It enables private investors to combine the notion of sustainable investment with the proven benefits of a well-structured investment. To achieve this, investments are made exclusively in sustainable funds.

For savings banks as institutional investors, we launched the A-DekaKonzept 1 fund, which provides yield opportunities on collateralised liquidity investments. The solution is a good example of how the close integration of capital market and fund expertise creates convincing products which meet our claim to excellence. Guided by the aspect of sustainability, the new Deka-Stiftungen Balance fund was geared to the requirements of institutional investors (see page 30).

Fund performance and rating

Our equity and bond funds are again among the best in their class. As at year-end 2009, 84% of our equity funds (previous year: 23%) outperformed their relevant benchmark. With regard to bond funds, the proportion also rose sharply from around 30% in the previous year to 85% at present.

DekaBank also performed well in terms of ratings. As at the end of December 2009, investment research firm Morningstar allocated an above-average rating to 32.6% of our funds in the three to ten-year monitoring period. At year-end 2008, this proportion stood at 27.5%.

The upward trend was also confirmed by superb placings in other offering and performance comparisons. In January 2009, business magazine *Capital* named Deka Investment top investment company for the first time, giving it the highest score of five stars in all five categories judged. Only nine of the 100 investment companies assessed achieved this top rating. The accolade was confirmed at the beginning of 2010 for the performance in previous years.

This was followed in February 2009 by second place in a comparison of the major providers of bond funds in the Morningstar Fund Awards. This ranking was achieved for good performance based on the new investment process in bond fund management. The overall result was based on the performance of 32 Deka funds with a minimum track record of five years.

As part of the €uro Fund-Awards 2009 presented by *€uro* and *€uro am Sonntag* magazines, the capital investment companies of the DekaBank Group received eleven of the sought-after Golden Bulls for investment funds, which in their respective categories achieved particularly high growth over a one, three or five-year period. Our funds also received recognition at this year's Lipper Fund Awards, winning six awards for consistent, above-average risk-adjusted income.

In November 2009, the Deka-ConvergenceAktien fund was rated best Central/Eastern Europe equity fund 2010 in Germany and Austria at the Feri EuroRating Awards. This was not purely in recognition of the fund's excellent performance over a sustained period of time, but also considering qualitative aspects, such as the expertise of fund managers and the portfolio structure. Our DekaStruktur: 3 Chance fund of funds came in third place in the category of global equity funds of funds (5 years) at the *Deutscher Fondspreis 2009*, which is awarded by *FONDS professionell*.

Further confirmation of our claim to excellence came in the shape of the accolade from Thomson Reuters of second best provider of equities research in Europe (Top Buyside Firms – General Equities). This award is based on an assessment of services in more than 30 corporate sectors.

Profit performance in the AMK business division

The economic result in the AMK business division rose considerably to €330.3m. Driven by income and expenses, this represented a 36.8% increase on the previous year (€241.5m).

As at year-end, income totalled €687.9m and was up on the previous year's level (€629.6m).

Net commission income climbed by 7.4% to €714.7m (previous year: €665.3m). Portfolio-related commission also increased over a period of less than one year, as assets under management rose in the course of the year. Nevertheless, average fund assets and the resultant income fell short of the previous year's figures. This effect was more than compensated by the significantly stronger performance of the funds and the resultant income.

Other income of €–26.8m (previous year: €–35.7m) essentially reflected the write-down of an equity investment. Compared with the previous year, a positive effect of start-up financing for newly launched funds was realised.

At €348.7m, administrative expenses were down on the comparable figure for 2008 (€387.9m). This impressive performance resulted from the quality and process campaign launched during the year under review and is highlighted, in particular, by personnel expenses and project costs. The rise in processing costs was attributable to investments relating to the outsourcing of fund accounting and parts of fund administration to Dealis (Fig. 5).

Business development and profit performance in the AMI business division

In the year under review, the AMI business division again managed net sales of open-ended mutual property funds consistently on the basis of sales quotas. This once again facilitated a steady performance from AMI in a market environment that remained difficult and enabled the business division to expand its market leadership. While other companies were again forced to suspend acceptance of returned fund units in order to secure liquidity, the DekaBank Group's products remained open without interruption. The absolute liquidity ratios of funds were within the target range at all times and decreased moderately as expected. Thanks to a high letting ratio, the previously moderate vacancy rates decreased further, bucking the market trend and remaining below the sector average overall. On this basis, AMI achieved steady fund performance. As before, acquisitions were only made in line with the utilisation of sales quotas. As a result of the current, risk-aware new business allocation and stabilised external placement successes in Real Estate Lending, the gross loan volume decreased as expected by around 7% to approximately €6.9bn as at year-end 2009.

The key strategic measure in the reporting year was the optimisation of the product range of open-ended mutual property funds. Deka-ImmobilienFonds was combined with Deka-ImmobilienEuropa and WestInvest 1 with WestInvest InterSelect. The transfer of assets was completed following approval by the Federal Financial Supervisory Authority (BaFin) on 30 September 2009, and investors incurred no charges as a result of the change. The combination has produced two high-volume European property funds, which provide great stability, partly due to the high proportion based, at least temporarily, in Germany. At the same time, the size of the managed portfolios ensures an even more robust structure and enhanced risk diversification. Rating agency Scope Analysis gave a positive assessment of the fund combination.

Net sales performance and assets under management

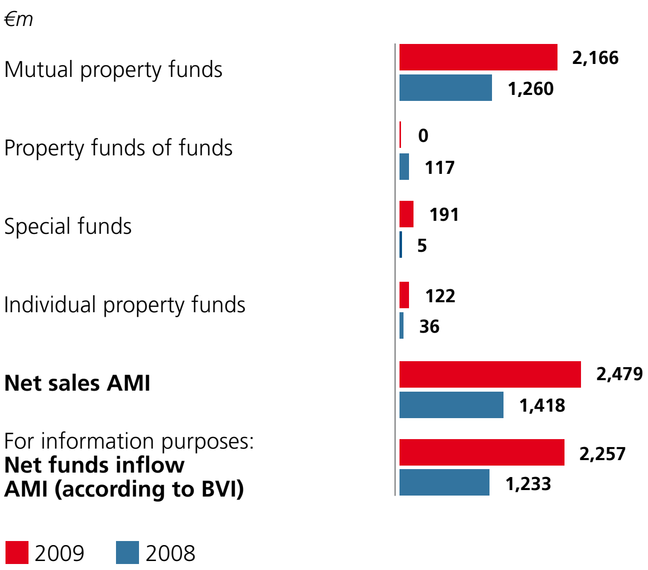
The quotas agreed with our sales partners for open-ended mutual property funds were already well utilised by mid-year 2009. Sales performance in the second half of the year was therefore limited, despite a high level of demand from savings banks customers. Overall, AMI achieved net sales of €2.5bn (previous year: €1.4bn), of which €2.2bn (previous year: €1.3bn), or around 87%, were attributable to open-ended mutual property funds. With regard to special funds and individual property funds for institutional investors, we achieved a net sales performance of €313m (previous year: €41m); (Fig. 6). Growth resulted mainly from established funds. In addition, the single sector fund concept was successfully launched under the WestInvest TargetSelect product series.

AMK profit performance *(Fig. 5)*

€m	2009	2008[1]	Change	
Net commission income	714.7	665.3	49.4	7.4%
Other income	–26.8	–35.7	8.9	24.9%
Total income	**687.9**	**629.6**	**58.3**	**9.3%**
Administrative expenses (including depreciation)	348.7	387.9	–39.2	–10.1%
Restructuring expenses	8.9	0.2	8.7	(>300%)
Total expenses	**357.6**	**388.1**	**–30.5**	**–7.9%**
Economic result	**330.3**	**241.5**	**88.8**	**36.8%**

[1] The previous year's figures were adjusted. See detailed presentation in note [2].

AMI sales performance *(Fig. 6)*



Despite distribution of around €0.8bn, assets under management in open-ended mutual property funds increased by 9.3% to €18.7bn in the course of the year (previous year: €17.2bn); (Fig. 7). Alongside net sales, the positive performance of funds was a decisive factor. On the basis of fund assets according to BVI, the market share increased from 20.4% to 21.6% within a year.

The AMI open-ended mutual property funds exploited the greater financial leeway offered by the well utilised quotas and on the buyer's side were in attractive market segments. Alongside a high letting ratio, sustainability aspects were increasingly considered (see page 30). However, the key concern was still to guarantee that investors would be able to return fund units at all times. All property acquisitions were handled on a centralised basis by Deka Immobilien. Overall, the funds acquired properties in 15 countries worth around €2.1bn in 2009. This ranks the DekaBank Group among the major property investors worldwide.

Expanded offering

The WestInvest TargetSelect product family launched in the previous year is aimed at institutional investors looking to make tailored, individual investments in logistics, hotel and retail property. A special fund is set up for each sector under German law, and its investment policy in the first stage concentrates on European core markets and primarily on core and core+ real estate. The logistics fund launched in 2008 was followed by funds with a focus on hotels and shopping, which have been available to investors since the third quarter of 2009. Following their successful placement, all three funds have started to expand their portfolios in the current year.

AMI also launched the first genuine loan funds for institutional investors in Germany. The Deka Loan Investments concept was jointly developed with C&M and AMK. The first two asset classes, Deka Realkredit Klassik and Deka Infrastrukturkredit, were launched in the first half of the year. Deka Loan Investments enable the savings banks, in particular, to participate in commercial financing with small tranches. The conservative investment criteria guarantee a high average rating and favourable collateral structure.

Fund performance and rating

The performance of the open-ended mutual property funds outstripped the sector average overall. The funds achieved an average annualised volume-weighted yield of 3.0%. In a difficult market environment, the previous year's

Assets under management AMI *(Fig. 7)*

€m	31.12.2009	31.12.2008	Change	
Mutual property funds	18,743	17,151	1,592	9.3%
Property funds of funds	107	117	–10	–8.5%
Special funds	1,959	1,477	482	32.6%
Individual property funds	319	196	123	62.8%
Assets under management AMI	**21,128**	**18,941**	**2,187**	**11.5%**
For information purposes:				
Fund assets AMI (according to BVI)	**20,312**	**18,284**	**2,028**	**11.1%**

figure of 4.4% was not matched. Distribution of dividends was largely tax-free. The consistent strategic focus of our property funds and our professional liquidity management are highly regarded in the market. In November 2009, AMI received a Scope Investment Award for the fourth time in a row. This time the Deka-ImmobilienGlobal fund was recognised as best open-ended property funds with a global target market. High praise was given for the steady lease agreement structure achieved in a year of turmoil, which involves low risk in the coming years.

In the first half of 2009, Scope gave the open-ended property funds of AMI an above-average rating again. In three out of six categories, the funds achieved good positions. WestInvest InterSelect and Deka-ImmobilienEuropa continue to be among the top five funds whose target market is Europe. In relation to the target market of Germany, our funds came in at second and third place. Particularly noteworthy is the fact that WestInvest ImmoValue once again received the best rating of AAA. This fund is aimed at institutional investors and invests in real estate in Europe. Again, it was judged to be the best of all the property funds under review.

Real Estate Lending

The Real Estate Lending sub-division pursued its strategy and focused in particular on markets in which investment fund business is also acquired and in which AMI is represented via its own locations. The carefully maintained local network with relevant market players provided opportunities for attractive new commitments. As in the previous year, the new loans granted primarily related to existing property in categories in which the business division has many years of experience, such as offices, retail space, logistics properties and hotels. In addition, financing was once again made available for DekaBank's own and third party property funds.

Overall, the volume of new loans granted in 2009 amounted to €2.0bn (previous year: €3.5bn). REL achieved higher margins across the board while realising lower loan-to-value ratios and better ratings.

As at the reporting date, the gross loan volume amounted to €6.9bn (31 December 2008: €7.4bn). Commercial property finance with a focus on the office and retail types of use accounted for €4.8bn. Financing of open-ended mutual property funds accounted for €1.6bn and €0.5bn were attributable to the segment of construction finance collateralised by public sector guarantees, a segment which is being phased out.

Despite difficult market conditions, we again succeeded in placing €1.1bn externally in 2009, largely at intra-alliance level (previous year: €1.1bn). To this end, active use was made of the available exit channels including the Stable Value and DeLI products.

Profit performance in the AMI business division

At €23.2m, the economic result of the AMI business division was significantly down on the previous year's level of €105.1m, mainly as a result of non-recurring factors. However, excluding goodwill impairment relating to WestInvest GmbH, which was acquired in 2004, and other expenses for buildings used by the Bank, which are reported by the business division, the result considerably exceeded the target figure, despite higher risk provisions. In line with expectations, market conditions made substantial risk provisions (€–82.7m) necessary in the year ended. In previous years, risk provisions were regularly written back (2008: €38.4m).

Total income of €172.1m was lower than the previous year's figure of €227.3m.

The trend in net interest income was positive, with the figure of €77.5m outstripping the comparable figure for 2008 (€46.1m) by 68.1%. In Real Estate Lending, AMI benefited from higher margin income which in part is due to more profitable new business.

Net commission income of €165.8m was slightly up on the previous year (€158.4m). In Asset Management, this comprised mainly portfolio-related commission, acquisition and construction fees and property management fees. The successful placement of sales quotas and stronger performance achieved had a favourable impact on the trend in portfolio-related commission. Fees for buying and selling of €24.1m were up on the previous year's figures and therefore precisely in line with forecasts. AMI also generated net commission income from property financing of €11.3m, after €16.9m in the previous year.

Net financial income declined from €1.7m to €–2.9m. In addition to reductions in fund units held, it reflects a downward trend in the performance of the Bank's own portfolio of DekaBank property fund units.

Other income of €14.4m was significantly up on the comparable figure for 2008 (€–17.3m) and primarily characterised by the positive effect of provisions from 2008 relating to fund business, which were written back.

Administrative expenses (including depreciation but excluding non-recurring effects) amounted to €113.9m and were considerably down on the previous year's figure of €121.7m (Fig. 8).

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

In line with Group-wide focussing on driving forward the business model, the C&M business division concentrates more consistently on activities which directly or indirectly support Asset Management along the value-creation chain.

The Markets sub-division systematically expanded its role as service provider for Asset Management in the year under review. Repo/lending business was stepped up and the development of equity and fixed income derivatives accelerated. At the same time, C&M expanded its range of ETF products in line with the requirements of the savings banks. In the Credits sub-division, we largely dispensed with expanding the loan portfolio given the market situation.

Business development in the C&M business division

The stabilisation of the financial markets boosted activities in the Markets sub-division. DekaBank made optimum use of its long-term comfortable liquidity situation. Supported by a high level of demand for short-term liquidity, customer trading transactions were expanded. Liquidity, which was partly generated through lending selected securities portfolios from the investment funds, was primarily used to supply the savings banks with liquidity. At the same time, AMK funds also benefited from profitable and comprehensively secured liquidity investment.

The further rise in demand for equity and fixed-income derivatives from capital investment companies and institutional customers was an additional growth driver. The derivatives facilitate risk hedging and simplify the representation of asset classes. They are usually a component of guaranteed products and funds with clear yield targets. C&M comprehensively covered this demand, taking into account the regulatory conditions for institutional business.

Traditional commission business decreased slightly in 2009. By using trading algorithms high-volume orders are executed more efficiently. The algorithms were mainly used in ETF trading.

We substantially expanded the asset classes and strategic spectrum of ETFs via our subsidiary ETFlab. Following the launch of 20 new ETFs in the first half of 2009, institutional investors inside and outside the *Sparkassen-Finanzgruppe*

AMI profit performance *(Fig. 8)*

€m	2009	2008	Change	
Net interest income	77.5	46.1	31.4	68.1%
Risk provision	–82.7	38.4	–121.1	(<–300%)
Net commission income	165.8	158.4	7.4	4.7%
Net financial income	–2.9	1.7	–4.6	–270.6%
Other income (excluding non-recurring effect)	14.4	–17.3	31.7	183.2%
Total income	**172.1**	**227.3**	**–55.2**	**–24.3%**
Administrative expenses (including depreciation but excluding non-recurring effect)	113.9	121.7	–7.8	–6.4%
Restructuring expenses	–2.6	0.5	–3.1	(<–300%)
Total expenses	**111.3**	**122.2**	**–10.9**	**–8.9%**
Economic result (excluding non-recurring effect)	**60.8**	**105.1**	**–44.3**	**–42.2%**
Non-recurring effect[1]	37.6	0.0	37.6	n/a
Economic result (including non-recurring effect)	**23.2**	**105.1**	**–81.9**	**–77.9%**

[1] Essentially comprises unscheduled amortisation of goodwill relating to the shareholding in WestInvest GmbH acquired in 2004

now have access to as many as 32 index funds. The product range offered comprises 20 equity funds as well as 12 bond and money market ETFs. In the course of the year, the volume climbed from €1.8bn to €4.7bn. ETFs on the DAX and the DJ EURO STOXX 50 recorded the highest inflow of funds. The new bond funds built up fund assets worth €0.3bn from the outset.

The overall volume includes the Bank's own portfolios, which ensure a liquid and efficient market and support customers in complying with investment limits.

In the Credits sub-division, the gross loan volume decreased compared with year-end 2008 (€39.6bn) by 13.6% to €34.2bn. These credit assets represent core business and are continually checked in terms of their suitability for Asset Management. For the time being, we have avoided further expanding the loan portfolio and are focusing instead on the evaluation of credit segments and collateral formats that are eligible for Asset Management.

The new Treasury sub-division pools the tasks relating to asset and liability management and strategic investments as well as funding and liquidity management, which were formerly based in Markets. Non-structured capital market credit products which represent core business, such as bonds, CDS and index transactions, amounted to a net volume of €7.4bn as at year-end (previous year: €7.5bn).

Profit performance in the C&M business division

With an economic result of €527.2m, the C&M business division clearly exceeded the previous year's figure – net of non-core business – of €408.2m.

This was mainly attributable to growth in net interest income, which more than doubled (€307.2m) compared with the previous year (€114.1m). The rise resulted primarily from the investment of liquidity at attractive margins.

Risk provisions were at the previous year's level, following a further allocation in respect of a commitment in Iceland.

Net commission income declined to €94.4m (previous year: €128.9m), reflecting our restraint in terms of new lending business.

At €513.3m, net financial income from trading and non-trading positions was maintained at the previous year's level by expanding customer business. Repo/lending activities were considerably reduced in view of increased collateralisation requirements. Furthermore, net financial income in core business includes revaluations of non-structured capital market credit products of €137.7m.

Despite the strategic further development of the business division, the quality and process campaign ensured that the rise in administrative expenses remained marginal. After €198.3m in the previous year, these amounted to €208.3m in the year under review (Fig. 9).

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

€m	2009	2008[1)]	Change	
Net interest income	307.2	114.1	193.1	169.2%
Risk provision	–178.9	– 180.4	1.5	0.8%
Net commission income	94.4	128.9	–34.5	–26.8%
Net financial income	513.3	547.6	–34.3	–6.3%
Other income	0.3	–3.7	4.0	108.1%
Total income	**736.3**	**606.5**	**129.8**	**21.4%**
Administrative expenses (including depreciation)	208.3	198.3	10.0	5.0%
Restructuring expenses	0.8	0.0	0.8	n/a
Total expenses	**209.1**	**198.3**	**10.8**	**5.4%**
Economic result	**527.2**	**408.2**	**119.0**	**29.2%**

1) The previous year's figures were adjusted. See detailed presentation in note [2].

Business development and profit performance in non-core business

The volume of lending business and credit substitute transactions that do not represent core business decreased from €9.6bn to €8.1bn in the reporting year. Of this, €4.4bn (previous year: €5.3bn) was attributable to loans, €2.9bn (previous year: €3.5bn) to capital market products from the former Liquid Credits sub-division and €777m (previous year: €788m) to the former Public Finance sub-division.

The economic result rose considerably to €–127.2m. The previous year's level of €–739.3m was adversely affected by the negative valuation result for capital market credit products. In the current reporting year, this figure amounted to €–97.6m. As a result of the progressive reduction of the portfolio, net interest income of €65.8m was also down on the previous year's figure (€69.5m). Risk provisions amounted to €–90.8m (previous year: €–149.9), primarily as a result of specific valuation allowances in lending business.

Administrative expenses of €18.0m (previous year: €20.7m) resulted from portfolio management, which at the same time safeguards assets. (Fig. 10).

Financial position and assets and liabilities

Balance sheet changes

Compared with the previous year, total assets of the DekaBank Group decreased by approximately 4%, or €5.3bn to €133.3bn. The total due from banks and customers amounted to around 47% of total assets and declined by €11.0bn to €62.7bn. Because loan terms came to an end and the volume of money market transactions was lower, the gross loan volume in the C&M business division reduced accordingly in financial year 2009. The reduction also reflects the fact that the portfolio was only selectively expanded in view of the market environment. Financial assets valued at fair value through profit or loss climbed to €63.2bn (previous year: €55.8bn) and accounted for around 47% of total assets. The increase stemmed essentially from growth in securities and derivatives business.

On the liabilities side, amounts due to banks and customers overall decreased by €17.1bn to around €47bn and accounted for approximately 35% of liabilities. The determining factor here was a decrease in the volume of money transactions, in particular money on call and time deposits. Financial liabilities valued at fair value rose by €13.6bn to €53.8bn. This was mainly attributable to the expansion of activities relating to derivatives business.

Profit performance of non-core business *(Fig. 10)*

€m	2009	2008	Change	
Net interest income	65.8	69.5	–3.7	–5.3%
Risk provision	–90.8	–149.9	59.1	39.4%
Net commission income	4.1	3.8	0.3	7.9%
Net financial income	–87.9	–645.2	557.3	86.4%
Other income	0.0	3.2	–3.2	–100.0%
Total income	**–108.8**	**–718.6**	**609.8**	**84.9%**
Administrative expenses (including depreciation)	18.0	20.7	–2.7	–13.0%
Restructuring expenses	0.4	0.0	0.4	n/a
Total expenses	**18.4**	**20.7**	**–2.3**	**–11.1%**
Economic result	–127.2	–739.3	612.1	82.8%

On-balance sheet equity increased by €0.3bn to €3.5bn 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. However, silent capital contributions are included in the cover funds for our risk-bearing capacity. In analysing risk-bearing capacity, we differentiate between primary and secondary risk cover funds. The primary cover funds principally comprise equity as defined under IFRS and net income for the financial year with a safety margin. The secondary cover funds contain items of a hybrid capital nature. In addition to silent capital contributions, these include profit participation capital and subordinated liabilities, each with a residual maturity of at least one year.

Change in regulatory capital

The DekaBank Group's capital and reserves in accordance with the German Banking Act (KWG) amounted to approximately €4.1bn as at 31 December 2009, which represents an increase of €0.2bn on the previous year (Fig. 11). The regulatory capital and reserves are established on the basis of the accounts of the individual companies included in the scope of consolidation, taking into account the relevant national accounting regulations, and therefore differ from equity according to 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 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.

The capital and reserves principle under banking supervisory law was complied with at all times throughout 2009, both at Bank and Group level.

DekaBank's liquidity ratio was between 1.4 and 1.9 in the year under review, remaining above the minimum requirement of 1.0 at all times.

Employees

Changes in the staff complement

The number of employees decreased by 6.5% to 3,667 in financial year 2009 (year-end 2008: 3,920). This figure includes 52 (year-end 2008: 67) trainees. There were three main reasons for the reduction in the number of staff:

- The transfer of 115 employees to Dealis Fund Operations, a joint venture of DekaBank and Allianz Global Investors for fund accounting and administration, was completed as at 1 January 2009. A further 45 employees transferred to Dealis S.A. as at 1 June 2009. They are no longer included in the DekaBank Group's staff statistics.

- As part of the quality and process campaign, the reduction in staff capacity by 196.6 FTEs was already contractually implemented during the year under review. This was

Breakdown of equity *(Fig. 11)*

€m	31.12.2009	31.12.2008	Change
Core capital	2,839	2,595	9.4%
Supplementary capital	1,213	1,267	–4.3%
Tier III capital	–	–	–
Capital and reserves	**4,052**	**3,862**	**4.9%**
Default risks	20,713	23,213	–10.8%
Market risk positions	6,975	6,113	14.1%
Operational risks	1,725	1,688	2.2%
			Change
%			**% points**
Core capital ratio (including market risk positions)	**9.7**	**8.4**	**1.3**
Core capital ratio (excluding market risk positions)	**12.7**	**10.5**	**2.2**
Total capital ratio	**13.8**	**12.5**	**1.3**

mainly achieved on the basis of individual agreements to terminate contracts of employment and early retirement agreements (see below).

- The discontinuation of Public Finance activities resulted in a staff reduction by 14 FTEs. The locations affected were London and Luxembourg.

86.3% of the 3,622 staff employed on average for the year (previous year: 86.2%) were in full-time posts. The average number of positions filled decreased by 1.8% to 3,294 (previous year: 3,355). The average age of staff was 39.7 years (previous year: 38.9 years).

Implementation of the quality and process campaign

The Group-wide quality and process campaign is associated with a socially responsible reduction in staff capacity and the Human Resources Corporate Centre has been closely involved in the relevant personnel management. The outcome of negotiations with employee representatives was agreement on not giving notice to employees for operating reasons until 2013, provided that the reduction of 350 FTEs across the Group by year-end 2011 provides a significant contribution to the required cost savings. This is to be achieved through agreed early retirement, voluntary redundancy options and the increased use of part-time working. At the same time, more intensive use will be made of the internal job market by increasingly appointing existing employees for jobs which are indispensable, despite the staff reduction measures identified.

Transparent remuneration system

In financial year 2009, we launched the further development phase of our success and performance-related remuneration system. The key aim is to implement the new regulatory requirements, including those stated in the BaFin circular dated 21 December 2009 and entitled "Requirements for the remuneration systems of institutions – 22/2009 (BA)". In accordance with the BaFin circular, financial services providers are required to base their remuneration systems on strategic aims and structure them so as to prevent any damaging incentives to take disproportionate risks, while ensuring that the overall success of the bank is considered. A further BaFin requirement involves setting up a remuneration committee, which we did in February 2010. It is tasked with reviewing the suitability of remuneration systems at least once a year and reports to the Administrative Board.

As part of the collective agreement between banks as employers and the ver.di union, the voluntary 2.5% salary increases granted since November 2008 were stipulated in the collective agreement with retrospective effect. In addition, employees will receive a one-off payment of €200 (trainees of €50) in February 2010.

Equal opportunities and a family-friendly policy

DekaBank is committed to equal career opportunities for men and women and further enhanced the general conditions for a family-oriented working environment in the year under review. In addition to the equal opportunities plan, which has been in force since the beginning of 2008, an extensive catalogue of measures for future developments was prepared and is regularly reviewed and adjusted as required. One of the objectives is to increase the proportion of women in management positions in the long term, which stood at 16.0% at the end of 2009. A further approach to increasing this figure is by taking greater account of this group when new employees are appointed. Elections for the new equal opportunities officer are also scheduled for 2010.

In 2005, DekaBank was already awarded the basic certificate of the *Hertie* Foundation as a family-friendly company. Following a comprehensive re-audit, the *"audit berufundfamilie"* certificate (work-family audit certificate) was again issued in June 2009. DekaBank therefore is one of only 108 companies in Germany to implement voluntary self-assessment of family-oriented HR policy for the second time.

Since the year ended, DekaBank has made kindergarten places available to its employees in addition to the crèche places provided by *pme Familienservice*. The expansion of the Eldercare services financed by DekaBank is also aimed at promoting the work-life balance. These advisory services are available to employees who are responsible for family members who require care.

Occupational health management

Demographic change and the increase in lifetime working hours necessitate a stronger focus on maintaining and promoting the physical and mental fitness of all employees. For DekaBank, modern health management therefore represents an integral part of lifecycle-based human resources policy.

Since August 2009, the partners of employees also have access at favourable conditions to the Deka Health Centre, which was opened in the previous year. The Health Centre is run by rehabilitation and prevention specialists, Medical Park, and the Olympic Training Centre in Hesse again had access to the facilities in 2009. In addition to fitness and training opportunities, the Health Centre offers the latest treatment options as well as outpatient services, such as massage and physiotherapy. We have also gained a new partner with first-class expertise, who will provide regular health checks and advice for managers.

In autumn 2009, DekaBank received the *Prädikat-Siegel* distinction of the Corporate Health Award. Organisers, the *Handelsblatt* newspaper, *TÜV SÜD* and EuPD Research, present the award to companies that make a verifiable above-average commitment to the health of their employees and implement a forward-looking and sustainable human resources policy.

Professional training and studying while in employment

In 2009, a total of 26 trainees successfully completed their training. The Bank offered a contract of employment to all the interested trainees.

Alongside investment fund sales staff, DekaBank trains young employees to become property experts, Bachelors of Science (in applied information technology), IT specialists in application development, and provides office communications qualifications. In addition, we offer employees the opportunity of studying for Bachelor degrees alongside their job and support employees studying for a degree in investment *(Investmentfachwirt)* at the Frankfurt School of Finance & Management. We also comprehensively meet our responsibility towards young people prior to training and studying. As part of the nationwide *Fit für die Bewerbung* (Perfecting your job application) campaign, we again gave careers advice to pupils from *Realschulen* and *Hauptschulen* (secondary schools that do not qualify pupils for university entry). We also participated once again in the Girls' Day event and provided information to young women about jobs for which training is available and the opportunities offered by DekaBank.

Post balance sheet events

No major developments or events of particular significance occurred after the 2009 balance sheet date.

Forecast report

Overall bank strategy

Based on its realigned business model, DekaBank will consistently pursue its strategy, which focuses on adding value on a sustained basis, in financial year 2010 and beyond. The general conditions are in place for closer integration of Asset Management and the supporting capital market business. The next step will be to leverage any remaining potential along the value-creation chain at cross-divisional level. The potential comprises, in particular,

- the further development of instruments used to manage investment funds and scale up the business – for example by increasingly using synthetic products, reducing counterparty risks by using clearing houses and by broadening the counterparty base;

- accelerated expansion of derivatives brokerage with a particular focus on integrated fixed-income solutions from under one roof for the yield and risk management of funds;

- expansion of ETF business, especially by providing professional sales support to the savings banks and expanding the product range also to include additional asset classes, such as commodities. At the same time, market making is to cover additional regional markets;

- the consistent future alignment of core credit business with the requirements of Asset Management, including through actively syndicating fund-based external placements.

Consistent implementation of the quality and process campaign will continue, backed by efficient project control. By investing in the IT environment, the Bank is creating a future-proof IT architecture which is based on business processes. These measures secure the DekaBank Group's competitiveness in the long run and complement our performance promise to partners in the *Sparkassen-Finanzgruppe*, they have access to smart products, ambitious sales support, flexible liquidity and the best available, high-performance processes.

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 and more so than ever in the current market environment. The actual trends in the international capital, money and property markets, or in DekaBank's business divisions, may diverge markedly from our assumptions. For the sake of providing a balanced presentation of the major opportunities and risks, these are 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

In the past year, the global economy recovered surprisingly quickly. Comprehensive economic policy intervention halted the spiral of negative expectations. Modest economic expansion commenced which, according to our estimates, will continue in 2010. The stimulus provided by monetary and fiscal policy continues to fuel demand sufficiently. Overall, we expect a rise in global GDP of 3.9%.

This level of recovery is comparatively weak for a post-recession phase. This is due to the fact that the "crisis underlying the crisis" has yet to be solved. Although monetary and fiscal policy alleviated the acute banking problems and lack of demand in the past year, it will not be able to compensate in just a few months for the financing imbalances that have arisen in the global economy over years. The adjustment of the global economic structure to the new financing environment will take years. During this time, global economic growth is likely to be relatively low.

After one of the deepest recessions since the Great Depression in the 1930s, the US economy faces an unusually tough phase of recovery and will start the new economic upswing from a very weak position. However, the boost from the economic package will cover up this fact well into 2010. The expected GDP growth rate of 3.4% for 2010 is therefore primarily based on impetus provided by the state and does not really deserve to be described as an upturn so far.

The German economy will again be dominated by exports in the current year. The global economic revival has resulted in increased demand for German goods. However, our expectations in terms of domestic demand are subdued. Consumption will prove to be an obstacle in 2010. Unemployment figures will continue to rise and the new collective wage agreements are likely to be very modest. In addition, the cost of the government scrappage allowance is likely to become apparent. Private demand for cars is set to slump and less money will be available to consumers to spend on other items due to their having to finance the purchases of cars bought in the previous year. Nevertheless, we expect growth of 1.4% in GDP for 2010.

Although reasonable, this growth rate is too low to provide positive impetus for the labour market. The labour market therefore faces one of its greatest challenges since Germany's reunification. Prior to the financial market crisis, it was in relatively good shape. The reforms of previous years coupled with a strong economic trend meant that the rate of unemployment was almost halved to 7.1% from the high in 2005 of 12.7%. During the crisis, working hours accounts and more extensive company agreements as well as regulations on short-time working and the short-time working allowance proved to be the decisive instruments in labour market policy. Redundancies for operating reasons have therefore been largely avoided. However, at the end of 2009/beginning of 2010, there was a significant seasonal rise in unemployment. The impetus provided by the scrappage allowance in the automotive industry has ended and with economic stimulus programmes expiring, a further support for the upturn will disappear. Although the negative scenario which has emerged this year with its prediction of more than five million unemployed is unlikely to materialise, an increase in the registered unemployment level approaching four million is foreseeable.

Stabilisation was the watchword for 2009, whereas 2010 will be all about leaving behind expansionary economic policy. This applies to central banks as well as finance ministers worldwide. Debt levels have increased substantially following unparalleled fiscal measures. Growth alone will not be enough to reduce these mountains of debt. Consolidation of public budgets will also be required. Many countries have proved in the past that the combination of growth and consolidation over a period of several years can achieve an effective reduction in the level of national debt. However, because of the way the election cycle operates, we do not expect to see first steps in the direction of consolidation in Germany until 2012.

Expected trends in the capital markets

The ECB and the Fed have both continually revised their economic outlook upwards and now expect improved growth prospects. Although lending is still far from satisfactory and the interbank money market is not yet functioning properly, central banks have already announced the cautious phasing out of the extraordinary liquidity supply. The ECB has already announced that it will let the 12-month tenders run out. The next step should be a switch to the interest rate tender procedure for the 3 and 6-month tenders, which we expect in the second quarter of this year. Key refinancing transactions are not likely to be changed to interest rate tenders until the end of the third quarter. This would mean that liquidity conditions would remain very favourable. We believe that the debate about the sustainability of national debt in the eurozone countries will continue. As a result, consolidation pressure on public budgets is likely to remain high and to accelerate the exit from highly expansionary financial policy in some countries. This would contribute to monetary policy having ample time to implement interest rate increases. We do not therefore expect to see the first interest rate rises by the ECB until 2011.

In the USA, the Fed has already completed its US Treasury buying programme as scheduled and will also discontinue purchasing other securities in the course of the year, depending on developments in the mortgage markets. However, the central bank is likely to take its time with increasing the extremely low interest rate level of 0 to 0.25%, probably until the end of the year. Consequently, the bond markets will have plenty of advance warning to prepare for a higher interest rate level. We therefore assume that interest rates will rise comparatively slowly.

Since the money market will still receive substantial support from the ECB, in the first half of the year at any rate, the relative steepness of the interest rate curve is also likely to continue. The *Pfandbrief* market has already benefited significantly from the ECB's covered bond purchase programme, and spreads have fallen to a very low level. As the ECB will still implement its resolution to invest up to €60bn in the covered bond market, not much is likely to change with regard to low spreads. Once this measure comes to an end in the summer, spreads may rise again, especially since a substantial maturity volume will then need to be refinanced. However, the renewed confidence of customers in this product and high investment requirement of European banks for safe and liquid products should generate sufficient demand.

The huge interest in corporate bonds, which resulted in record levels in the primary market in 2009, is likely to continue to provide strong support in this market segment. Many companies have used the crisis, and indeed in many cases were forced to use it, to significantly cut costs, streamline their corporate structure and, in some cases, reduce their gearing ratio. With the economy picking up again, these companies are likely to record rising profits, especially since some competitors were squeezed out of the market. The trend in spreads on corporate bonds will probably continue to benefit, although to a lesser extent than in the second half of 2009. In addition, investors need to bear in mind that the general interest rate level is likely to rise again and when it does, price gains will largely be eroded. These expectations should also result in rising share prices in the stock markets, although much was already anticipated in 2009. We expect a slightly favourable trend in share prices. However, a temporary setback may occur mid-year if the economic development does not quite live up to some high expectations and therefore companies are also denied their profit expectations.

Expected trends in property markets

In the macro-economic environment described, rents in the commercial property markets are expected to decline further in 2010 and not recover until 2011, when the low level of new construction will impact. We expect the highest total income in the European office property markets to be recorded in Madrid, London, Barcelona and Paris up until 2014, in other words, in the locations which were hardest hit by the crisis. According to our forecast, San Francisco and Manhattan Midtown will outperform the sector in the USA.

The European investment markets have achieved a trend reversal, with investments against the cyclical trend becoming increasingly attractive at controlled risk. Since growth in terms of rent will only start to gather pace in the medium term and the decline in yields will remain limited, the window for favourable investments will remain open after 2010. In the USA, the correction in the investment markets continued initially in 2010. We expect a substantial recovery in prices from 2011 onwards. The prime segment will be the first to reflect this development, with it subsequently trickling through in the property market across the board. As markets will recover later than in Europe, there is no hurry for investors to act.

In the Asian office markets, we expect an ongoing although slowing correction in rents in 2010, with a subsequent recovery from 2011 onwards. The sharpest decline in rents in the current cycle affects Singapore, Hong Kong and Tokyo. However, the moderate volume of new construction in the Japanese capital should mitigate the trend in vacancy rates. In Australia, we forecast a further modest decrease in rents for Sydney while the decrease in Melbourne is likely to be only slight in general.

Unlike the office markets, demand in retail is marked by steadier consumer demand from the population. Particularly prime locations in city centres have recorded a very strong rental income level. In the steady consumer markets of Germany and France, we anticipate only minor market corrections overall. In view of the fact that rents have proved robust to date in the Spanish market, despite its having been hard hit by the construction and property crisis, we expect any corrections outstanding to occur in 2010. We believe that this adverse effect will also be significant in Hungary and the Baltic states.

The importance of the logistics sector is set to rise. Logistics properties provide diversification in portfolio structuring and offer higher yields than mixed-use office and shop buildings, while ensuring a lower level of volatility in rents and income. The Western European core markets of Belgium, the Netherlands, France and Germany remain sought-after locations for pan-European distribution centres. In Central Europe, Poland and the Czech Republic have already established themselves. The importance of the Central and Eastern European countries is set to increase in the medium to long term.

Expected business development and profit performance

Following the strong result in 2009, the DekaBank Group's target is to maintain its economic result in core business at a high level in the coming years and increase it in the long term. This growth will be driven by rising income and the consistent implementation of the measures taken as part of the quality and process campaign.

DekaBank uses the high liquidity margins in the securities business, as well as high-margin lending business, which is eligible for Asset Management, to ensure steady net interest income on a sustained basis. Expectations in terms of net commission income remain subdued, despite a planned rise in net sales and the higher level of assets under management. We do not expect fundamental market conditions here to improve before 2011 and will continue to focus on the earnings power of customer-driven capital market business with securities and derivatives. At the same time, we expect the active use of collateralised liquidity investment to generate a sustained positive impact on net financial income. With regard to expenses, we anticipate that the measures introduced as part of the quality and process campaign will prove their worth in subsequent years. In view of our restraint in terms of investments, depreciation should also remain at a low level.

In non-core business, the portfolio will gradually be reduced in the coming years with a view to optimising value in the long term. In line with the reduction in the portfolio volume, the risk position is also set to decrease disproportionately compared with core business.

AMK business division

In the AMK business division, DekaBank will continue the successful stabilisation of its investment policy. From today's point of view, the focus on the product and sales side will remain on products which provide security-oriented investors with quantifiable yields at reduced risks and with maximum transparency. At the same time, the concept for fund-linked asset management will be developed further. This is aimed at making attractive and tailor-made long-term solutions available to customers of the savings banks, in line with their individual risk profile. In addition, DekaBank provides product and consultancy campaigns to support the savings banks.

As in the previous years, AMK will make a significant and steady contribution to the DekaBank Group's earnings growth. However, the market environment continues to present extraordinary challenges.

Prompt identification and implementation of global growth trends as well as increased sales activities continue to offer opportunities for AMK. Risks result in particular from the prevailing unfavourable capital market trend, which may be reflected in a decline in prices and yields or outflows across the sector from individual fund categories.

AMI business division

Following the successful consolidation of open-ended mutual property funds and the establishment of stronger units, AMI will continue to adhere to stringent liquidity and yield-oriented fund sales management. A steady level of net sales is to be achieved on the basis of largely stable sales quotas. This will enable funds to exploit opportunities in the property markets adequately. With regard to special funds and individual property funds, we will use our experience as market leader in the retail segment to aim for higher fund volumes. The product concepts launched, WestInvest Target Select and Deka Loan Investments, will be advanced and gain in importance. In Real Estate Lending, AMI's unchanged focus will be on business with property investors, which benefits the business division as a whole. Mortgage collateral will be entered in the land register. The loans will feature a conservative structure and be granted in the core countries for investment fund business. The sub-division's policy will continue unchanged, concentrating on transactions that are eligible for the capital market and at the same time suitable for inclusion in fund solutions or syndication.

Both sub-divisions are expected to make a sustained contribution to the DekaBank Group's economic result. Real Estate Lending will benefit from high-margin new business which has already been acquired. In Asset Management, we assume a modest rise in assets under management and as a result, measured growth in net commission income.

In the AMI business division, opportunities will arise from the currently undiminished high level of demand for property fund products. This facilitates the establishment of new products launched for private and institutional investors. Our property funds focus on high yields in the long term and continue to represent an attractive alternative to low-interest cash deposits. In addition, we expect conditions for acquiring low-risk but high-yield property finance to remain favourable in 2010 at least.

Risks arise, in particular, from the market environment, which remains challenging and volatile. The high funding requirement coupled with unchanged restraint with regard to lending represents the major challenge for property assets. The resultant pressure in terms of the trend in value and rental income may dampen fund performance, along with ongoing low interest levels on liquid funds. In this event, additional risk provisions may be required in commercial property finance in the future due to the impact on the collateral and cash flow relating to the finance.

C&M business division

As a result of the above-mentioned strategic key aspects for the close integration of Asset Management and capital market business (see page 24), the Markets sub-division will accelerate expansion of fund-related services. This will enable C&M to develop earnings potential along the DekaBank-specific value-creation chain.

In view of the substantial potential they offer, competences in secured business and repo/lending activities will be strengthened further through targeted investments in 2010.

C&M will adjust business capacity, process security and netting agreements with counterparties in line with the increase in demand from customers. This will result in a rise in sales of derivatives products for the AMK and AMI business divisions as well as the savings banks.

The attractiveness of ETFs for Depot-A (A securities account) investments of the savings banks and other institutional investors facilitates expansion of the relevant activities.

The Credits sub-division will continue its activities as a selective investor in credit products that are eligible for Asset Management.

On the basis of the strategy which has been introduced, the business division will make a strong contribution to the economic result of the Group while limiting the exposure to default and market risks. This development is supported by the long-term investment of liquidity, which is expected to produce steady income contributions up to 2015.

It remains difficult to predict future capital market developments. There is a possibility that valuation results or the requirement for higher risk provisions will adversely affect earnings.

Risk report

Risk-oriented overall bank management

Risk policy and strategy

The DekaBank Group's full Board of Management further developed its business strategy, including the consistent risk strategies in the year under review, taking account, among other things, of its sharpened business model. 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 these 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 achieves an appropriate risk/reward ratio in the long term with the aim of achieving a sustained increase in enterprise 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 concrete 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 of the audit findings from Internal Audit.

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 release synergies in Asset Management and are clearly limited by the amount of capital by which they are backed. DekaBank has specified limits for all material risks and has implemented consistent risk management.

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, evaluated under varying scenarios and managed in line with the risk-bearing capacity of the Group. We are therefore in a position to swiftly take appropriate measures to counter risks in the event of any unwanted developments. The continually revised and updated system also forms the basis for objective and comprehensive risk reporting and all the information required for risk management is provided to the competent departments in a timely manner.

Organisation of risk management and control

Risk management

DekaBank perceives risk management as the active management of the Bank's risk positions (Fig. 12).

The full Board of Management of the DekaBank Group plays a central role here: the Board is responsible for setting up, 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 hand (top down view). In addition, the business divisions determine their budgeted capital requirement (bottom up view). Combining the two viewpoints ensures the most efficient allocation of the risk capital to the business divisions on an annual basis.

In accordance with the limits prescribed by the Board of Management, the Asset Liability Management Committee (ALMC) specifies the framework for the management of strategic market risk positions. The ALMC includes the managers of the Markets and Treasury sub-divisions in the C&M business division, the managers of the Corporate Centre Risk & 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 Affairs. The C&M business division then implements the strategic guidelines independently.

Responsibility for the Group-wide management of credit risks is held by the C&M business division. The Corporate Centre Credit Risk Office assumes the role of 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 management of non-performing and troubled loans. The respective managers in the Group units are responsible for the operational risks in their units. Details of risk management are given under the different risk types.

Organisational structure of risk management in the DekaBank Group *(Fig. 12)*

		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 Risk & Finance)	- 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 Risk & Finance, responsible members of Board of Management, Macro Research (AMK) and Compliance (Corporate Centre Legal Affairs)).

Risk control

In organisational terms, Risk Control is part of the Corporate Centre Risk & Finance and is carried out by the Market & Liquidity Risk, Credit Risk, Desk Controlling Corporates & Markets and Group Risk & Reporting units. These units are independent of the business divisions and are 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 notified immediately 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 receive report extracts with 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 has been drawn up in a risk-oriented manner using a scoring model and approved by the Board of Management.

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

New regulatory provisions

The Federal Financial Supervisory Authority (BaFin) provided more specific details on and extended the MaRisk in the year ended. The amendment to the act, in particular, tightens up the regulatory requirements regarding the management of liquidity risks, the development and implementation of stress tests and adequate awareness of risk concentration. In addition, the new regulations stipulate the requirement of developing a risk strategy for the Group as a whole. In this context, risk-bearing capacity must now be guaranteed for the Group as a whole and no longer only at individual company level.

DekaBank previously already fulfilled key elements of the new requirements. As a result, only minor adjustments were required. Supplements related, for example, to fine-tuning the stress testing tools.

A further change has resulted from the Accounting Law Modernisation Act (BilMoG), which requires the express presentation of accounting-related risks and also of the internal control system in relation to the accounting process. This is provided as part of the description of operational risks on pages 72 and 73.

In December 2009, BaFin published a circular stipulating new requirements regarding the structure of remuneration systems, which implement the relevant standards of the Financial Stability Board. The overarching aim of the new requirements is to prevent any negative incentives for entering into disproportionate risk positions. DekaBank has launched a specific project to implement the BaFin requirements. The first measures include setting up a remuneration committee and developing a transitional solution regarding bonus payments for financial year 2009. Further information is provided in the section on employees on pages 48 to 50.

Overall risk position of DekaBank

Risk types and definitions

DekaBank classifies risks in line with the German Accounting Standard DRS 5-10 and therefore presents its risk position with a breakdown into market price risk, credit 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 with the relevant option risk in each case, as well as the risk associated with price changes in property funds and commodities as the underlying assets of trading products and portfolio items in funds and ETFs.

In line with DekaBank's business strategy, transactions mainly relate to customer transactions (customer business) and a small proportion for the Bank's own portfolio (investment portfolio, liquidity reserve and trading portfolio). In addition, the Bank intends to benefit from short-term fluctuations in market prices by actively entering into positions for its trading book. 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. These include interest rate risks and share price risks, as well as credit spread risks and to a small extent currency risks and option risk.

Credit risk

We understand credit risk as the risk that a borrower, issuer or counterparty does not fulfil his contractually agreed services or fulfil them on time and DekaBank incurs 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 determined particularly by the creditworthiness of the respective contracting partner, as well as replacement risk and open positions. The advance performance risk represents the danger that a business partner does not pay the contractually agreed consideration after advance performance by DekaBank.

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

The C&M business division is divided into four sub-divisions comprising Credits, Markets, Exchange Traded Funds and Treasury. The main task of the Credits sub-division relates to building up and managing credit assets in the investment book, which can be made available in the form of funds or other participation formats. The Markets sub-division is the central service provider and innovator for DekaBank's internal and external Asset Management customers. The sub-division's activities essentially comprise services to implement Asset Management decisions, market making for exchange traded funds, managing the securities of investment funds via repo/lending transactions and services for the Credits sub-division. The issuer and counterparty risks resulting from trading activities in the Markets sub-division relate, in particular, 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 arise mainly from asset and liability management.

Further credit risks result from German 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 possible losses resulting from the use of internal processes and systems that are inappropriate or susceptible to failure as well as human error and external events. 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 damage potential also has to be taken into account. Examples of such secondary risks include reputation and legal risks.

Liquidity risk

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

Liquidity risk describes the risk of not being able to meet payment obligations on the due date, as well as the financial risk resulting from mismatching maturities in assets and liabilities.

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 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 material if they unexpectedly impact the earnings trend negatively as a result of volume and margin changes and are not attributable to any of the above risks.

Shareholding risk

DekaBank understands shareholding risk as the risk of a potential financial loss from impairment of the portfolio of equity investments where these are not consolidated in the balance sheet and therefore already included under other types of risk.

Property risk

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

Property fund risk

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 the Group risk across all significant risk types that impact on income and also includes those risks not taken into consideration for regulatory purposes, for example business risk. Group risk is measured as the amount of capital that with a high level of probability will suffice to cover all 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. We also use a level of 99.97%.

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 carried out 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 carried out for all key market parameters, in order to assess the impact of extreme market developments. The reason for this is that a value-at-risk model shows the potential loss under largely normal market conditions. In addition, stress tests relate to events that cannot be derived directly from statistical data. These tests analyse market price risk positions (interest rates, share prices and exchange rates), liquidity risk and credit risk positions. Furthermore, stress scenarios covering market developments in relation to credit spread risks are regularly calculated.

In the reporting year, we implemented additional stress tests, also taking into account the updated MaRisk requirements. These comprehensively reflect extreme market situations across the individual risk types. Additionally, stress tests relating to individual risks were developed further.

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. For financial year 2009, we have shown the utilisation of overall risk-bearing capacity under a stress scenario for the first time.

Overall risk position in financial year 2009

At €2,917m as at year-end 2009, Group risk was 11% down on the comparable figure for 2008 (€3,292m). An amount of €2,093m of Group risk was attributable to core business and €824m to non-core business. The primary risk cover potential amounted to €3,748m, which represents a utilisation rate of 77.8%. Compared to the utilisation of 96.4% as at year-end 2008, the utilisation of risk cover potential has significantly decreased.

The overall risk-bearing capacity was guaranteed at all times during the reporting period. However, as a result of the temporary widening of credit spreads, Group risk in the first quarter of 2009 was at times higher than the primary risk cover potential.

In the stress scenario, Group risk at year-end totalled €3,713m. This results in a utilisation rate of overall risk-bearing capacity under a stress scenario of 72.1% (previous year: 82.0%). The figure highlights the fact that the DekaBank Group's risk position has eased up further, even under stress conditions. The overall risk-bearing capacity of €5,152m (previous year: €5,043m) comprises the secondary risk cover potential of €1,404m in addition to the primary risk cover potential. Excluding the stress scenario, overall risk-bearing capacity was only utilised to 56.6% (previous year: 65.3%).

Credit risk amounted to €1,367m. This represented a decrease of 8% over the full year. Alongside tightening credit spreads, the moderate decrease in the net loan volume impacted on the figure. Compared to the previous year, the portfolio was only expanded as part of liquidity investment (Markets sub-division). We have also fine-tuned our methodology, which had a slight lowering effect on credit value-at-risk (CVaR). Of the credit risk, non-core business accounted for €221m.

With a VaR of €972m, the market price risk, which includes credit spread risks, had fallen below the limit of €1bn again and was 5% down on the previous year's figure of €1,027m. As a result of lower volatility and a slight reduction in interest rate risk positions, traditional market price risks and, in particular, interest rate risks decreased marginally. This effect was reinforced by the integrated calculation of credit spread risks and general market price risks, which has been implemented as part of the new model. Accordingly, diversification effects are recorded in full. Over three quarters of the total figure were attributable to credit spread risks. Towards the end of 2009, more than half of the VaR relating to market price risk (€543m) was attributable to the portfolio of non-core business.

With a VaR of €383m, the business risk was down on the previous year's figure of €436m, which was adversely affected by market turmoil in the fund business. In scenario calculation, the lower net commission income from securities funds had a significant impact. Nevertheless, the prevailing high business risk reflects current uncertainty in the market, which may affect the cost and earnings trend.

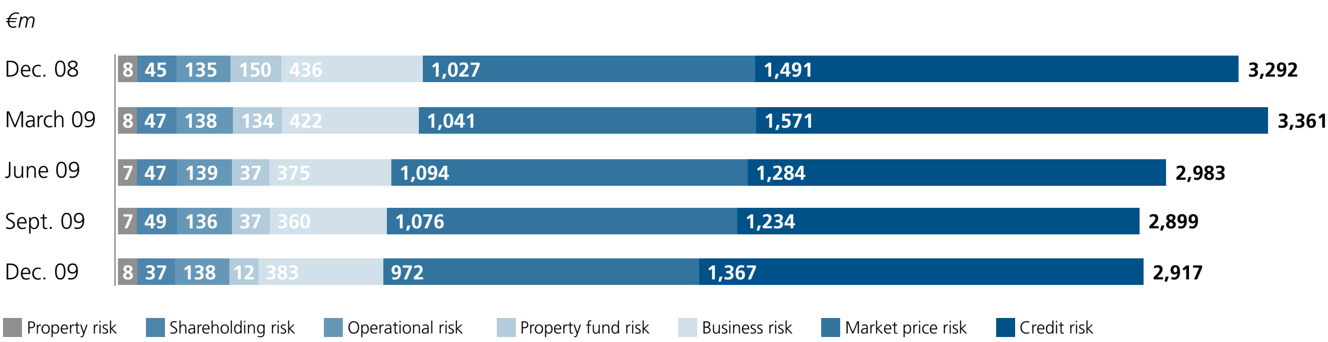
Operational risk with a VaR of €138m was only slightly up on the previous year (€135m). Compared to the figure for year-end 2008 (€45m), the shareholding risk decreased by 18% thanks to lower book values and amounted to €37m as at year-end 2009. Property fund risk fell by 92% compared to the year-end figure for the previous year (€150m) and amounted to only €12m as at 31 December 2009. The decrease resulted from a marked reduction of the portfolio on the one hand and the sharpened methodology on the other. There was no change in the property risk, which contributed to Group risk to a negligible extent (Fig. 13).

Market price risks

Risk management and monitoring

DekaBank's market price risk strategy stipulates the parameters for the Bank's trading and all other transactions associated with market price risk. It specifies the policy for the markets in which we operate, regulates responsibilities and the nature and extent of the transactions carried out and also provides regulations for risk management, control and reporting.

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



The market price risk strategy is viewed holistically in conjunction with the liquidity risk strategy. However, the individual risk components are reported and managed separately. The trading strategy forms an integral part of the market price and liquidity 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 changes to the limits for the trading portfolios as well as the strategic position and presents these to the full Board of Management for decision-making purposes. Risk monitoring and reporting is carried out by Group Market Risk Control in the Corporate Centre Risk & Finance. This unit is responsible for developing the methodology, quality assurance and validating the processes to quantify market price risks. In the event of limit overruns, Market Risk Control informs the full Board of Management immediately.

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

To minimise risks, DekaBank primarily uses established products and markets which 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 limited at portfolio level using risk ratios derived from the VaR process described below. In addition to these risk limits, to effectively limit losses, stop loss limits are defined for trading books in particular. The basis for calculating the utilisation of the stop loss limits is the accumulated net income for the year determined by the Accounting & Performance unit in the Corporate Centre Risk & Finance. If the loss exceeds the stop loss limit, the open positions in the corresponding portfolios are 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 changes in credit spreads on the valuation of capital market credit products, DekaBank gives particular priority to the monitoring of related market risks. The systems to measure and monitor risks are continually refined and further developed.

At the start of the fourth quarter of 2009, we completed the further development of the market price risk model and changed the system and methodology used to measure risk. Previously, risk ratios were determined on a daily basis with the aid of scenario analysis and in accordance with the VaR procedure under the variance-covariance method. However, we now apply sensitivity-based Monte Carlo simulation.

The Monte Carlo approach uses a risk model whose input parameters are the sensitivity variables delta, gamma, vega and theta ("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. Risk management and monitoring are carried out on the basis of the same management variables.

As a result of this switch, DekaBank now achieves a more accurate illustration of all risk factors, which incorporates non-linear and credit spread risks and is also more closely aligned with the trading strategy. Daily risk measurement is integrated for all risk types relating to market price risk, both in the trading and investment book. This guarantees a comprehensive view of all market 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 set at a holding period of ten days (for trading one day) and a confidence level of 95.0%. The operating VaR therefore corresponds with a probability of 95.0% to the maximum loss on a position held over a period of one or ten trading days.

Applied since the fourth quarter of 2009, the sensitivity-based Monte Carlo simulation is comprehensively used across all portfolios, including option portfolios and 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 risk categories of interest rates and credit spreads, currencies and equities as well as correlations between the risk categories.

To calculate the share price risk, each actual share is now included as an individual risk factor and taken into account correspondingly when determining risk. The specific interest rate risks (credit spread risks) are now 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.

Due to the change in the measuring method implemented in the course of the year, the figures established from the fourth quarter onwards can only be compared to a limited extent with the figures reported in previous periods. In addition to the fine-tuning of the method already described above, the limited comparability also results from a clearer distinction between credit spread risk and general interest rate risk.

Sensitivities

Risk measurement on the basis of the value-at-risk procedure is supported by daily establishing and reporting risk type-specific sensitivities. 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 of shifts in yields. The interest rate vega, which is also determined on a daily basis, describes price changes in relation to the implicit volatility of a position. Sensitivities are determined and analysed according to different currency areas and also according to the relevant maturity bands.

In terms of credit spread risk, we also carry out a differentiated analysis according to currency areas and maturity bands, similar to the procedure for the general interest rate risk. Specifically, a breakdown is provided by 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.

Stress tests

Alongside the analysis of risks as part of the value-at-risk procedure, stress tests are also important for managing and monitoring risk.

In stress tests, we distinguish between sensitivity analysis 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, interest rate scenarios 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. In the reporting year, we expanded the scope of stress scenarios to facilitate a more accurate analysis of extreme market situations. To analyse interest rate risk positions, we regularly carry out 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 impact on earnings based on the Bank's current interest rate expectations and applies the scenarios for 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 have continually been developed further. 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 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.

Non-linear risks associated with options in the trading book have been analysed on an integrated basis since the risk methodology was switched in the fourth quarter of 2009. Previously, they were considered separately on the basis of the scenario-matrix procedure.

Backtesting of VaR ratios

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

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 and Risk & Finance, the heads of the 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 reported to the full Board of Management immediately. The Administrative Board is informed quarterly.

Current risk situation

Market price risks in the Group arise in form of interest rate risks (general interest rate risks and credit spread risks), share price risks and currency risks (Fig. 14). The interest rate risk of €96.7m only changed marginally with respect to the previous year (€98.8m). Conversely, at €9.0m and €6.6m respectively, the share price risk and currency risk have increased compared with the previous year (€6.5m and €4.8m).

The interest rate risk and, the credit spread risk in particular, is the most important market price risk by far. After €76.7m at year-end 2008, the credit spread risk amounted to €96.9m at year-end 2009. The rise mainly resulted from the higher market values of capital market credit products in the wake of the general market recovery and the more differentiated distinction between credit spread risk and general interest rate risk. This differentiation led to a shift from general interest rate risk to credit spread risk.

The major proportion of the credit spread risk occurred in the portfolio of structured capital market credit products with €76.2m. The resultant risk position is described in a separate section on pages 77 to 79. The credit spread risk of the investment book (Treasury including capital market credit products) amounted to €89.6m as at 31 December 2009. In the trading book, credit spread risk totalled €16.7m.

The general interest rate risk of €4.2m largely resulted from euro-denominated positions. As at 31 December 2009, the general interest rate risk in the trading book amounted to €3.9m. In the investment book, the general interest rate risk stood at €1.7m.

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

€m	31.12.2009			31.12.2008	
Category	Core business	Non-core business	Group	Group	Change in risk
Interest rate risk	54.3	66.1	96.7	98.8	–2.1%
Interest rate – general	4.2	2.0	4.2		
Spread	54.2	66.2	96.9		
of which in capital market credit business	26.4	65.6	76.2		
Share price risk	9.0	–	9.0	6.5	39.1%
Currency risk	2.0	4.9	6.6	4.8	37.2%

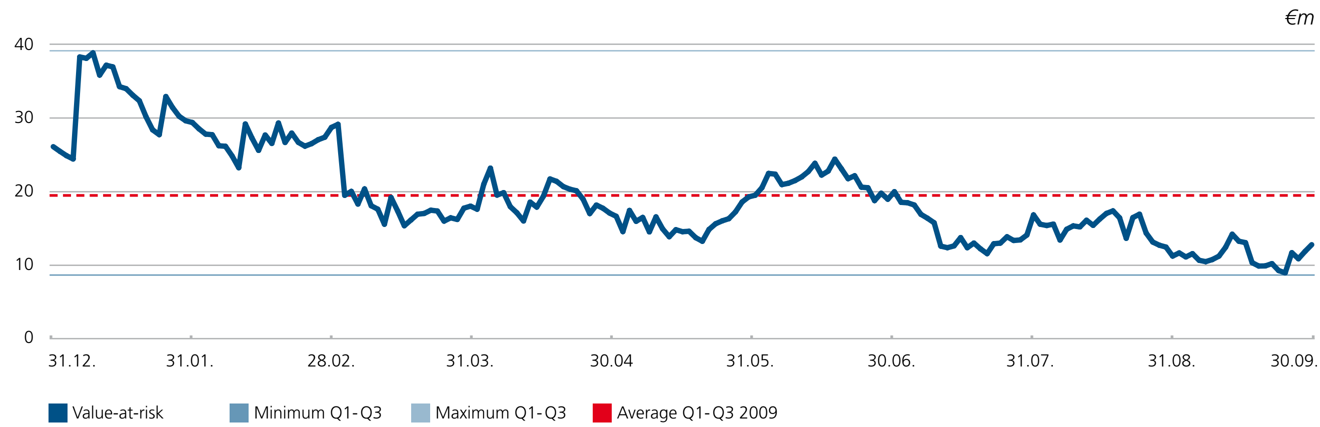
[1] Including issuance specific credit spread risk. Excluding credit spread risks on the liabilities side. Due to the switch in the risk calculation methodology on 1 October 2009, the comparability of the year-end figures is limited.

Against the backdrop of the introduction of the new market price risk model on 1 October 2009, we have presented the trend in the value-at-risk over the year separately for the first three quarters (only general interest rate risk); (Fig. 15) and the fourth quarter (general interest rate risk and credit spread risk); (Fig. 16).

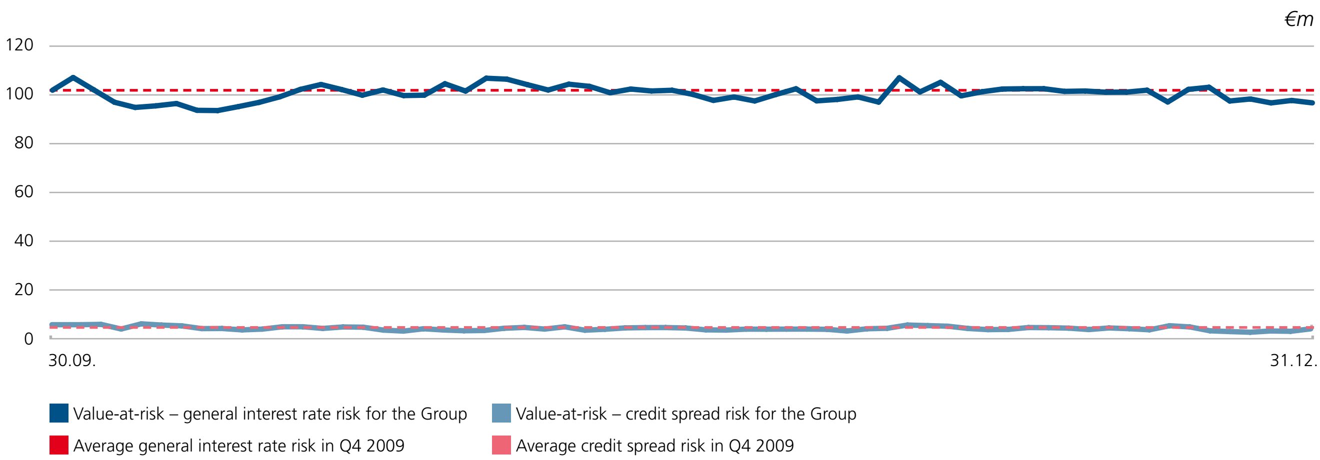
The share price risk at year-end 2009 amounted to €9.0m and exceeded the previous year's figure of €6.5m (Fig. 17). The decisive factor here were higher risks in the trading book, attributable in part to linear share price risks and in part to the higher commitment level in terms of lending substitute transactions. These amounted to €7.8m as at 31 December 2009. In contrast, the share price risk resulting from start-up financing for mutual securities funds fell considerably. This reflected the decline in volatilities on the one hand and on the other, DekaBank's fundamental strategy to only enter into a low level of risk positions in the equities segment. The share price risk in the investment book amounted to €4.4m.

The currency risk rose from €4.8m in the previous year to €6.6m (Fig. 18). The rise was primarily attributable to a change in the market values of existing securities positions in Treasury. The currency risk in the investment book amounted to €5.8m at year-end 2009 and in the trading book to €1.2m. The main currency positions of DekaBank relate to the US dollar and pound sterling.

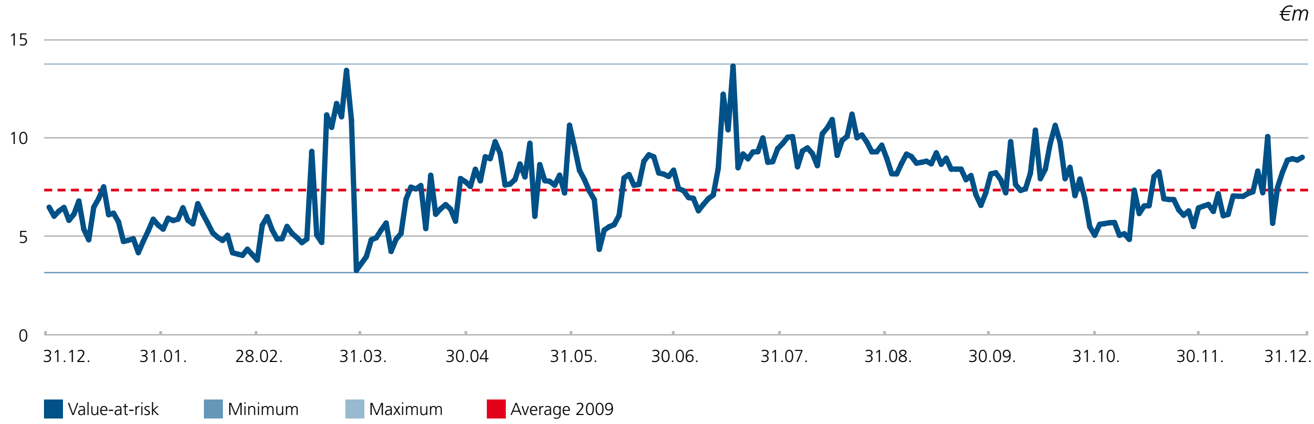
Value-at-risk – General interest rate risk for the Group in the period Q1-Q3 2009 *(Fig. 15)*



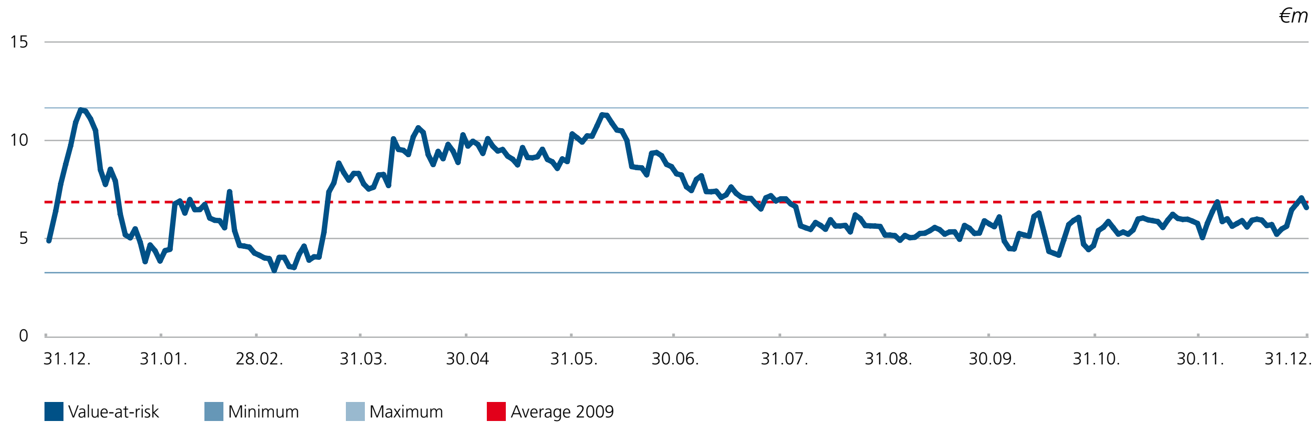
Value-at-risk – General interest rate risk and credit spread risk for the Group during Q4 2009 *(Fig. 16)*



Value-at-risk – Share price risk for the Group during 2009 *(Fig. 17)*



Value-at-risk – Currency risk for the Group during 2009 *(Fig. 18)*



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

In line with the minimum requirements for risk management (MaRisk), certain tasks in the credit process have to be carried out by departments other than the Front Office. Consequently, the Corporate Centre Credit Risk Office is the administration office for early risk identification and is responsible for market-independent second recommendation for loan decisions as well as for 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 sub-divisions Credits, Markets and Treasury 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 unit of the Corporate Centre Risk & Finance. This monitors credit risks at both portfolio and borrower level and is responsible for risk reporting with regard to credit risks. Its remit also includes methodology development, quality assurance and monitoring procedures to identify and quantify credit risk. Acceptances and other decisions regarding the further development of the rating procedure are the responsibility of the Rating Committee (cf. the section on assessing creditworthiness).

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

Management, monitoring and limiting of credit risks

DekaBank manages and monitors credit risks at individual transaction and borrower level as well as at 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 tailored to the borrower's creditworthiness as well as the collateralisation and term of the transactions. Country and sector viewpoints also play a role. Moreover, it is ensured that no individual exposure exceeds an appropriate sum. The Bank does not enter into credit transactions of a highly speculative nature or featuring 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 consulted 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 property financed 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 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 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, especially 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 reducing techniques under the German Solvency Regulation (SolvV), this can only take place after implementation and documentation of the preconditions required under the SolvV. All relevant units of the Bank are included in this process.

Assessing creditworthiness

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

Our rating system covers classic default risks such as in business transactions with companies, banks and sovereigns and also supplies crystal clear creditworthiness ratings in the field of special and project finance.

The independent credit risk monitoring required to operate the internal rating system is provided by the Corporate Centre Credit Risk Office and the Credit Risk Control unit in the Corporate Centre Risk & Finance.

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

The competence for internal Bank acceptance or decisions relating to the further development of methodology and updating of the rating systems lies with the Rating Committee, which is made up of representatives from the Corporate Centres Credit Risk Office and Risk & Finance. In addition, the Rating Committee is responsible for the fundamental specification of the rating processes. The first-time introduction of new rating procedures requires the approval of the full 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 indicated above, expert modules 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 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 relation to Basel II encompass a wide range of default events, including temporary payment problems and insolvency of the borrower.

Each 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 take account of the requirements of DekaBank's market environment. The ratings are updated annually or as required.

Quantifying credit risks

Limit monitoring

Counterparty-related credit risks are monitored, in principle, at economic borrower and economic borrower unit level. To this end, the main exposures from lending and trading business count towards the utilisation of the limits for advance performance risk, position risk and overall risk. Off-balance sheet items such as irrevocable lending commitments or guarantees provided 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 in the trading book are monitored on the basis of a holding period-related overall limit, unless relevant individual counterparty-related limits exist.

Limit overruns at economic borrower unit level or global limit level are reported to the full Board of Management immediately. 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 monitored.

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 in default by over 90 days and accounting for more than 2.5% of the overall risk position (Section 125, Solvency Regulation).

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

In order to recognise provisions for loan losses in the balance sheet, the individual loan receivables are checked for impairment. If impairments are identified, specific valuation allowances in the corresponding amount are recognised. For non-impaired receivables, the default risk and transfer risk are taken into account by recognising portfolio valuation allowances. Portfolio valuation allowances for country risks are always recognised from 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 recognised to take account of creditworthiness risks in off-balance sheet lending business.

Credit portfolio model

In addition to the structural analysis of the credit portfolio, credit risks are illustrated 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 economic equity utilisation level relating to credit risks and to integrate these in the risk-bearing capacity analysis and quantify concentration and diversification effects.

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

Credit risk reporting

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

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 abbreviated form to the Administrative Board.

Current risk situation

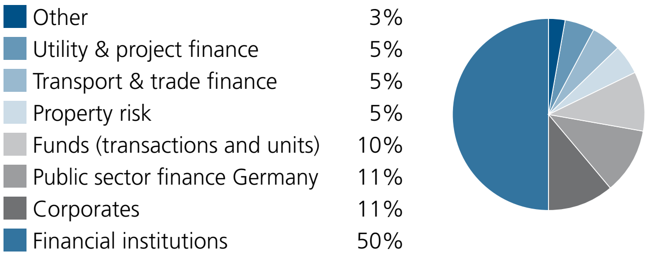
As a result of our restraint in new business and the selected reduction of positions in non-core business, the gross loan volume fell to €147.0bn in the reporting year (end 2008: €151.4bn). Of this, €138.9bn were attributable to core and €8.1bn to non-core business.

The major proportion of the decrease related to the risk segment financial institutions. Lower bond and loan portfolios and overdrafts were the main reason for the gross loan volume amounting to only €74.2bn at year-end 2009 (end 2008: €83.6bn). The opposite effect of higher derivatives positions was therefore more than compensated.

The share of this risk segment in the overall loan volume reduced from 55.2% to 50.4%.

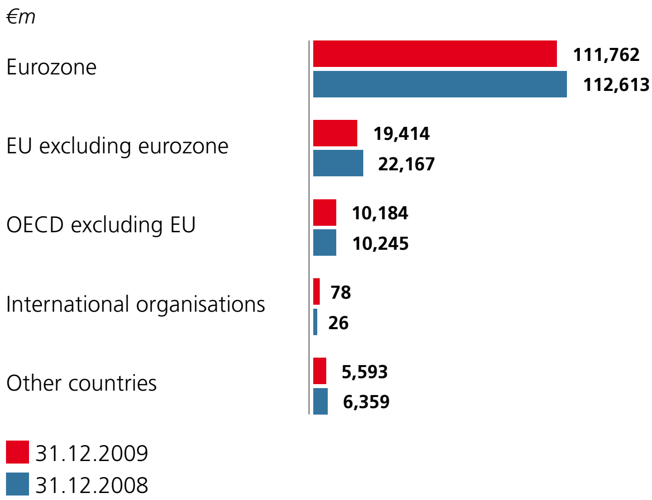
In the corporates risk segment, the decline in the gross loan volume by 12.5% to €15.2bn (previous year: €17.4bn) was mainly attributable to the reduction in synthetic lending positions in the Markets sub-division. A rise of €4.6bn to €16.1bn was recorded in public sector finance in Germany. Short-term financing at federal state level was expanded in particular, while the volume of long-term loans decreased. The gross loan volume in the funds risk segment was up 30.2% on the previous year and resulted primarily from the conclusion of derivatives and money transactions with funds (Fig. 19).

Gross loan volume *(Fig. 19)*



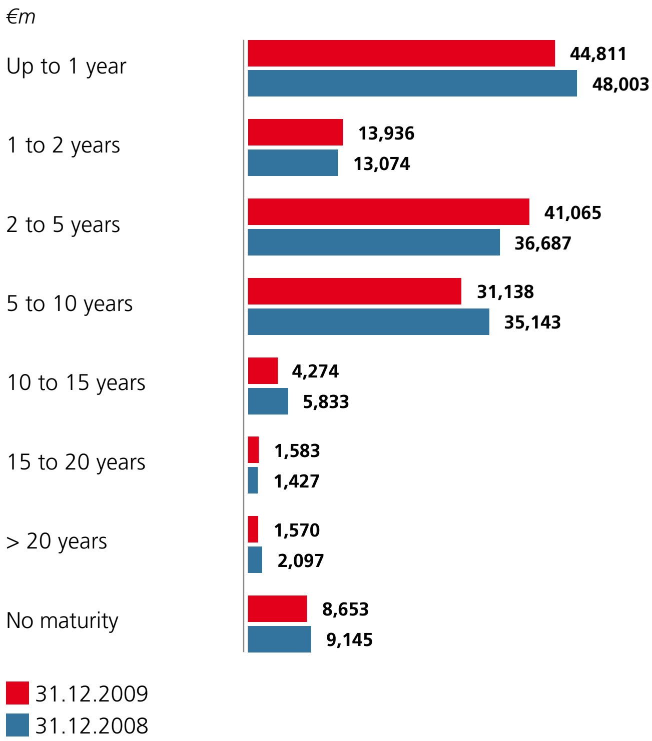
In terms of regional distribution, the shift in the gross loan volume was gradual in the year under review. The eurozone continued to dominate, with this region accounting for €111.8m, or 76.0% (previous year: 74.4%), of the overall volume. Of this, approximately three quarters were granted to borrowers in Germany, as in the previous year. The share of EU countries outside the eurozone persisted at a relatively low level of 13.2%. OECD countries outside the EU accounted for only 6.9% of the gross loan volume (Fig. 20). Countries with a rating between 6 and 15 on the DSGV master scale are monitored using a global country limit. At the year-end, 20.0% (previous year: 15.8%) of this limit had been utilised.

Gross loan volume by region *(Fig. 20)*



The average remaining maturity of the gross loan volume decreased slightly from 3.8 years to 3.4 years during financial year 2009. One important reason for this development was our restraint in new business, as a result of which the average maturity in the existing portfolio was down (Fig. 21).

Gross loan volume by remaining maturity *(Fig. 21)*



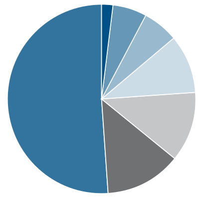
As at the 2009 reporting date, €86.1bn, or 58.5%, of the gross loan volume was collateralised. The guarantor's liability was still the most important form of collateral and is attributable to loans granted within the *Sparkassen-Finanzgruppe*. Risk reduction relating to claims on the public sector and offsetting agreements (especially netting) on financial futures were also increasingly important. Conversely, collateralisation on the basis of reverse repo netting was down on the previous year. The consistently high proportion of business based on the guarantor's liability and claims on the public sector reflects DekaBank's business structure, which is largely dominated by the savings banks and *Landesbanken* as well as public sector budgets.

At €61.0bn, the remaining net loan volume was 11.1% down on the previous year's figure (€68.5bn). With regard to risk segments, financial institutions also constituted by far the most important segment in terms of the net loan volume. They were followed by funds and the utility & project finance risk segment, which mainly comprises transactions in non-core business. It accounted for a total of €7.3bn, or 12.0%, of the net loan volume. As a result of some loan terms coming to an end and the selected reduction in business, the net loan volume of non-core business fell by €1.3bn during the reporting year (Fig. 22).

The concentration in the portfolio rose somewhat in the year under review. The ten biggest borrowers accounted for a share of 26.1% (previous year: 24.4%) of the net loan volume as at the 2009 reporting date. At the same time, 10% of borrower units accounted for 78% of the net loan volume. In terms of regional distribution, the eurozone dominated the net loan volume as well. However, the share of borrowers from EU countries outside the eurozone rose from 11.9% to 14.4% in the course of the year.

Net loan volume *(Fig. 22)*

Transport & trade finance	2%
Other	6%
Property risk	6%
Corporates	10%
Utility & project finance	12%
Funds (transactions and units)	13%
Financial institutions	51%



The borrower ratings changed only slightly on average compared to the previous year. With regard to the net loan volume, the average rating is 4 based on the DSGV master scale (previous year: 3).

For 86.7% of the net loan volume the rating class was unchanged. At year-end 2009, 88.7% of the net loan volume (previous year: 83.4%) had a DSGV rating of 4 or better. This high average value is essentially attributable to the high proportion of financial institutions, which had an average rating of A+ as in the previous year (Fig. 23).

The decrease in the CVaR (confidence level 99.9%, risk horizon of one year) from €1.49bn to €1.37bn resulted primarily from a reduction in the net loan volume and the more sophisticated valuation methodology. In the course of the year, the CVaR fluctuated in a range of €1.20bn to €1.63bn. At year-end 2009, 37.3% of the CVaR was attributable to financial services providers. In terms of the regional distribution, the picture remained virtually unchanged on the previous year with loans granted to German counterparties accounting for 44.7% of the CVaR and 38.0% relating to borrowers in other Western European countries.

Net loan volume by risk segment and rating *(Fig. 23)*

€m	Average PD in bps	Average rating 31.12.2009	31.12.2009	31.12.2008
Financial institutions	5	A+	30,868	34,980
Corporates	29	4	6,327	7,495
Public sector finance international	4	AA–	1,690	3,349
Public sector finance Germany	1	AAA	211	498
Public infrastructure	46	5	840	984
Transport & trade finance	121	8	1,514	2,113
Utility & project finance	61	6	7,297	4,708
Property risk	61	6	3,638	4,081
Retail portfolio	2	AA+	720	918
Funds (transactions/units)	10	A–	7,770	9,291
Equity investments	56	6	79	107
Total result	**22**	**4**	**60,953**	**68,526**

Of the provisions for loan losses reported in the balance sheet totalling €669.1m (previous year: €360.5m), €554.1m (previous year: €274.3m) related to specific valuation allowances for loans and securities, €20.7m (previous year: €24.2m) to portfolio valuation allowances for country risks, €74.1m (previous year: €48.0m) to portfolio valuation allowances for creditworthiness risks and provisions for portfolio risks, and €20.2m (previous year: €14.0m) 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 24:

As collateral for the impaired individual exposures, in the financial institutions risk segment securities were taken into account, as were charges on property in the property risk segment, while aircraft mortgages and sureties were included for the transport & trade finance risk segment. Sureties were taken into account when determining portfolio valuation allowances for country risks. Portfolio valuation allowances for creditworthiness risks were determined taking collateral of sustainable value into account. In the past financial year, collateral utilised totalled €0.7m (previous year: €1.5m).

Operational risks

Risk management and monitoring

Operational risks (OR) naturally depend heavily on the type of business activity and unlike market price and credit risks, are therefore process-specific. As part of its OR strategy, DekaBank therefore adopts a decentralised approach to identifying and assessing operational risks as well as to loss documentation. 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 minor limit. This reporting obligation is monitored by the Group Operational Risk Control unit and Internal Audit.

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

Provision for loan losses by risk segment *(Fig. 24)*

€m	Financial institutions	Funds	Transport & trade finance	Utility & project finance	Property risk	Public infra-structure	Equity investments	Corporates	Other	31.12.2009	31.12.2008	31.12.2007
Impaired gross loan volume[1]	538.7	0.0	243.1	198.5	234.5	0.0	0.0	0.0	0.0	1,214.8	811.0	171.5
Collateral at fair value	48.1	0.0	179.3	0.0	74.6	0.0	0.0	0.0	0.0	302.0	292.3	83.8
Impaired net loan volume[1]	490.6	0.0	63.8	198.5	159.9	0.0	0.0	0.0	0.0	912.8	518.7	87.7
Provisions for loan losses[2]	380.8	0.4	59.4	114.2	108.0	2.6	3.0	0.5	0.2	669.1	360.5	130.7
Specific valuation allowances	378.6	0.0	17.5	72.9	85.1	0.0	0.0	0.0	0.0	554.1	274.3	35.3
Provisions	0.0	0.0	6.1	5.7	5.4	0.0	3.0	0.0	0.0	20.2	14.0	12.2
Portfolio valuation allowances for country risks	0.0	0.0	19.9	0.8	0.0	0.0	0.0	0.0	0.0	20.7	24.2	20.0
Portfolio valuation allowances for creditworthiness risks	2.2	0.4	15.9	34.8	17.5	2.6	0.0	0.5	0.2	74.1	48.0	63.2

[1] Gross and net loan volumes impaired by specific and country valuation allowances.

[2] Provisions for loan losses in balance sheet exceed the net loan volume as portfolio valuation allowances have been recognised.

Through the comparison with existing risk cover funds, 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 Group 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 plausibility-checked. 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 which are directly included in the calculation of the value-at-risk relating to operational risks, a number of other cross-divisional functions at DekaBank play an important role in identifying, assessing and managing such risks.

Business continuity management

DekaBank relies on a Group-wide framework as well as organisational and technical regulations to ensure a standard approach throughout the Group in the event of a disaster. Business continuity management directly deals with various problems using appropriate centralised and decentralised organisational measures in a defined escalation procedure. Depending on the extent and severity of the failures, these are reported directly to the crisis management team which includes the Group Board of Management. Defined recovery teams comprising employees from the various specialist departments are in place for the emergency operation of critical business processes and restoring normal business operations. These teams restore the business processes interrupted by the disaster and ensure that business operations continue as smoothly as possible.

Premises-related failure or loss

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

IT failure or loss

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

Compliance

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

Compliance is a key element of the corporate strategy and contributes at operational level to the implementation of values and risk management in the business units through own specific guidelines and processes.

The DekaBank Group's compliance concept provides rules for the Group as a whole which, taking into account country-specific interests, 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

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

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

DekaBank's internal control system ensures proper and efficient accounting. Its key features are consistent process integration of control 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 used and – when required – manual control and coordination procedures 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 too and is delivered 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 applicable throughout the 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 implement the Group guideline at operational level in the individual specialist departments concerned. These instructions also provide a description of the control mechanisms to be considered. Guiding principles and authorisation concepts have been developed for the central systems which generate accounting information as part of the presentation of the financial statements. Compliance with these is regularly checked by Internal Audit and the external auditors.

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

The internal control system is regularly 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 are Group-wide loss documentation and decentralised self assessment and scenario analysis. In addition, the relevant factors for the general economic environment and internal controls are recorded. These are used, in particular, to update and validate self assessment and scenario analysis. 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 in both internal management as well as external reporting.

Self assessment

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

Scenario analysis

Scenario analyses were expanded and intensified in the reporting year and are used for detailed examination and assessment of severe losses arising from operational risks, whose effects potentially affect several Group units and cannot therefore be adequately covered by the self assessment process. The entire range of operational risks can be recorded and systematically assessed by combining the two methods.

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

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

Loss documentation

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

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

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

Reporting of operational risks

The quarterly risk report informs the heads of the Group units about all the key operational risks, thereby facilitating effective management. In addition, an aggregate report is submitted to the Board of Management on a quarterly basis. Alongside summary information on the operational risks in the Group, this includes detailed information on the measures taken or planned regarding major individual risks in the Group units. 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) increased slightly by 2.1% to €138m within a year (Fig. 25). The figure moved within the €125m to €141m range. However, comparability is limited following the implementation of a sharpened measuring methodology in the course of the year. The 49 internal losses reported resulted in a total loss of €3.2m, which was significantly down on the comparable figure for the previous year of approximately €20m – of which around €15m were attributable to provisions for potential losses.

Value-at-risk *(Fig. 25)*

(99.9%, 1 year), in €m

The potential losses from operational risks determined as part of the risk inventory (ex-ante assessment) rose over the course of the year by 16% to €62.1m (previous year: €53.6m). This assessment reflects the higher potential losses, especially 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 type. The market and liquidity risk strategy applies to all organisational units in the Group. The strategy is determined by the Board of Management and reviewed annually and discussed with the Administrative Board. Any necessary adjustments are carried out under the lead management of the Corporate Centre Risk & Finance.

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

Quantifying 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 and is used by this unit to manage liquidity on a day-to-day basis.

Funding matrices

In addition, the liquidity position is analysed and monitored by Market Risk Control in the Corporate Centre Risk & Finance. To this end, the following funding matrices amongst others are drawn up and reported: normal business operations – Group, intended holding period – Group, legal maturities – Group, downgrade – Group, fund crisis – Group and banking crisis – Group.

The purpose of the funding matrices is to show the undiscounted future expected cash flows across the portfolio as at the reporting date, on the basis of which the liquidity requirement or surplus (liquidity gap) is determined per maturity band. The accumulated liquidity gap is 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 to illustrate the cash flows on 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, free surpluses in cover registers, which can be used, and other funding sources.

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

The intended holding period – Group funding matrix has been the lead funding matrix in the DekaBank Group since the third quarter of 2009. Unlike the normal business operations funding matrix relevant to management to date, it is based on the strategic investment horizon of securities in the IAS categories held to maturity (htm) and loans and receivables (lar) as well as transactions with an intended long holding period rather than on convertibility into cash and eligibility for refinancing. Compared with the normal business operations funding matrix, lower liquidity balances are reported where the matrix is based on the intended holding period. To that extent, the new funding matrix represents a more prudent approach. In September 2009, extended early warning and traffic light system limits were introduced for the new funding matrix.

As part of managing the liquidity position, the funding matrices are used on a daily basis in the Funding & Liquidity unit in the Markets 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 investigate 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 of DekaBank's creditworthiness by rating agencies). Market scenarios include, for example, the 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

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 Market Risk Control as part of independent monitoring. 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 and Risk & Finance units. In this regard, early warning limits and traffic light system limits were defined in relation to the liquidity balance (= accumulated liquidity gap plus accumulated liquidity potential), which are also monitored by Market Risk Control. 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 Risk & Finance.

Since year-end 2009, all of the stress tests have been based on the intended holding period – Group funding matrix (previously based on the normal business operations funding matrix). In the wake of the financial market crisis, the banking crisis funding matrix was additionally applied to manage and monitor the liquidity position during the reporting year and was also used on a daily basis.

Current risk situation

The DekaBank Group's liquidity situation remains comfortable. As a result of the high level of liquid securities, most of which are eligible as collateral for central bank borrowings, and the surplus cover in the cover pool, as well as the corresponding repurchase agreements, DekaBank has extensive potential liquidity that can be made liquid at short notice. Investment of some of the surplus liquidity impacted favourably on the results in the year under review, and these liquidity investments will also produce income in subsequent years.

The comfortable liquidity situation means that DekaBank will also have sufficient investment opportunities in the future while always complying with early warning and traffic light system limits.

As at 31 December 2009, the accumulated liquidity balance based on the intended holding period – Group funding matrix in the maturity band of up to one month amounted to €13.5bn. In the maturity band of up to six months, the surplus totalled €7.5bn, and over a twelve-month period €9.6bn. Up to a maturity band of 20 years, the liquidity balances were consistently positive. At the same time, the liquidity structure analysis highlights the broad diversification of refinancing by investor and product groups (Fig. 26).

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 in financial year 2009. The liquidity ratio of the first maturity band determined on a daily basis stood between 1.38 and 1.92. The figure at the close of the year amounted to 1.67 (end 2008: 1.43), with an average of 1.66 for the year.

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 level of commission. The volatility of these risk factors is simulated by asset class, that is for equities, bonds and property, using comparison indices. Parallel to this, a self assessment of the material business risks is carried out for Asset Management

Intended holding period funding matrix of DekaBank Group as at 31 December 2009 *(Fig. 26)*

€m	<=1M	>1M-12M	>12M-7Y	>7Y-30Y	>30Y	Total
Securities, loans and promissory note loans[1]	11,100	20,287	46,543	10,229	51	88,210
Other money market transactions (lending)[2]	16,783	3,751	2,541	0	131	23,205
Derivatives[3]	–1,954	–5,715	–4,584	–123	0	–12,376
Refinancing funds[4]	–26,658	–11,246	–46,641	–5,511	–5,078	–95,134
Other balance sheet items[5]	0	–119	–75	–11	–3,790	–3,994
Liquidity balance (acc. gap + acc. liquidity potential)						
DekaBank Group	13,500	9,618	3,118	7,272	–1,414	

[1] Including irrevocable credit commitments and guarantees.

[2] Of which approx. €8bn 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.

activities using scenarios. This allows the business divisions to counter the main identified business risks with risk-reducing measures.

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

The VaR relating to business risk decreased compared to the previous year's figure (€436m) to €383m. However, this remains a high level. It reflects the continuing significant uncertainties in the market, which may impact on the cost and income trend, especially in Asset Management. The reduction compared with the 2008 year-end figure was mainly due to a downturn in net commission income from securities funds. The comprehensive risk for activities outside Asset Management was also down. Non-core business accounted for €58m, or 15%, of VaR.

Shareholding risk
The shareholding strategy forms part of the credit risk strategy. Equity investments include all direct and indirect holdings of the DekaBank Group in other companies, regardless of their legal form. Equity investments held as credit substitute transactions do not come under the shareholding strategy. In principle, DekaBank 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.

Compared to year-end 2008, the shareholding risk decreased slightly by €8m to €37m. This was essentially attributable to a decline in equity investments due to book value adjustments, with a minor increase in volatility.

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 €8m, the property risk was of secondary importance as in the previous year (€8m).

Property fund risk
The property fund risk results above all from the units of the Deka-ImmobilienEuropa fund (formerly Deka-ImmobilienFonds) held in the Bank's own portfolio and to a lesser extent from start-up finance.

The property fund risk decreased considerably in the reporting year to €12m (end 2008: €150m). Alongside the fine-tuned risk methodology, this development resulted from fund units returned, which the Bank has held in its portfolio since 2005 (Deka-ImmobilienFonds).

Capital market credit products
In the past financial year, we divided the portfolio of capital market credit products into core and non-core business in line with our sharpened business model.

Transactions coming under core business were assigned to the Treasury sub-division. They essentially comprise single-name and index CDS transactions, corporate bonds and two transactions as part of long-term liquidity investment. The net nominal value totalled €8.4bn as at the reporting date.

The positions in non-core business amount to a total net nominal value of €2.9bn. They include all asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), credit loan obligations (CLO), synthetic CDOs (index and bespoke), structured finance collateralised debt obligations (SFCDO) and constant proportion portfolio insurance (CPPI).

The portfolios of capital market credit products are fully integrated into DekaBank's risk management, described in the preceding sections. The volume of non-core business will be reduced over the coming years through both active management and the scheduled expiry of transactions. We will not enter into new transactions. In the reporting year, several structured positions with lower ratings were sold or redeemed while others expired. Overall, the volume of non-core business decreased by €413m.

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

In line with DekaBank's current Group-wide credit risk strategy, limit monitoring is carried out independently and on a daily basis by Risk Control using the cross-product Investment Directive for Credit Derivatives, which fully applies to all of DekaBank's capital market credit products and alternative investments in non-core business. Any limit overruns are notified immediately to the full Board of Management.

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

Product		AAA	AA	A	BBB	Non investment grade	Unrated	Total
Structured	ABS	193.1	37.4	87.6	43.8	13.5	0.0	375.4
	RMBS	327.2	162.2	134.6	10.0	0.0	0.0	633.9
	CMBS	295.9	152.5	107.2	91.7	3.6	0.0	650.9
	CLO	72.5	421.5	202.9	62.4	49.9	0.0	809.2
	CSO[1]	0.0	0.0	0.0	0.0	305.0	319.4	624.4
	Structured finance CDO	20.0	10.0	0.0	0.0	0.0	0.0	30.0
	Balance sheet lending	0.0	990.0	0.0	0.0	0.0	0.0	990.0
Alternative	CPPI	0.0	0.0	100.0	0.0	0.0	0.0	100.0
Total		**908.6**	**1.773.6**	**632.3**	**208.0**	**372.0**	**319.4**	**4,213.9**

[1] The CSO index tranches in the portfolio are shown as unrated under CSO. This includes two iTraxx series 7 (tranche 6-9, maturity 7 years), protection seller positions totalling €150m (nominal value), two protection buyer positions on the CDX series 8 (tranche 7-10, maturity 10 years) totalling US$100m (nominal value) as well as protection buyer positions on the iTraxx series 7 (tranche 6-9, maturity 10 years) amounting to €100m.

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

Approach and valuation

In view of the prevailing market disruption, we switched a large proportion of capital market credit products from mark-to-market valuation to mark-to-model valuation based on a modified discounted cash flow model in September 2008. This reduced the influence of irrational fluctuations in liquidity spreads on DekaBank's earnings.

In financial year 2009, all bond positions were switched back in full to market-oriented valuation, since a functioning market can be assumed again in this segment. The fair values for non-synthetic securitisation transactions with a nominal volume of €1.5bn are still determined using the modified discounted cash flow model. Where the observable prices or price indications for individual transactions were deemed to be valid, these values were applied or used to check the plausibility of model-based fair values. The fair value of synthetic securitisation transactions is determined using Copula models, which were calibrated to the market prices of liquid tranches.

Rating overview

Overall, the ratings in the portfolio of core business (Treasury) are good. In non-core business, CLO tranches were

Structured capital market credit products by risk country (nominal value in €m) *(Fig. 28)*

Product	Structured							Alternative	Total
Country	ABS	RMBS	CMBS	CLO	CSO[1]	Structured finance CDO	Balance sheet lending	CPPI	
Germany	182	32	171	47	0	0	594	0	1,026
UK	14	152	284	17	0	0	0	0	466
Spain	8	121	0	0	0	0	0	0	129
Italy	54	151	13	0	0	0	0	0	218
Benelux	8	114	172	0	0	0	0	0	293
Scandinavia	45	0	12	22	0	0	0	0	79
Rest of Europe	26	64	0	315	250	20	396	0	1,071
USA	39	0	0	198	324	10	0	50	622
Other/global	0	0	0	210	50	0	0	50	310
Total	**375**	**634**	**651**	**809**	**624**	**30**	**990**	**100**	**4,214**

[1] Gross nominal value shown (sum of protection seller and protection buyer positions).

most affected by selective downgrades. However, excluding the relatively limited volume of bespoke CSO positions, the ratings of the majority of non-core business transactions are also good.

The rating overview 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. 27).

Country overview
In terms of countries, non-core business continues to focus on Western Europe and in particular on German and pan-European structures. With regard to CMBS, a substantial volume 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. 28)

Core business is also concentrated in Western Europe. As at the 2009 reporting date, almost half of the bond positions were attributable to the financial sector.

IFRS categorisation
The major portion of the portfolio of structured capital market credit products is allocated to the IFRS category at-fair-value (Fig. 29). Accordingly, any changes in value are directly reported in the income statement. Since the portfolio comprises CSOs in CLN form (funded) as well as in CDS form (unfunded), the two portfolios are presented separately to avoid distortion of the fair value results.

The figures reflect that the sharp decrease in the subordination levels for CSO/CLN positions is included in full in the income statement. No actual defaults have occurred in the tranches to date. To establish the book values of assets in the at-fair-value (afv) category, models and indicative prices from pricing service agencies were used. The book values of loans and receivables positions (lar) 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, nominal and interest defaults amounted to €0.5m.

Maturity profile
The average maturity of the overall bond portfolio was 5.7 years at year-end 2009 and in the held-to-maturity category 7.5 years. CDS had a maturity of 5.2 years for the secured party. Transactions as part of liquidity investment will expire in approximately 6 years and CPPI positions in 5.5 or 7.5 years. Securitised products have no fixed maturity period.

Current risk situation
The credit spread risk of all capital market credit products in the at-fair-value category totalled €76.2m as at the 2009 reporting date (confidence level 95%, holding period ten days). This represents a slight increase on the previous year's figure of €73.1m. The VaR in the Treasury portfolio was €26.4m and that in non-core business came to €65.6m.

Structured capital market credit products by IFRS valuation category (in €m) *(Fig. 29)*

				IFRS valuation category	
Product		**Nominal**	**Book value**	**afv**	**lar**
Structured	ABS	375.4	306.3	229.9	76.4
	RMBS	633.9	523.3	476.0	47.3
	CMBS	650.9	532.9	358.5	174.4
	CLO	809.2	669.6	622.6	47.0
	CSO CLN	205.0	42.2	42.2	0.0
	Structured finance CDO	30.0	12.0	12.0	0.0
	Balance sheet lending[1)]	990.0	989.8	989.8	0.0
Alternative	CPPI	100.0	99.3	99.3	0.0
Total		**3,794.4**	**3,175.4**	**2,830.3**	**345.1**
Structured	CSO CDS[2)]	419.4	–70.0	–70.0	–

1) Balance sheet lending is assigned to core business.
2) Gross nominal value shown (sum of protection seller and protection buyer positions).

Sustainability Report

"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."
[World Commission on Environment and Development, UNO 1987]

The international community of the 21st century is facing global challenges that are forcing society to rethink and question existing mindsets. Given these challenges, both politicians and also private individuals and companies alike are required to engage actively with these developments and adapt their actions to the changed conditions: with regard to climate change, the finite nature of natural resources, the widening prosperity gap and also the ever clearer impact of demographic change in the developed economies. The financial services sector has to accept responsibility as well. Business models and products should be developed that meet these challenges and fulfil people's changing needs.

We are aware of this responsibility and firmly believe that the sustainability of our company is contingent on taking account of the changed market and environmental conditions. In its mission 2012, DekaBank is therefore committed to a business strategy that is sustainable in economic, environmental and social terms. We want to minimise the risks arising from global challenges in a targeted way and draw the greatest possible benefit from the economic opportunities that arise in the interests of our customers, shareholders and employees.

For this reason, in the reporting year we adopted a sustainability strategy for DekaBank, based on the sustainability approach of the European Savings Banks Group and the focus of the savings banks on common good. This is characterised by a holistic approach aimed at creating added value long term for our stakeholders. The focus centres on five action areas (flanked by communication activities) for which we have drawn up guidelines:

- **Sustainable business policy:**
  We are committed to a sustainable business strategy – in economic, environmental and social terms.

- **Sustainable banking:**
  DekaBank is reducing the negative impact of its business operations on the environment and reducing the costs for resource consumption at the same time.

- **Sustainable HR management:**
  Taking account of demographic change, we are attracting qualified employees to DekaBank and ensure their loyalty to the Bank in the long term.

- **Sustainable banking products:**
  We are developing products that meet the social and ecological requirements of a growing group of customers and utilising the opportunity to provide important impetuses in the capital markets through investment decisions. Moreover, by taking account of sustainable criteria, we are consciously minimising the risks arising from our business activities – for the company and society.

- **Social responsibility:**
  We see ourselves as an active member of society and create social added value.

- **Communication:**
  Transparency and openness are the cornerstones of our communication.

Our stated aim is to continually improve our performance in these areas of activity. To this end, we undergo regular audits and reviews by outside parties. For example, in the 2009 reporting period our family-friendly HR policy was reviewed by *"audit berufundfamilie"*, an initiative of the non-profit Hertie Foundation, and our in-house environmental management system was certified to DIN EN ISO 14001 standard.

For us, sustainability is not a marketing strategy but a basic tenet. We work continually on smaller and larger measures that lead to notable progress in the development of DekaBank as a company that acts sustainably.

Here it is important for us to provide our stakeholders with comprehensive, objective and fact-based information on activities throughout the Group relating to sustainability. Consequently, for the first time we are presenting a Sustainability Report for 2009 in accordance with the reporting framework under the Global Reporting Initiative (GRI).

GRI Content Index

The GRI Content Index (Fig. 2) indicates where (key) and in which publications DekaBank provides the standard disclosures under the current GRI Guidelines and the supplementary disclosures for financial service providers (Financial Services Sector Supplement (FSSS)).

GRI is an institution aimed at developing and disseminating globally applicable guidelines for sustainability reporting.

It is our assessment that the present report complies with GRI Application Level C (Fig. 1).

GRI Application Level *(Fig. 1)*

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

Key:

MR 20 – MR 79:	pages in Annual Report / section Group Management Report
SR 80 – SR 91:	pages in Annual Report / section Sustainability Report
FS 94 – FS 175:	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. 2)*

GRI Standard Disclosures		Key	Status
Strategy and analysis			
1.1	Statement from the most senior decision-maker	MR 29 – MR 30, SR 80 – SR 81	●
1.2	Description of key impact, risks and opportunities	MR 29 – MR 30, SR 80 – SR 81	●
Organisational profile			
2.1	Name of the company	MR 22	●
2.2	Brands, products and/or services	MR 22 – MR 24, MR 26 – MR 29	●
2.3	Business units and corporate structure	MR 22 – MR 25	●
2.4	Location of headquarter	MR 22	●
2.5	Countries in which the group operates	MR 22	●
2.6	Ownership structure and legal form	MR 22	●
2.7	Markets served	MR 22 – MR 25	●
2.8	Scale of reporting organisation	C 2, MR 36 – MR 48, FS 96 – FS 101	●
2.9	Significant changes during reporting period regarding size, structure or ownership of company	C 2, MR 22	●
2.10	Awards received in the reporting period	MR 29 – MR 30, MR 41, MR 44, MR 50	●

GRI Standard Disclosures		Key	Status
Report parameters			
3.1	Reporting period	SR 85	●
3.2	Date of most recent previous report	SR 85	●
3.3	Reporting cycle	SR 85	●
3.4	Contact point for questions regarding corporate sustainability reporting	SR 85	●
3.5	Process for defining report content (including materiality, priorities)	SR 85	●
3.6	Boundary of the report	SR 85	●
3.7	Presentation of any specific limitations on the scope of the report	SR 85	●
3.8	Basis for reporting on joint ventures, subsidiaries etc.	SR 85	●
3.9	Data measurement techniques and the bases of calculations	SR 85	●
3.10	Changes in presentation of information compared with previous reports	not relevant	●
3.11	Changes with regard to topics included and measurement methods applied compared with earlier reports	not relevant	●
3.12	GRI Content Index	SR 81 – SR 84, SR 85	●
3.13	Third party assurance		○
Governance, commitments and engagement			
4.1	Governance structure incl. responsibility for sustainability	MR 22, SR 85	●
4.2	Independence of Chairman of Supervisory Board	MR 22	●
4.3	For organisations without a Supervisory Board: details of the number of members of the highest governance body	MR 22	●
4.4	Opportunities for shareholders and employees to have an influence and provide recommendations or direction to the highest governance body	MR 22, SR 85	●
4.5	Link between compensation for senior managers and achievement of sustainability targets		○
4.6	Processes in place for executive bodies to avoid conflicts of interest		○
4.7	Qualifications and expertise of executive bodies with regard to sustainability		○
4.8	Mission statement and corporate values	MR 25 – MR 32	●
4.9	Procedures at Management/Supervisory Board level to oversee sustainability performance		○
4.10	Processes for evaluating the sustainability performance of the Management Board		○
4.11	Implementation of the precautionary principle		○
4.12	Participation in and support for external initiatives		○
4.13	Memberships in associations and advocacy organisations	SR 86	●
4.14	Company's stakeholder groups	SR 86	●
4.15	Basis for identification of stakeholders	SR 86	●
4.16	Approaches for stakeholder dialogue (type/frequency)	SR 86	●
4.17	Response to stakeholder concerns	SR 86	●
Financial services sector specific performance indicators: Impact of our products and services			
FS1	Description of environmental and social principles and values for business units	MR 29 – MR 30, SR 87	●
FS2	Procedures for assessing and screening environmental and social risks in business units	SR 87	●
FS3	Processes for monitoring clients' implementation of environmental and social requirements	MR 29 – MR 30, SR 87	●
FS4	Process(es) for improving staff competency to identify environmental and social risks and opportunities	SR 88	●
FS5	Interactions with customers and other stakeholder groups regarding environmental and social risks and opportunities	SR 88	●

GRI Standard Disclosures		Key	Status
Financial services sector specific performance indicators: Impact of our products and services			
FS6	Percentage of the portfolio for business units by specific region, size and sector	MR 36 – MR 48	●
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business units broken down by purpose	SR 88	◗
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business units broken down by purpose	SR 88	◗
FS9	Scope and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	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 88	●
FS11	Percentage of assets subject to environmental or social valuation		○
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		○
Economic performance indicators			
EC1	Economic value generated and distributed	MR 36 – MR 38	●
EC2	Financial implications due to climate change		○
EC3	Company social benefits and pension obligations	SR 88 – SR 89, FS 120 – FS 121	●
EC4	Financial assistance and subsidies received from government		○
EC6	Payments to locally-based suppliers		○
EC7	Procedures for local hiring for senior positions		○
EC8	Infrastructure investments and services provided primarily for public benefit		○
Environment performance indicators			
EN1	Weight or volume of materials used	SR 89	●
EN2	Percentage of all materials that are recycled input materials		○
EN3	Direct energy consumption: primary energy source	SR 89	●
EN4	Indirect energy consumption: primary energy source purchased for producing energy	SR 89	●
EN8	Total water withdrawal by source	SR 89	●
EN11	Land used in protected areas		○
EN12	Significant impact of activities in protected areas		○
EN16	Greenhouse gas emissions	SR 89	●
EN17	Other indirect greenhouse gas emissions		○
EN19	Ozone-depleting substances by weight		○
EN20	NOx SOx and other air emissions by weight		○
EN21	Total water discharge by quality and destination		○
EN22	Total weight of waste by type and disposal method	SR 89	●
EN23	Number and volume of spills of hazardous materials such as oils, chemicals etc.		○
EN26	Initiatives to mitigate environmental impact of products and services		○
EN27	Percentage of products whose packaging is reused		○
EN28	Fines/sanctions for non-compliance with environmental laws and regulations		○

GRI Standard Disclosures		Key	Status
Social performance indicator: Labour practices and decent work			
LA1	Total workforce by employment type, employment contract and region	MR 48 – MR 49	◗
LA2	Employee turnover		○
LA4	Percentage of employees covered by collective bargaining agreements	SR 90	●
LA5	Notice periods regarding significant operational changes	SR 90	●
LA7	Rates of injury, absenteeism and total number of work-related fatalities		○
LA8	Prevention and risk-control programmes regarding serious diseases	MR 50	●
LA10	Average hours of training per year per employee		○
LA13	Diversity of senior management and employee structure	MR 49, SR 90	●
LA14	Average remuneration by sex and employee category		○
Social performance indicators: Human rights			
HR1	Percentage and number of investment decisions that include human rights clauses or have undergone human rights screening	SR 90	●
HR2	Percentage of suppliers that have undergone human rights screening	SR 90	●
HR4	Incidents of discrimination and action taken		○
HR5	Operations having significant risk regarding the freedom of association and collective bargaining and action taken to protect this right	SR 90	●
HR6	Operations having significant risk for incidents of child labour and action taken	SR 91	●
HR7	Operations having significant risk for incidents of forced or compulsory labour and action taken	SR 91	●
Social performance indicators: Society			
SO1	Mitigation of negative impact of business operations on local communities		○
FS13	Access to financial services in low-populated or economically disadvantaged regions by type	SR 91	●
FS14	Initiatives to improve access for people with disabilities or restricted mobility		○
SO2	Percentage/number of business units analysed for corruption-related risks	SR 91	●
SO3	Percentage of employees trained in anti-corruption procedures	SR 91	●
SO4	Action taken in response to incidents of corruption	SR 91	●
SO5	Policy positions and participation in public policy development and lobbying		○
SO8	Fines/sanctions for non-compliance with laws and regulations		○
Social performance indicators: Product responsibility			
FS15	Responsibility regarding structure and sale of financial products and services	SR 91	●
PR1	Health and safety impact of products and services	SR 91	●
PR3	Type of product and service information required by law	SR 91	●
PR5	Practices relating to customer satisfaction including results of surveys	SR 91	●
PR6	Programmes for adherence to laws and voluntary codes in advertising	SR 91	●
PR9	Sanctions for non-compliance with laws and regulations relating to products and services	SR 91	●

Report parameters

Reporting period
1 January 2009 – 31 December 2009

Date of most recent previous report
The 2009 Sustainability Report is the first report of this type presented by DekaBank.

Reporting cycle
Annually.

Contact point for questions regarding corporate sustainability reporting
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Process for defining report content
The present report was prepared on the basis of the GRI Guidelines (G3) including the Financial Services Sector Supplement (FSSS) of the Global Reporting Initiative. It is our assessment that the present report complies with GRI Application Level C.

Boundary of the report
Unless otherwise indicated, the present report relates to the DekaBank Group and its employees.

Presentation of any specific limitations on the scope of the report
Explanations regarding the relevant points of the GRI Index are given both in the present Sustainability Report and other sections of the Annual Report, particularly the Group Management Report of the DekaBank Group. Further details are also given in the Environmental Report of the DekaBank Group (published for first time on 22 December 2009 for years 2006–2008).

Basis for reporting on joint ventures, subsidiaries etc.
See Boundary of the report.

Data measurement techniques and the bases of calculations
The performance of individual sustainability criteria is measured on the basis of existing processes and systems in the DekaBank Group. With regard to sustainable banking operations, the environmental management system certified to ISO 14001 is also used.

GRI Content Index
See pages 81 to 84 of the Sustainability Report section.

Corporate governance, commitments and engagement

Governance structure including responsibility for sustainability
Under the overall responsibility of the Board of Management, the Group Development unit coordinates activities relating to sustainability. The Group Development unit agrees the sustainability topics within the Group with all the units concerned and acts as a source of ideas for all areas of action involved in the sustainability strategy.

Opportunities for shareholders and employees to have an influence and provide recommendations or direction to the highest governance body
The shareholders of DekaBank can articulate their suggestions via the committees of the Bank. Employees can also address suggestions and comments to the management of DekaBank via the employee representatives on the Administrative Board and through the ideas management scheme, which has been in place for many years.

Memberships in associations and advocacy organisations

- *Bundesverband Investment und Asset Management e.V.* (BVI)
- *Bundesverband Öffentlicher Banken Deutschlands e.V.* (The Association of German Public Sector Banks – VÖB)
- *DAI Deutsches Aktieninstitut e.V.* (German share institute)
- *Deutscher Sparkassen- und Giroverband e.V.* (German Savings Banks and Giro Association)
- EFAMA – European Fund and Asset Management Association
- European Association of Public Banks
- *Gesellschaft für Kapitalmarktforschung e.V.* (Society for capital market research)
- *Initiative Finanzplatz Deutschland* (Financial Centre Germany Initiative)
- *Institut der deutschen Wirtschaft* (German economic research institute)
- *Umweltforum Rhein-Main e.V.* (Rhine-Main Environmental Forum)
- *Verband deutscher Pfandbriefbanken e.V.* (Association of German Pfandbrief banks)
- *Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e.V.* (Association for Environmental Management in banks, savings banks and insurance companies)

Furthermore, DekaBank is a member of various non-profit associations and institutions with an economic, social and sociological background.

The company's stakeholder groups

We are in dialogue with various stakeholder groups, especially:

- Savings banks and *Landesbanken* (as shareholders, customers and sales partners)
- Savings bank customers and institutional investors
- Employees/employee representatives
- Supervisory authorities
- Cooperation partners (other financial service providers)
- Suppliers
- Associations
- Academic institutions

Basis for identification of 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.

Approaches for stakeholder dialogue

Through the specialist committees advising the Board of Management and the various sales committees, DekaBank actively involves the expertise of the *Sparkassen-Finanzgruppe* in its decision-making. The Supervisory Boards of the German investment companies include external Supervisory Board 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.

With the assistance of an independent adviser, we carry out 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.

We identify the needs and requirements of our investors in regular, detailed surveys. These are discussed in-depth in order to generate measures to improve DekaBank's performance.

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

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

Response to stakeholder concerns

The suggestions of our stakeholders are essential to determining the optimum direction for the Bank. These suggestions are also included in business policy and strategic decisions.

Performance indicators

Financial services sector specific performance Indicators

FS 1:
Description of environmental and social principles and values for business units

- **Mission 2012:**
  DekaBank is committed to a business strategy that is sustainable in economic, environmental and social terms. The aim is to ensure long-term commercial success in keeping with the environment and social requirements.

- **Sustainability strategy:**
  This defines the guidelines that shape our decisions and actions and by which we are measured.

- **Code of ethics:**
  The code of ethics constitutes the orientation framework for our employees as the basis for an open and transparent corporate culture that meets legal requirements.

- **Environmental guidelines:**
  Through our environmental guidelines we undertake to minimise the negative impact of our business operations on the environment. The aims of our environmental guidelines include reducing the consumption of energy, paper and water as well as environmental impact resulting from business travel. Environmental aspects are evaluated in accordance with standardised criteria and regularly disclosed in an Environmental Report. (Published for the first time on 22 December 2009 for years 2006–2008).

- **Equal opportunities plan:**
  The equal opportunities plan makes a contribution to equal career opportunities for women and men and further improves the framework parameters for women and men with family obligations. It includes measures and aims to promote equal opportunities for DekaBank's employees.

FS 2:
Procedures for assessing and screening environmental and social risks in business units

As part of our lending process, transactions are subject to the following screening, and in the event of non-compliance are qualified as undesirable and/or involving increased risk.

- Financings relating to arms transactions (financing deliveries and production and trading companies) to countries or recipients in areas of conflict outside NATO.

- Financings, which give rise to significant risks for the environment. The OECD environmental guidelines serve as reference points here.

- Financing of projects which do not meet the requirements of the Equator Principles. These principles encompass social and environmental standards and are based on the corresponding guidelines of World Bank subsidiary International Finance Corporation (IFC).

- Lending transactions where public reporting (including as a result of socio-cultural, ethical aspects) about the financing itself, about a business partner or business practice, could adversely affect public trust in our Bank long term.

In the investment process, our sustainable investment funds comply with ethical, environmental and social criteria. Since mid-2009 in particular, we have been working with the *Institut für Markt-Umwelt-Gesellschaft,* imug (institute for market, environment and society) to screen securities for compliance with generally accepted criteria for sustainable investments.

FS 3:
Processes for monitoring clients' implementation of environmental and social requirements

DekaBank's project financing complies with the Equator Principles. These comprise social and environmental standards and are based on the corresponding IFC guidelines. Consequently, project financing that does not meet the requirements of the Equator Principles were added to the existing negative list.

FS 4:
Process(es) for improving staff competency to identify environmental and social risks and opportunities

Our employees regularly complete training and tests on topics such as money laundering, data protection and the agreement on the code of conduct with regard to the exercise of due diligence in financial services.

In addition, we hold employee events covering the topics of sustainability and environmental management. We also provide our employees with comprehensive information on these topics in our internal information system, thereby furthering our employees' competency in these issues.

FS 5:
Interactions with customers and other stakeholder groups regarding environmental and social risks and opportunities

We provide speakers as well as extensive information material on our sustainable fund products to support the savings banks as our sales partners when carrying out customer events on sustainability. We further develop this cooperation as part of our ongoing dialogue with the savings banks.

As a member of various initiatives (*Umweltforum Rhein-Main e.V.* and *Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e.V.*), the DekaBank Group interacts with other financial service providers and stakeholders regarding environmental and social issues.

FS 7/FS 8:
Monetary value of products and services designed to deliver a specific social and environmental benefit for each business unit broken down by purpose

As at 31 December 2009, investments in DekaBank's sustainable investment funds amounted to €641m.

On average, investments with sustainable impact account for 50% of the loan portfolio.

FS 9:
Scope and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

DekaBank's environmental management system was certified to European DIN EN ISO 14001 standard in 2009. Our environmental management system is audited at regular intervals by an independent body.

DekaBank received the basic certificate from the *Hertie* Foundation as a family-friendly company as early as 2005. Following a comprehensive re-audit, the *"audit berufundfamilie"* certificate was awarded again in June 2009. Going forward, our HR policy will also be regularly audited.

FS 10:
Percentage and number of companies held in the financial institution's portfolio with which the institution has interacted on environmental or social issues

As part of the DekaBank Group, all material participations (subsidiaries) are covered by the sustainability strategy and the measures defined.

Economic performance indicators

EC 3:
Company social benefits and pension obligations

We offer our employees a wide range of ancillary social benefits. The core elements of these are active health management, attractive work-life balance options, as well as an extensive company pension. In addition, employees can bring bonus payments, holiday leave entitlements and arranged overtime into working hours accounts, enabling them to retire earlier in the future.

Furthermore, as well as the benefits provided by the employer under collective bargaining agreements, DekaBank grants additional benefits on a voluntary basis. These include group and business travel accident insurance, a "job ticket" travel card for employees at the Frankfurt/Main location and corresponding arrangements at other DekaBank Group locations, as well as capital-forming benefits.

For details of pension commitments, see pages 120 to 121 in the consolidated financial statements.

Environment performance indicators

In addition to the information provided here in accordance with the GRI, a detailed analysis is provided in the Environmental Report published by DekaBank.

Unless otherwise indicated, the comments regarding the environment performance indicators refer to the four locations in Frankfurt/Main.

EN 1:
Weight or volume of materials used

Paper is generally the most significant material used by financial service providers and this also applies for DekaBank. In absolute terms, DekaBank's paper consumption of 1,130 tons per year in 2008 was down around 18% on 2007. These figures relate to all DekaBank's locations in Germany (Fig. 3).

Development of paper consumption in absolute terms, by category *(Fig. 3)*

Tons	2008	2007	2006
Headed paper, printed forms	91	42	8
Envelopes	129	50	31
Copy paper (general office paper)	185	205	147
Print advertising/ publications	725	1,088	1,083

EN 3/EN 4:
Direct and indirect energy consumption

DekaBank's direct and indirect energy consumption relates primarily to electricity and district heating. In absolute terms, there has been an increase of 6%. Consumption per square metre of building used has also risen, although consumption per employee has fallen by 27% (Fig. 4).

Energy consumption *(Fig. 4)*

Giga joule	Frankfurt/Main locations
Electricity	58,439
Back-up diesel	149
District heating	40,775
Total	**99,363**

EN 8:
Total water withdrawal by source

DekaBank uses water in its premises primarily for sanitary facilities, air conditioning, cooling systems, company canteens, office plants and outside areas. The downward trend in water consumption that started in 2006 was not maintained in 2008 and water consumption increased at all premises in absolute terms (Fig. 5).

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

m^3	2008	2007	2006
Frankfurt/Main locations	63,521	48,398	53,037

EN 16:
Greenhouse gas emissions

The comprehensive analysis of DekaBank's CO_2 emissions produces the following picture:

- Direct emissions, known as Scope 1 emissions: 719 tons
- Indirect emissions from electricity and district heating, known as Scope 2 emissions: 10,240 tons
- Other indirect emissions, known as Scope 3 emissions: 4,468 tons

Direct CO_2 emissions (Scope 1) from back-up diesel consumption and business trips using the Bank's own vehicle fleet account for less than 5% of total emissions. Indirect CO_2 emissions (Scope 2) from electricity and district heating consumption account for the largest percentage of CO_2 emissions, with electricity alone responsible for over 50%. Overall, other indirect CO_2 emissions (Scope 3) account for 29% of total emissions.

In all cases, the figures cited include DekaBank's four locations in Frankfurt/Main. For some aspects, the information was only available as an overall figure including other locations.

EN 22:
Total weight of waste by type and disposal method

Financial service providers generate first and foremost office waste, such as paper. Since 2006, the total volume of waste for DekaBank's premises in Frankfurt has fallen slightly. Given the increase in the number of employees, this is a sharp reduction in specific waste and applies to all the Bank's premises in Frankfurt. The average recycling rate for waste stands at around 50% (Fig. 6).

Development of total weight of waste in absolute terms *(Fig. 6)*

Tons	2008	2007	2006
Frankfurt/Main locations	350.0	357.2	359.8

Social performance indicators

LA 4:
Percentage of employees covered by collective bargaining agreements

In the DekaBank Group, 43.2% of employees are covered by collective bargaining agreements. Individual contracts have been concluded with 56.8% of employees.

LA 5:
Notice periods regarding significant operational changes

The DekaBank Group complies with the laws prevailing in the countries/federal states in which it operates.

LA 13:
Diversity of senior management and employee structure

DekaBank places particular emphasis on equal opportunities. It is important to us to offer the same opportunities for further training and promotion to all employees who fulfil comparable criteria. DekaBank's current equal opportunities policy includes measures to promote this. At present, the percentage of women in the top three management levels stands at 16% (Fig. 7).

Percentage of women in management *(Fig. 7)*

%	Percentage of women
Senior management level (M1)	8.7
Middle management level (M2)	7.1
Junior management level (M3)	21.3
Total managers	**16.0**

HR 1:
Percentage/number of investment decisions that include human rights clauses or have undergone human rights screening

The DekaBank Group complies with the Equator Principles in its project financing and has integrated these principles into its existing credit processes.

HR 2:
Percentage of suppliers that have undergone human rights screening

Compliance with human rights and protection of the global environment are essential elements of sustainable procurement.

All providers entering into a contractual agreement with DekaBank meet the criteria for sustainable procurement in accordance with the guidelines of procurement management if they comply with the following minimum standards:

- No child labour (below 15 years of age)
- No forced labour
- Freedom of association guaranteed
- No physical punishment or psychological/physical sanctions
- Compliance with legal requirements regarding statutory working hours and safety at work
- No discrimination on the grounds of origin, race, sex, age, language, religious or political beliefs
- Compliance with the prevailing environmental laws and regulations. Depending on the respective goods and/or services, evidence of a valid certification (EMAS and/or ISO 14001) may be required when orders are placed.

HR 5:
Operations having significant risk regarding the freedom of association and collective bargaining and action taken to protect this right

DekaBank's operations pose no risk for the freedom of association or collective bargaining. Compliance with legal requirements is ensured through internal control mechanisms.

HR 6/HR 7:
Operations having significant risk for incidents of child and forced labour and action taken

DekaBank's operations pose no risk relating to child labour and/or forced labour. Compliance with legal requirements is ensured through internal control mechanisms.

FS 13:
Access to financial services in low-populated or economically disadvantaged regions by type

Germany has 438 savings banks with a dense network of around 16,000 branches, some of which are in small communities. These ensure nationwide provision of financial services. As the central asset manager for the *Sparkassen-Finanzgruppe* DekaBank utilises this nationwide sales network. Savings bank customers in all areas of the country are therefore able to cover their investment requirements with Deka Investment funds.

SO 2:
Percentage/number of business units analysed for corruption-related risks

All business units are subject to monitoring by the DekaBank Group's Compliance department. This includes measures to counter money laundering, data protection, compliance with statutory capital market codes of conduct and customer protection in securities business and the prevention of fraud. These activities are flanked by a Group-wide code of ethics as well as an ombudsman. The tasks and responsibilities relating to these issues, including anti-corruption procedures, are specified in writing in the Rules of Procedure.

SO 3:
Percentage of employees trained in anti-corruption procedures

As part of the regular training provided by Compliance, all employees are informed of the preventative measures to combat corruption laid down by DekaBank.

SO 4:
Action taken in response to incidents of corruption

Various preventative measures are in place at DekaBank to combat corruption, including the code of ethics for employees with internal rules of conduct, guidelines on gifts as well as a whistleblower system, where suspicious cases, especially relating to fraud, can be reported through the ombudsman.

FS 15:
Responsibility regarding structure and sale of financial products and services

The financial services sector overall is heavily regulated. Particularly, investment fund business is subject to close supervision and control by government and the supervisory authorities. DekaBank constructively advises on the implementation and further development of these regulations. Comprehensive information, in some cases exceeding the scope required by law, is provided on all of the Group's funds. In addition, in-depth support is provided to the savings banks in relation to their expert advisory services to their customers, both in the form of information material and through training for advisers.

PR 1:
Health and safety impact of products and services

Not relevant for DekaBank as an asset manager.

PR 3:
Type of product and service information required by law

In principle, all transactions, both in lending and in investment fund business, are subject to comprehensive laws and regulations and supervisory requirements. Compliance and adherence with these is ensured through strict processes.

PR 5:
Practices relating to customer satisfaction including results of surveys

Various surveys of sales partners and customers are carried out by external partners annually. The results are discussed in-depth in the Bank and are provided to the Board of Management. The measures based on these findings are aimed at the continual further development of products and services.

PR 6:
Programmes for adherence to laws and voluntary codes in advertising

DekaBank adheres to all legal requirements with regard to its advertising, printed advertisements and sales promotions.

PR 9:
Sanctions for non-compliance with laws and regulations relating to products and services

There were no breaches of laws and regulations with regard to the provision or use of products and services during the reporting period.

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 2009, five 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 planning and strategic direction. In accordance with the minimum requirements for risk management for the lending business of banks, the Board of Management also reported on and discussed the business and risk strategies with the Administrative Board. The internal audit department's activity report was 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.

Financial year 2009 was continued to be dominated by the severe crisis in the international financial markets and banking systems. In Germany and many other countries, further government intervention was necessary to stabilise financial institutions and guarantee the functioning of the financial system.

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. A particular focus was on the development of credit substitute transactions.

In its meetings, the Administrative Board discussed conclusions arising from the financial market crisis with regard to the corporate policy of DekaBank and deliberated on the adjustments to the Bank's business model undertaken by the Board of Management. In one of its five meetings, the Administrative Board focused exclusively on these strategic measures and their impact on planning for the coming financial years.

In addition, the Administrative Board was regularly advised on progress regarding major projects, such as the combination of open-ended property funds at Deka Immobilien Investment GmbH and WestInvest Gesellschaft für Investmentfonds mbH as well as the quality and process campaign launched by the Board of Management. The Administrative Board approved the merger of Deka Fund-Master Investmentgesellschaft mbH with Deka Investment GmbH, which is scheduled for 2010. It was also informed of the impact of new regulatory provisions for supervisory bodies and their members.

Administrative Board Committees

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

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

The Audit Committee met four times in 2009. It conducted a detailed review of the audit of the financial statements and the consolidated financial statements. It also verified the requisite independence of the auditors, appointed the auditors to perform their audit based on the specified focal points and agreed their fees.

The Audit Committee also extensively reviewed the DekaBank Group's accounting and risk management systems and obtained reports on the audit activities of the internal audit department. The Audit Committee looked in detail at the risk situation of DekaBank 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 investment portfolio risks and legal and reputation risks. Further key topics comprised the valuation of capital market credit products and the ongoing development of DekaBank's repo/lending business.

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.

Audit and approval of 2009 financial statements and consolidated financial statements

The DekaBank Shareholders' Meeting appointed PwC PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for the 2009 financial year. PwC audited the 2009 financial statements and management report as well as the consolidated financial statements and notes and Group management report and issued an unqualified audit opinion for these.

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

The Administrative Board approved the 2009 financial statements and submitted a proposal to the Shareholders' Meeting regarding the appropriation of the accumulated profit.

Changes in the Administrative Board

The new term of office of the Administrative Board started in February 2009 and will run until 31 December 2013. The Chairman of the Administrative Board is once again Heinrich Haasis as President of the German Savings Banks and Giro Association ö.K. Dr. Siegfried Jaschinski and Dr. Rolf Gerlach were elected as the First and Second Deputies to the Chairman.

Gregor Böhmer, Heinz Hilgert, Jürgen Hilse, Dr. Siegfried Jaschinski, Dr. Michael Kemmer, Peter Rieck and Hans-Jörg Vetter resigned from the Administrative Board during the course of or at the end of financial year 2009.

On 2 November 2009, Richard Nospers passed away. He was a member of the Administrative Board representing the Federal Organisation of Central Municipal Organisations. We will honour his memory.

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 current term of office of the Administrative Board, Dr. Johannes Evers, Gerhard Grandke, Dietrich Voigtländer and – in a different professional capacity – Hans-Jörg Vetter were appointed as new members in the year under review. In addition, Mr Vetter was elected as the First Deputy to the Chairman on 10 September 2009.

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 2009.

DekaBank has performed well in an extraordinarily difficult environment and closed financial year 2009 with pleasing results. These reflect, in particular, the successful work of the Board of Management and the employees of DekaBank. The Administrative Board would like to thank them for their effort and considerable personal commitment.

Frankfurt/Main, 15 April 2010

Heinrich Haasis
Chairman of the Administrative Board

Consolidated financial statements

Statement of comprehensive income

for the period from 1 January to 31 December 2009

€m	Notes	2009	2008	Change	
Interest and similar income		3,769.1	4,863.6	–1,094.5	–22.5%
Interest expenses		3,316.4	4,473.3	–1,156.9	–25.9%
Net interest income	[31]	452.7	390.3	62.4	16.0%
Provisions for loan losses	[32]	–352.4	–291.9	–60.5	–20.7%
Net interest income after provisions for loan losses		100.3	98.4	1.9	1.9%
Commission income		2,280.2	2,705.9	–425.7	–15.7%
Commission expenses		1,300.2	1,747.4	–447.2	–25.6%
Net commission income	[33]	980.0	958.5	21.5	2.2%
Trading profit or loss	[34]	354.7	505.1	–150.4	–29.8%
Profit or loss on financial instruments designated at fair value	[35]	–43.3	–752.7	709.4	94.2%
Profit or loss from fair value hedges in accordance with IAS 39	[36]	–10.0	–1.3	–8.7	(< –300%)
Profit or loss on financial investments	[37]	–26.3	–45.3	19.0	41.9%
Administrative expenses	[38]	806.0	808.2	–2.2	–0.3%
Other operating profit	[39]	–29.2	–3.7	–25.5	(< –300%)
Net income before tax		520.2	–49.2	569.4	(> 300%)
Income taxes	[40]	149.6	50.5	99.1	196.2%
Interest expenses for atypical silent capital contributions		22.2	16.1	6.1	37.9%
Net income (before minority interests)		348.4	–115.8	464.2	(> 300%)
Minority interests		–37.9	–34.8	–3.1	–8.9%
Net income for the year		386.3	–81.0	467.3	(> 300%)
Profit or loss on available-for-sale financial instruments not recognised in income		1.0	5.5	–4.5	–81.8%
Profit or loss on available-for-sale financial instruments recognised in income		–0.2	–0.4	0.2	50.0%
Profit or loss on available-for-sale financial instruments		0.8	5.1	–4.3	–84.3%
Change in deferred taxes not recognised in income		–0.2	–1.5	1.3	86.7%
Currency translation adjustments		0.7	3.9	–3.2	–82.1%
Other consolidated income		1.3	7.5	–6.2	–82.7%
Net income for the period under IFRS		387.6	–73.5	461.1	(> 300%)

Balance sheet

as at 31 December 2009

€m	Notes	31.12.2009	31.12.2008	Change	
Assets					
Cash reserves	[41]	285.7	1,457.2	–1,171.5	–80.4%
Due from banks	[14], [42]	38,834.7	43,983.7	–5,149.0	–11.7%
(net after provisions for loan losses amounting to)	[15], [44]	(374.5)	(183.9)	190.6	103.6%
Due from customers	[14], [43]	23,863.4	29,759.2	–5,895.8	–19.8%
(net after provisions for loan losses amounting to)	[15], [44]	(256.2)	(124.4)	131.8	105.9%
Financial assets at fair value	[17], [45]	63,214.4	55,820.5	7,393.9	13.2%
(of which deposited as collateral)		(7,118.9)	(5,098.8)	2,020.1	39.6%
Positive market values from fair value hedges in accordance with IAS 39	[18], [46]	206.4	142.9	63.5	44.4%
Financial investments	[19], [47]	6,034.6	6,606.4	–571.8	–8.7%
(net after provisions for loan losses amounting to)		(9.6)	(31.9)	–22.3	–69.9%
(of which deposited as collateral)		(114.2)	(84.8)	29.4	34.7%
Intangible assets	[20], [48]	118.7	146.9	–28.2	–19.2%
Property, plant and equipment	[21], [49]	39.9	43.4	–3.5	–8.1%
Income tax assets	[23], [50]	278.8	319.7	–40.9	–12.8%
Other assets	[22], [51]	406.7	329.4	77.3	23.5%
Total assets		133,283.3	138,609.3	–5,326.0	–3.8%
Liabilities					
Due to banks	[24], [52]	23,225.8	30,320.1	–7,094.3	–23.4%
Due to customers	[24], [53]	23,773.4	33,745.0	–9,971.6	–29.5%
Securitised liabilities	[24], [54]	25,047.2	27,102.0	–2,054.8	–7.6%
Financial liabilities at fair value	[17], [55]	53,784.4	40,141.1	13,643.3	34.0%
Negative market values from fair value hedges in accordance with IAS 39	[18], [56]	495.3	512.3	–17.0	–3.3%
Provisions	[25], [26], [57], [58]	355.3	297.8	57.5	19.3%
Income tax liabilities	[23], [59]	398.1	255.8	142.3	55.6%
Other liabilities	[27], [60]	670.8	964.2	–293.4	–30.4%
Subordinated capital	[28], [61]	1,980.6	1,978.7	1.9	0.1%
Atypical silent capital contributions	[29], [62]	52.4	52.4	0.0	0.0%
Equity	[30], [63]	3,500.0	3,239.9	260.1	8.0%
a) Subscribed capital		286.3	286.3	0.0	0.0%
b) Capital reserves		190.3	190.3	0.0	0.0%
c) Reserves from retained earnings		2,987.5	2,630.6	356.9	13.6%
d) Revaluation reserve		2.5	1.9	0.6	31.6%
e) Currency translation reserve		4.1	3.4	0.7	20.6%
f) Accumulated profit/loss (consolidated profit)		28.6	28.6	0.0	0.0%
g) Minority interests		0.7	98.8	–98.1	–99.3%
Total liabilities		133,283.3	138,609.3	–5,326.0	–3.8%

Statement of changes in equity

for the period from 1 January to 31 December 2009

	Paid-in equity		Group equity generated	
€m	Subscribed capital	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 31.12.2007	286.3	190.3	2,793.0	28.6
Net income for the year				−81.0
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	–	–	–	**−81.0**
Changes in the scope of consolidation and other changes			−6.8	−46.0
Transfer reserves from retained earnings			−155.6	155.6
Distribution				−28.6
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

Other consolidated income		Total before minority interests	Minority interests	Equity
Revaluation reserve	Currency translation reserve			
−1.7	**−0.5**	**3,296.0**	**0.8**	**3,296.8**
		−81.0	−34.8	−115.8
	3.9			
5.5				
−0.4				
−1.5				
3.6	3.9	7.5	–	7.5
3.6	**3.9**	**−73.5**	**−34.8**	**−108.3**
		−52.8	132.8	80.0
		–	–	–
		−28.6	–	−28.6
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**

Cash flow statement

for the period from 1 January to 31 December 2009

	€m	2009	2008
Net income		**348.4**	**–115.8**
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	367.8	241.7
	on intangible assets and property, plant and equipment	41.7	20.2
+/–	Allocation to/reversal of provisions	131.2	235.7
+/–	Profit or loss from fair value hedges in accordance with IAS 39	10.0	1.3
+/–	Other non-cash items	287.4	19.9
+/–	Profit or loss on the disposal of financial investments and property, plant and equipment	0.0	–0.2
+/–	Other adjustments	–1,086.8	–1,201.3
=	**Sub-total**	**99.7**	**–798.5**
Change to assets and liabilities arising from operating activities			
+/–	Due from banks	4,890.1	2,321.3
+/–	Due from customers	5,456.6	–5,208.1
+/–	Financial assets at fair value	–5,453.1	–16,208.7
+/–	Financial investments	969.1	–3,321.8
+/–	Other assets arising from operating activities	–37.7	–356.3
+/–	Due to banks	–6,959.1	4,876.5
+/–	Due to customers	–9,893.7	6,965.7
+/–	Securitised liabilities	–1,977.7	–2,662.4
+/–	Financial liabilities at fair value	11,151.9	16,578.2
+/–	Other liabilities arising from operating activities	–284.5	383.1
+	Interest received	3,705.5	3,895.1
+	Dividends received	42.8	685.7
–	Interest paid	–2,364.1	–3,649.3
–	Income tax payments	–10.9	–63.3
Cash flow from operating activities		**–665.1**	**3,437.2**
+	Proceeds from the disposal of		
	equity investments	0.3	0.2
	property, plant and equipment	0.0	0.2
	intangible assets	1.7	0.0
–	Disbursements for the purchase of		
	financial investments classified as held to maturity	–458.8	–2,713.4
	equity investments	–6.2	–8.6
	shares in investments accounted for using the equity method	–4.0	0.0
	intangible assets	–9.9	–18.7
	property, plant and equipment	–1.9	–14.1
–	Disbursements for the purchase of shares in associated, unconsolidated companies	–0.1	–4.1
+/–	Changes in scope of consolidation	3.0	88.2
Cash flow from investing activities		**–475.9**	**–2,670.3**
–	Payments to company owners and minority interests	–1.3	–7.8
–	Dividends paid	–28.6	–28.6
–	Outflow of funds from subordinated capital	–0.4	–57.0
+/–	Changes in scope of consolidation	–0.3	0.0
Cash flow from financing activities		**–30.6**	**– 93.4**
=	Changes to cash and cash equivalents	–1,171.6	673.5
+/–	Other effects	0.1	–0.2
+	Cash and cash equivalents at the start of the period	1,457.2	783.9
Cash and cash equivalents at the end of the period		**285.7**	**1,457.2**

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.

Notes

Notes

Accounting principles

The consolidated financial statements of DekaBank Deutsche Girozentrale have been prepared in accordance with the International Financial Reporting Standards (IFRS). The standards published and adopted by the European Union at the time the financial statements were prepared and their interpretation by the International Financial Reporting 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.

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 are to be applied for financial years commencing after 1 July 2009 and earlier application is permissible. DekaBank has not applied them in advance. They are not expected to have any material impact on the consolidated financial statements.

Amendments to IFRS 7: Improved disclosure for financial instruments

The disclosure regulations for financial instruments were revised and extended as part of the amendments to IFRS 7 (Financial Instruments: Disclosures) incorporated into Community law by the European Union in November 2009. In future, the total value of financial instruments measured at fair value is to be shown using a three-level fair value hierarchy. Explanations must be provided for any significant movements between the different levels. Furthermore, the disclosure obligations regarding liquidity risk were clarified and extended with regard to financial guarantees and derivative financial liabilities. DekaBank has applied the amended IFRS 7 to the consolidated financial statements.

Amendments to IAS 39

Amendments to IAS 39 (Financial Instruments: Recognition and Measurement) were incorporated into Community law by the European Union in the reporting year. These relate in particular to the accounting for hedges and financial instruments with embedded derivatives. Application of the amendments was mandatory for DekaBank as of 1 January 2010. We do not expect the first-time application of the amendments to have a material impact on the consolidated financial statements of DekaBank.

Publication of IFRS 9

In November 2009, the 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. IFRS 9 has 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 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 Operation 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-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 interest-rate related 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. There are also differences in the reporting for internal derivatives and the accounting for minority interests. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in "reconciliation to Group income before tax" in the "reconciliation" column. A reconciliation to Group income before tax is therefore ensured at all times.

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 co-operation 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.

[2] Segmentation by operating business divisions

	Asset Management Capital Markets		Asset Management Property		Corporates & Markets	
			Economic result			
€m	2009	2008	2009	2008	2009	2008
Net interest income	20.5	5.8	77.5	46.1	307.2	114.1
Net risks	–	–	–82.7	38.4	–178.9	–180.4
Net commission income	714.7	665.3	165.8	158.4	94.4	128.9
Net financial income[2]	–20.2	–27.2	–2.9	1.7	513.3	547.6
Other income	–27.1	–14.3	1.8	–17.3	0.3	–3.7
Total income	**687.9**	**629.6**	**159.5**	**227.3**	**736.3**	**606.5**
Administrative expenses (including depreciation)	348.7	387.9	138.9[3]	121.7	208.3	198.3
Restructuring expenses[4]	8.9	0.2	–2.6	0.5	0.8	–
Total expenses	**357.6**	**388.1**	**136.3**	**122.2**	**209.1**	**198.3**
(Economic) result before tax	**330.3**	**241.5**	**23.2**	**105.1**	**527.2**	**408.2**
Cost/income ratio[5]	0.51	0.62	0.57	0.64	0.23	0.25
Group risk (Value-at-risk)[6]	312	336	210	344	1,571	1,723
Assets under management	130,115	123,515	21,128	18,941	4,654	1,844
Gross loan volume under Section 19 (1) KWG	–	–	7,104	7,848	131,712	133,874

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

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

[3] This includes goodwill amortisation of €25m.

Corporate Centres/Other

Income and expenses that are not attributable to the operating segments are reported under Corporate Centres/Other. These relate essentially to overhead costs for the Corporate Centres as well as the profit or loss on the investment of capital and reserves at risk-free interest.

Non-core business

In financial year 2009, DekaBank further refined its business model as the central asset manager for the *Sparkassen-Finanzgruppe*. This included pooling the credit portfolios and structured capital market credit products of the former Credits and Liquid Credits portfolios that are less suitable for product solutions in Asset Management in a new non-core business segment. Portfolios are allocated to the non-core business segment primarily on the basis of strategic considerations. 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 now monitored and managed separately. In the previous year, these portfolios were still allocated to the Corporates & Markets segment. To improve comparability, the figures for this period have been adjusted accordingly.

Corporate Center/ Other[1]		Total core business		Non-core business		Group		Reconciliation		Group	
Economic result				Economic result		Economic result				Net income before tax	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
2.0	155.0	407.2	321.0	65.8	69.5	473.0	390.5	−20.3	−0.2	452.7	390.3
–	–	−261.6	−142.0	−90.8	−149.9	−352.4	−291.9	–	–	−352.4	−291.9
1.8	2.1	976.7	954.7	4.1	3.8	980.8	958.5	−0.8	–	980.0	958.5
−0.8	−0.5	489.4	521.6	−87.9	−645.2	401.5	−123.6	−126.4	−118.0	275.1	−241.6
22.0	−21.0	−3.0	−56.3	–	3.2	−3.0	−53.1	5.9	−2.5	2.9	−55.6
25.0	**135.6**	**1,608.7**	**1,599.0**	**−108.8**	**−718.6**	**1,499.9**	**880.4**	**−141.6**	**−120.7**	**1,358.3**	**759.7**
92.1	79.6	788.0	787.5	18.0	20.7	806.0	808.2	–	–	806.0	808.2
24.6	–	31.7	0.7	0.4	–	32.1	0.7	–	–	32.1	0.7
116.7	**79.6**	**819.7**	**788.2**	**18.4**	**20.7**	**838.1**	**808.9**	**–**	**–**	**838.1**	**808.9**
−91.7	**56.0**	**789.0**	**810.8**	**−127.2**	**−739.3**	**661.8**	**71.5**	**−141.6**	**−120.7**	**520.2**	**−49.2**
–	–	0.42	0.45	−1.00	−0.04	0.44	0.69				
–	–	2,093	2,403	824	889	2,917	3,292				
–	–	155,897	144,300	–	–	155,897	144,300				
79[7]	107[7]	138,895	141,828	8,135	9,581	147,030	151,410				

[4] Restructuring expenses are reported in the consolidated financial statements under other operating profit.

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

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

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

In principle, income and expenses are allocated to the relevant segment on the basis of a defined allocation key. In the reporting year, there was a change in the allocation of income between the segments Corporate Centres and Asset Management Capital Markets. 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.

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/management and asset 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. DekaBank's own portfolio (31 December 2009: €2,764.6m, previous year: €890.0m) comprises mainly 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 €141.6m (previous year: €120.7m) in the financial year. Of this, €36.5m relates to the reporting difference for minority interests arising from consolidation of ETFlab DAX: unlike the statement of comprehensive income, the management reporting does not take into account the Group income before tax attributable to minority interests.

It also includes a valuation result of €105.7m from interest rate-related capital market effects. Thereof, €87.5m (previous year: €55.6m) is attributable to original lending and underwriting business; €18.2m relates 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 other reconciliation amounts shown in the reconciliation column refer to reporting differences between management reporting and the consolidated financial statements. Of these, €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 is no income effect from internal derivatives in internal management reporting. Moreover, income effects from repurchased debt instruments are reported under net financial income in the management reporting but under other operating profit in the consolidated financial statements.

[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	2009	2008	2009	2008	2009	2008	2009	2008
Income	917.5	365.9	433.2	375.1	7.6	18.7	1,358.3	759.7
Net income before tax	259.8	–233.2	258.7	175.1	1.7	8.9	520.2	–49.2
Long-term segment assets[1)]	154.1	184.1	3.3	4.9	1.1	1.3	158.5	190.3

[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. 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: 10) German and 8 (previous year: 7) foreign subsidiaries, in which DekaBank directly or indirectly holds more than 50% of the voting rights. In addition, the scope of consolidation includes 11 special funds (previous year: 12) as well as one mutual fund (previous year: 2).

Deka Real Estate Lending k.k. with registered office in Tokyo, which was newly established in the previous year, was included in the scope of consolidation, along with Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main, and the special fund A-DGZ 3-FONDS, Frankfurt/Main. The special funds A-DGZ 8-FONDS, Luxembourg, and A-DGZ 9-FONDS, Luxembourg, were liquidated in the reporting year and the mutual fund ETFlab DAX, Munich, was no longer included in the scope of consolidation due to the reduced shareholding. 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.

The mutual fund holdings in the DekaBank Group's own portfolio are not consolidated or valued at equity due to their minor importance. Significance for the presentation of the assets, financial position and earnings of the Group is assessed using simulation calculations. The units in the 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 in the sub-category designated at fair value.

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

The subsidiaries, joint ventures, associated companies and 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. 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.

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

Joint ventures and associated companies are included in the consolidated financial statements using the equity method, unless they are of minor importance for the presentation of the assets, financial position and earnings of the Group. Where a company valued at equity uses different accounting policies, appropriate adjustments are made 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 in the sub-category designated at fair value.

The consolidation principles are unchanged on the previous year.

[7] Financial instruments

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

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

[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.

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 under certain conditions be treated as a hedge.

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

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

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

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 fair value hedges pursuant to IAS 39.

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

[10] Structured products

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

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

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 the valuation standard for their respective category; non-monetary items valued at amortised cost are converted at the rate for the acquisition valuation (historical rate). Non-monetary items carried at fair value are converted at the current reporting date rate like monetary items. 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 current reporting date rate on the day on which they are recognised in the income statement.

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

[12] Genuine repurchase agreements and securities lending transactions

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

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

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

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

If transactions have been undertaken for trading purposes, interest income and expenses from repurchase agreements and income and expenses from securities lending transactions are shown under trading profit or loss. If the fair value option is applied, the transactions are reported under profit or loss from financial instruments designated at fair value.

[13] Lease accounting

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

The DekaBank Group as lessee

The lease agreements concluded by the DekaBank Group as lessee essentially comprise operating leases. The leased vehicles and computer equipment are accordingly not reported in the balance sheet. The lease 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.

The DekaBank Group as lessor

As at the reporting date, there were 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 (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. Consequently, the DekaBank Group does not form any global valuation allowances.

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

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

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

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

Securitised loans and receivables are regularly subject to an impairment test. 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 of 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.

[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 sub-category 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 sub-category. Effects from fair value changes are recorded in income from financial instruments in the designated at fair value category. Interest and dividend income are reported in net interest income along with refinancing expenses and income from reinvestments.

[18] Positive und negative market values from fair value hedges pursuant to IAS 39

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

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

[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, unless this cannot be reliably determined. 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.

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.

Long-term impairments due to creditworthiness are generally recorded with an effect on income under profit or loss on financial investments. Write-ups on debt instruments are also reported with an effect on income under profit or loss on financial investments. In contrast, increases in value in equity instruments that are available for sale are recognised in the revaluation reserve with no impact on income.

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 book 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 amount of the original book value. 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 outside services. Interest on debt capital is not capitalised.

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

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

Scheduled amortisation and impairment losses on intangible assets are recorded under administrative expenses in the 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 as well as property acquired for the purposes of generating income, i.e. investment properties. With the exception of investment properties, property, plant and equipment are stated at amortised cost. Deferred expenditure for property, plant and equipment is capitalised if an increase in the future potential benefit can be assumed. All other deferred expenditure is recorded as an expense. Property, plant and equipment not carried in the balance sheet as investment property are depreciated on a straight line basis over the following periods in accordance with their estimated useful 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 para. 2a Income Tax Act (EStG) have been written down over a period of five years 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.

Properties leased to third parties or acquired to generate income are classified as investment properties if they are held with the intention of achieving rental income and/or appreciation in value. Substantial parts used by non-Group companies in mixed-use properties are also stated separately as investment properties provided that the criterion is met that they can be let or sold separately. Investment properties are valued at fair value and the valuation results are reported as administrative expenses. The DekaBank Group does not currently hold any investment properties.

[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 ontribution 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 for which no notice to terminate has been given and 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.

Minority interests are shown as a separate 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	2009	2008	Change
Interest income from			
Lending and money market transactions	2,112.4	3,369.2	–1,256.8
Interest rate derivatives (economic hedges)	846.6	482.8	363.8
Fixed-interest securities and debt register claims	725.8	947.0	–221.2
Hedging derivatives (hedge accounting)	61.1	29.6	31.5
Current income from			
Shares and other non fixed-interest securities	21.1	31.5	–10.4
Equity investments	2.1	2.5	–0.4
Result from leasing business	–	1.0	–1.0
Total interest income	**3,769.1**	**4,863.6**	**–1,094.5**
Interest expenses for			
Liabilities	1,574.9	2,502.7	–927.8
Interest rate derivatives (economic hedges)	781.2	434.4	346.8
Hedging derivatives (hedge accounting)	155.4	56.1	99.3
Securitised liabilities	688.7	1,357.9	–669.2
Subordinated capital	52.1	58.1	–6.0
Typical silent capital contributions	64.1	64.1	–
Total interest expenses	**3,316.4**	**4,473.3**	**–1,156.9**
Net interest income	**452.7**	**390.3**	**62.4**

The profit from the disposal of receivables amounting to €17.1m (previous year: €1.2m) is reported under interest income from lending and money market transactions.

In the reporting year, interest amounting to €9.4m (previous year: €3.2m) 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 €949.6m (previous year: €600.0m).

Overall, interest income of €2,224.3m (previous year: €3,571.6m) and interest expenses of €1,941.6m (previous year: €3,675.2m) 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	2009	2008	Change
Allocations to provisions for loan losses	–363.9	–324.2	–39.7
Direct write-downs on receivables	–	–6.5	6.5
Reversals of provisions for loan losses	11.2	37.5	–26.3
Income on written-down receivables	0.3	1.3	–1.0
Provisions for loan losses	**–352.4**	**–291.9**	**–60.5**

[33] Net commission income

€m	2009	2008	Change
Commission income from			
Investment fund business	2,075.7	2,444.3	–368.6
Securities business	134.8	157.2	–22.4
Lending business	32.7	52.2	–19.5
Other	37.0	52.2	–15.2
Total commission income	**2,280.2**	**2,705.9**	**–425.7**
Commission expenses for			
Investment fund business	1,279.1	1,725.6	– 446.5
Securities business	10.4	14.9	– 4.5
Lending business	7.6	4.7	2.9
Other	3.1	2.2	0.9
Total commission expenses	**1,300.2**	**1,747.4**	**–447.2**
Net commission income	**980.0**	**958.5**	**21.5**

Commission expenses in the amount of €68.6 thousand (previous year: €118.1 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.

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 sustained commission relating to existing business.

[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	2009	2008	Change
Sale result	–228.7	–1,373.9	1,145.2
Valuation result	–27.8	1,039.3	–1,067.1
Net interest income and current income from trading transactions	626.6	846.5	–219.9
Commission on trading transactions	–15.4	–6.8	–8.6
Trading profit or loss	**354.7**	**505.1**	**–150.4**

Net interest income from trading includes refinancing expenses of €322.8m (previous year: €577.7m). The valuation result of €103.3m (previous year: €-466.7m) 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 sub-category 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	2009	2008	Change
Sale result	–27.4	–147.6	120.2
Valuation result	–57.1	–691.2	634.1
Foreign exchange profit or loss	41.4	16.5	24.9
Commission	–0.2	69.6	–69.8
Total	**–43.3**	**–752.7**	**709.4**

The valuation result includes net expenses for the following line items of €83.6m (previous year: income €70.3m) from creditworthiness-related changes in value:

€m	2009	2008	Change
Loans and receivables in the designated at fair value category	0.7	–0.7	1.4
Liabilities in the designated at fair value category	–84.3	71.0	–155.3
Total	**–83.6**	**70.3**	**–153.9**

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

The profit or loss on financial instruments in the designated at fair value category includes negative valuation results of €422.9m (previous year: €451.9m), 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	2009	2008	Change
Valuation result from hedged underlying transactions	−89.3	158.6	−247.9
Valuation result from hedging derivatives	79.3	−159.9	239.2
Total	**−10.0**	**−1.3**	**−8.7**

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	2009	2008	Change
Net income from the sale of			
Securities in the category			
Loans and receivables	−2.7	−1.4	−1.3
Available for sale	0.3	2.1	−1.8
Equity interests	–	0.2	−0.2
Net income from the sale of financial investments	**−2.4**	**0.9**	**−3.3**
Depreciation as a result of impairment of investments accounted for using the equity method	−24.8	−14.6	−10.2
Net income from investments valued using the equity method	1.8	0.3	1.5
Allocation to provisions for loan losses	−5.7	−31.9	26.2
Reversal of provisions for loan losses	4.8	–	4.8
Net income from financial investments	**−26.3**	**−45.3**	**19.0**

Based on the current earnings forecast, DekaBank’s equity interest in the S PensionsManagement Group produces a prorated negative result of €0.3m (previous year: €1.0m). The difference between the projected and actual result for 2008 of €1.0m was recorded as an expense. The prorated interim result from a downstream transaction of €2.4m was realised and recognised as income. As part of an indicative measurement of the equity interest as at 31 December 2009, a prorated value in use of €20.0m was ascertained and amortised accordingly.

In the reporting year, the equity investment in Dealis Fund Operations GmbH was included in the consolidated financial statements for the first time, using the equity method. In accordance with the preliminary financial statements of the company, a prorated positive result of €0.6m was included in the result from companies valued using the equity method.

[38] Administrative expenses

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

€m	2009	2008	Change
Personnel expenses			
Wages and salaries	316.0	286.1	29.9
Social security contributions	34.3	33.1	1.2
Allocation to/reversal of provisions for pensions and similar commitments	12.2	30.0	–17.8
Expenses for defined contribution plans	2.1	2.3	–0.2
Other expenses for retirement pensions and benefits	2.9	0.6	2.3
Total personnel expenses	**367.5**	**352.1**	**15.4**
Other administrative expenses			
Marketing and sales expenses	37.5	52.6	–15.1
Computer equipment and machinery	59.5	62.0	–2.5
Consultancy expenses	119.9	148.3	–28.4
Costs of premises	58.0	62.6	–4.6
Postage/telephone/office supplies as well as IT information services	35.5	41.5	–6.0
Other administrative expenses	86.4	68.9	17.5
Total other administrative expenses	**396.8**	**435.9**	**–39.1**
Depreciation of property, plant and equipment	5.4	5.9	–0.5
Depreciation of intangible assets	9.6	12.0	–2.4
Impairment of intangible assets	26.7	2.3	24.4
Administrative expenses	**806.0**	**808.2**	**–2.2**

Other administrative expenses include in particular expenses for services relating to outsourced fund administration, travel costs and 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	2009	2008	Change
Up to 1 year	4.0	1.7	2.3
Between 1 and 5 years	4.0	6.9	–2.9

[39] Other operating income

The breakdown in other operating income is as follows:

€m	2009	2008	Change
Income from repurchased debt instruments	–3.4	–1.2	–2.2
Other operating income			
Rental income	2.7	1.6	1.1
Reversal of other provisions	17.8	1.8	16.0
Other income	57.9	38.4	19.5
Total other operating income	**78.4**	**41.8**	**36.6**
Other operating expenses			
Other taxes	15.8	0.8	15.0
VAT from provision of intra-Group services	15.5	13.7	1.8
Restructuring expenses	39.0	0.7	38.3
Other expenses	33.9	29.1	4.8
Total other operating expenses	**104.2**	**44.3**	**59.9**
Other operating income	**–29.2**	**–3.7**	**–25.5**

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 €482.9 thousand (previous year: €464.8 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	2009	2008	Change
Current tax expense	105.6	63.7	41.9
Deferred taxes	44.0	–13.2	57.2
Income taxes	**149.6**	**50.5**	**99.1**

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 new 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 28.59% (previous year: 28.59%) for the DekaBank Luxembourg fiscal group.

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

€m	2009	2008	Change
IFRS – net income before tax	520.2	–49.2	569.4
x Income tax rate	26.21%	26.21%	
= Anticipated income tax expense in financial year	**136.3**	**–12.9**	**149.2**
Increase from taxes on non-deductible expenses	16.5	65.4	–48.9
Decrease from taxes on tax-exempt income	6.7	20.2	–13.5
Effects of differing effective tax rates	10.0	9.0	1.0
Effects of changes in tax rates	–	–0.5	0.5
Tax effects from past periods	–9.9	4.7	–14.6
Tax on joint ventures/partnerships	–0.4	–0.3	–0.1
Tax effect of special funds	–3.9	1.0	–4.9
Withholding tax	3.7	0.5	3.2
Tax effect of equity valuation	6.7	2.6	4.1
Other	–2.7	1.2	–3.9
Tax expenses according to IFRS	**149.6**	**50.5**	**99.1**

The non-deductible expenses include the effect of goodwill amortisation of €7.0m relating to WestInvest Gesellschaft für Investmentfonds mbH as well as DKC Deka Kommunal Consult GmbH. The previous year's figure mainly comprised losses (losses on disposal/write-downs) relating to equities and equity funds (mutual funds) allocated to the investment book as well as to the corresponding losses in connection with the Group's special funds.

The tax-exempt income is mainly attributable to the Luxembourg companies of the DekaBank Group. The previous year's figure was particularly influenced by goodwill amortisation in Luxembourg solely for tax purposes.

The tax impact of the at-equity valuation essentially relates to 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	31.12.2009	31.12.2008	Change
Cash on hand	4.3	3.8	0.5
Balances with central banks	280.4	1,453.3	–1,172.9
Balances with post office banks	1.0	0.1	0.9
Total	**285.7**	**1,457.2**	**–1,171.5**

The balances with central banks include balances in the Deutsche Bundesbank of €247.7m (previous year: €1,390.0m). The required minimum reserve was constantly maintained in the reporting year and amounted to €226.4m (previous year: €359.2m) at the year-end.

[42] Due from banks

€m	31.12.2009	31.12.2008	Change
Domestic banks	31,485.6	34,204.0	–2,718.4
Foreign banks	7,723.6	9,963.6	–2,240.0
Due from banks before risk provision	**39,209.2**	**44,167.6**	**–4,958.4**
Provision for loan losses	–374.5	–183.9	–190.6
Total	**38,834.7**	**43,983.7**	**–5,149.0**

DekaBank paid €4.6bn (previous year: €12.5bn) for genuine repurchase agreements as pledgee.

[43] Due from customers

€m	31.12.2009	31.12.2008	Change
Domestic borrowers	9,676.7	12,576.2	–2,899.5
Foreign borrowers	14,442.9	17,307.4	–2,864.5
Due from customers before risk provision	**24,119.6**	**29,883.6**	**–5,764.0**
Provisions for loan losses	–256.2	–124.4	–131.8
Total	**23,863.4**	**29,759.2**	**–5,895.8**

Amounts due from customers with an unlimited term stand at €0.3bn (previous year: €2.3bn). DekaBank paid €0.9bn (previous year: €4.0bn) for genuine repurchase agreements as pledgee.

[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	31.12.2009	31.12.2008	Change
Provisions for loan losses – due from banks			
Specific valuation allowances	373.0	181.4	191.6
Portfolio valuation allowances for creditworthiness risks	1.5	2.5	–1.0
Provisions for loan losses – due from customers			
Specific valuation allowances	173.3	66.9	106.4
Portfolio valuation allowances for country risks	20.7	24.2	–3.5
Portfolio valuation allowances for creditworthiness risks	62.2	33.3	28.9
Total	**630.7**	**308.3**	**322.4**

As at the reporting date, the total amount of non-performing loans stood at €949.6m (previous year: €600.0m). Provisions for loan losses amounting to €519.7m (previous year: €250.2m) 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 €130.7m as at the reporting date.

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

€m	Opening balance 01.01.	Allocations	Utilisation	Reversals	Reclassi-fication	Currency effects	Closing balance 31.12.
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:

%	2009	2008
Allocation ratio as at reporting date (Quotient from net allocation and lending volume)	−0.67	−0.47
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.10	0.16
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.11	0.11
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	1.25	0.53

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

€m	31.12.2009	31.12.2008
Due from banks[1]	26,239.3	30,741.7
Due from customers[1]	22,754.4	24,860.3
Contingent liabilities	648.3	855.8
Irrevocable lending commitments	2,715.2	5,128.6
Total	**52,357.2**	**61,586.4**

[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	**31.12.2009**	**31.12.2008**	**2009**	**2009**
Customers				
Property risks	108.0	34.8	8.0	–83.0
Utility & project finance	114.2	51.1	32.1	–95.1
Transport & trade finance	57.1	53.2	11.3	–16.4
Equity investments	3.0	3.0	–	–
Public infrastructure	2.5	2.3	–	–0.1
Other	0.2	0.3	–	0.1
Total customers	285.0	144.7	51.4	–194.5
Banks	374.5	183.9	–	–158.1
Total	659.5	328.6	51.4	–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	31.12.2009	31.12.2008	Change
Held for Trading			
Promissory note loans	21.6	386.7	–365.1
Money market securities	1,904.6	1,288.1	616.5
Bonds and debt securities	19,912.4	15,754.4	4,158.0
Shares	810.1	3,745.2	–2,935.1
Investment fund units	2,823.1	561.3	2,261.8
Other non fixed-interest securities	18.1	16.5	1.6
Positive market values from derivative financial instruments (trading)	18,448.3	13,226.7	5,221.6
Other trading assets	–	12.4	–12.4
Total – held for trading	**43,938.2**	**34,991.3**	**8,946.9**
Designated at fair value			
Receivables	2,538.7	2,031.2	507.5
Promissory note loans	83.0	157.6	–74.6
Money market securities	–	100.1	–100.1
Bonds and debt securities	13,358.4	15,229.3	–1,870.9
Shares	7.3	18.5	–11.2
Investment fund units	516.0	624.5	–108.5
Participating certificates	11.8	12.2	–0.4
Other non fixed-interest securities	–	2.6	–2.6
Positive market values from derivative financial instruments (economic hedges)	2,761.0	2,653.2	107.8
Total – designated at fair value	**19,276.2**	**20,829.2**	**–1,533.0**
Total	**63,214.4**	**55,820.5**	**7,393.9**

The increase in the portfolio in the held for trading category results from the expansion of DekaBank’s trading activities in the reporting period.

Loans and receivables in the designated at fair value category include cumulative creditworthiness-related value adjustments of €0.1m (previous year: €–0.9m).

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	31.12.2009	31.12.2008	Change
Bonds and other fixed-interest securities	32,302.6	29,924.6	2,378.0
Shares and other non fixed-interest securities	3,552.7	4,267.2	–714.5

[46] Positive market values from fair value hedges under IAS 39

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	31.12.2009	31.12.2008	Change
Assets			
Due from banks			
Loans and receivables category	3.1	3.4	–0.3
Due from customers			
Loans and receivables category	15.6	13.7	1.9
Liabilities			
Due to banks	10.8	4.2	6.6
Due to customers	80.0	62.8	17.2
Securitised liabilities	74.0	42.9	31.1
Subordinated capital	22.9	15.9	7.0
Total	**206.4**	**142.9**	**63.5**

The hedging instruments referred chiefly to interest rate swaps.

[47] Financial investments

€m	31.12.2009	31.12.2008	Change
Loans and receivables			
Bonds and other fixed-interest securities	2,629.0	3,513.8	–884.8
Held to maturity			
Bonds and other fixed-interest securities	3,256.5	2,756.0	500.5
Available for sale			
Bonds and other fixed-interest securities	94.7	288.1	–193.4
Shares and other non fixed-interest securities	0.2	0.6	–0.4
Equity investments	31.5	30.6	0.9
Shares in affiliated, non-consolidated companies	2.3	5.3	–3.0
Shares in associated companies, not valued at equity	0.3	0.3	–
Shares in companies valued at equity	29.7	43.6	–13.9
Financial investments before risk provision	**6,044.2**	**6,638.3**	**–594.1**
Risk provision	–9.6	–31.9	22.3
Total	**6,034.6**	**6,606.4**	**–571.8**

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	31.12.2009	31.12.2008	Change
Bonds and other fixed-interest securities	5,497.9	5,458.2	39.7
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	Historical cost	Additions	Disposals	Reclassi-fications	Change in scope of consoli-dation	Depreciation Cumulative	Depreciation 2009	Book value 2009	Book value 2008
Equity investments	30.6	6.2	0.3	–5.0	–	–	–	31.5	30.6
Shares in affiliated companies	5.3	0.1	–	–0.1	–3.0	–	–	2.3	5.3
Shares in associated companies	0.3	–	–	–	–	–	–	0.3	0.3
Shares in companies valued at equity	120.1	3.9	–	5.1	–	99.4	23.0	29.7	43.6
Total	**156.3**	**10.2**	**0.3**	**–**	**–3.0**	**99.4**	**23.0**	**63.8**	**79.8**

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 €20.0m.

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 2009. The €23.0bn bond issued for this is guaranteed in full by the Financial Market Stabilisation Fund (SoFFin). The previous collateral structure therefore no longer applies. DekaBank participated in this follow-on financing to the amount of €919.2m.

[48] Intangible assets

€m	31.12.2009	31.12.2008	Change
Purchased goodwill	93.7	120.4	–26.7
Software			
Purchased	9.1	11.3	–2.2
Developed in-house	15.9	15.2	0.7
Total software	25.0	26.5	–1.5
Total	118.7	146.9	–28.2

The goodwill arising from the acquisition of DKC Deka Kommunal Consult GmbH (DKC) amounting to €1.8m was allocated to the company as a cash-generating unit. Based on the planning to 2012, there is a full impairment in value of goodwill and the write-down is reported in administrative expenses.

The goodwill shown as at 31 December 2009 arose from the acquisition of a total holding of 99.74% in WestInvest Gesellschaft für Investmentfonds mbH. The goodwill is allocated to the Asset Management Property division as a cash-generating unit. An impairment test was performed as at 30 June 2009. 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 empirical values; in addition, an annuity and a long-term growth rate of 1.0% were taken into account. This was discounted at a capitalisation rate of 10.05%. The book value of the goodwill was written down by the ascertained impairment of around €25.0m to €93.7m. The impairment test carried out on a routine basis as at 31 December 2009 was calculated using a capitalisation rate of 10.25% and did not ascertain any further impairment.

The following table shows the movement in intangible assets:

€m	Historical cost	Additions	Disposals	Depreciation Cumulative	Depreciation 2009	Book value 2009	Book value 2008
Purchased goodwill	**145.4**	**–**	**–**	**51.7**	**26.7**	**93.7**	**120.4**
Software							
Purchased	76.9	4.2	2.5	69.5	4.7	9.1	11.3
Developed in-house	54.5	5.7	–	44.3	4.9	15.9	15.2
Total software	**131.4**	**9.9**	**2.5**	**113.8**	**9.6**	**25.0**	**26.5**
Total	**276.8**	**9.9**	**2.5**	**165.5**	**36.3**	**118.7**	**146.9**

[49] Property, plant and equipment

€m	31.12.2009	31.12.2008	Change
Land and buildings	15.1	15.5	–0.4
Plant and equipment	20.3	21.9	–1.6
Technical equipment and machines	4.5	6.0	–1.5
Total	**39.9**	**43.4**	**–3.5**

The movement in property, plant and equipment in the DekaBank Group in financial year 2009 was as follows:

€m	Historical cost	Additions	Disposals	Depreciation Cumulative	Depreciation 2009	Book value 2009	Book value 2008
Land and buildings	28.0	–	–	12.9	0.4	15.1	15.5
Plant and equipment	49.5	0.4	0.1	29.5	2.1	20.3	21.9
Technical equipment and machines	62.9	1.4	1.9	57.9	2.9	4.5	6.0
Total	**140.4**	**1.8**	**2.0**	**100.3**	**5.4**	**39.9**	**43.4**

[50] Income tax assets

€m	31.12.2009	31.12.2008	Change
Current income tax assets	5.6	137.3	–131.7
Deferred income tax assets	273.2	182.4	90.8
Total	**278.8**	**319.7**	**–40.9**

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.

Of the deferred tax assets recognised for loss carryforwards, €24.1m is attributable to the corporation tax loss carryforward and €4.8m to the trade tax loss carryforward. Deferred tax assets of €1.7m were recognised for loss carryforwards of foreign operations and companies.

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

€m	31.12.2009	31.12.2008	Change
Assets			
Due from customers	0.1	0.3	–0.2
Financial assets at fair value	15.2	125.4	–110.2
Financial investments	3.0	3.8	–0.8
Other assets	0.2	0.2	–
Liabilities			
Due to banks	1.0	0.2	0.8
Due to customers	13.0	3.1	9.9
Securitised liabilities	217.3	196.1	21.2
Financial liabilities at fair value	1,469.2	1,059.6	409.6
Negative market values from derivative hedging instruments	1.3	52.8	–51.5
Provisions	47.6	17.8	29.8
Other liabilities	13.3	5.5	7.8
Loss carryforwards	**30.6**	**32.4**	**–1.8**
Sub-total	**1,811.8**	**1,497.2**	**314.6**
Netting	–1,538.6	–1,314.8	–223.8
Total	**273.2**	**182.4**	**90.8**

The deferred tax assets include €41.9m (previous year: €13.3m) which are medium or long-term in nature. At the reporting date, no deferred tax had been recognised at a Group company for a loss carryforward (€0.2m). 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, which are offset directly against equity as a result of the revaluation of receivables and financial investments in the available for sale category, amounted to €0.1m (previous year: €0.1m) as at the reporting date.

[51] Other assets

€m	31.12.2009	31.12.2008	Change
Amounts due from non-banking business	6.7	15.9	–9.2
Amounts due or refunds from other taxes	80.4	14.9	65.5
Amounts due from investment funds	196.6	182.3	14.3
Other assets	94.5	95.1	–0.6
Prepaid expenses	28.5	21.2	7.3
Total	**406.7**	**329.4**	**77.3**

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 €41.0m (previous year: €62.9m) as well as amounts due from custodial account holders of €3.4m (previous year: €11.8m).

[52] Due to banks

€m	31.12.2009	31.12.2008	Change
Domestic banks	16,198.8	27,414.2	–11,215.4
Foreign banks	7,027.0	2,905.9	4,121.1
Total	**23,225.8**	**30,320.1**	**–7,094.3**

Amounts due to banks include payments received from genuine repurchase agreements amounting to €6.1bn (previous year: €6.0bn).

[53] Due to customers

€m	31.12.2009	31.12.2008	Change
Domestic customers	18,153.5	23,156.9	–5,003.4
Foreign customers	5,619.9	10,588.1	–4,968.2
Total	**23,773.4**	**33,745.0**	**–9,971.6**

This item also included payments received from genuine repurchase agreements amounting to €20.7m (previous year: €1.6bn).

[54] Securitised liabilities

The securitised liabilities include bonds and other liabilities, for which transferable certificates are issued. Under IAS 39, the own bonds held in the Group in the nominal amount of €1.0bn (previous year: €1.2bn) were deducted from the issued bonds.

€m	31.12.2009	31.12.2008	Change
Bonds issued	23,913.8	26,676.1	–2,762.3
Money market securities issued	1,133.4	425.9	707.5
Total	**25,047.2**	**27,102.0**	**–2,054.8**

[55] Financial liabilities at fair value

In addition to trading issues and liabilities in the designated at fair value category, financial liabilities at fair value include negative market values from derivative financial instruments in the trading book as well as economic hedges which do not meet the criteria for hedge accounting in accordance with IAS 39. Delivery commitments arising from short sales of securities are also reported in this item.

€m	31.12.2009	31.12.2008	Change
Held for trading			
Trading issues	1,615.6	1,267.0	348.6
Delivery commitments arising from short sales of securities	7,466.6	6,019.0	1,447.6
Negative market values from derivative financial instruments (trading)	28,036.0	21,067.3	6,968.7
Other financial liabilities at fair value (trading)	–	3.8	–3.8
Total – held for trading	37,118.2	28,357.1	8,761.1
Designated at fair value			
Issues	13,846.2	9,027.8	4,818.4
Negative market values from derivative financial instruments (economic hedges)	2,820.0	2,756.2	63.8
Total – designated at fair value	16,666.2	11,784.0	4,882.2
Total	53,784.4	40,141.1	13,643.3

The portfolio increase in the held for trading category results from the expansion of DekaBank's trading activities during the reporting period.

The issues in the designated at fair value category include cumulative creditworthiness-related changes in value amounting to €–9.3m (previous year: €69.0m).

The book value of liabilities allocated to the designated at fair value category is €68.6m below the repayment amount. In the previous year, the book value was €130.3m below the repayment amount.

[56] Negative market values from fair value hedges under IAS 39

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	31.12.2009	31.12.2008	Change
Assets			
Due from banks			
Loans and receivables category	222.1	174.1	48.0
Due from customers			
Loans and receivables category	189.1	182.4	6.7
Financial investments			
Loans and receivables category	82.9	152.7	–69.8
Liabilities			
Due to banks	–	1.1	–1.1
Due to customers	0.1	2.0	–1.9
Securitised liabilities	1.1	–	1.1
Total	**495.3**	**512.3**	**–17.0**

The hedging instruments referred chiefly to interest rate swaps.

[57] Provisions for pensions and similar commitments

The following table shows the movement in provisions:

€m	Opening balance 01.01.	Additions	Utilisation	Reclassi-fications	Change in plan assets	Closing balance 31.12.
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 breaks down as follows:

€m	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Unfunded defined benefit obligations	15.1	19.1	240.2	255.1	239.5
Fully or partially funded defined benefit obligations	264.8	233.9	33.5	27.5	17.9
Fair value of plan assets as at reporting date	–292.8	–264.2	–32.3	–26.5	–15.2
Total commitment	**–12.9**	**–11.2**	**241.4**	**256.1**	**242.2**
Actuarial net gains and losses not reported in the balance sheet	28.1	35.1	6.1	–27.4	–19.6
Of which experience-based adjustments to the value of the pension commitments as at the reporting date	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	9.2	–15.1	–3.5	0.6	
Pension provisions recognised	**15.2**	**23.9**	**247.5**	**228.7**	**222.6**

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

€m	31.12.2009	31.12.2008	Change
Current service cost	11.1	13.7	–2.6
Interest expenses	13.6	13.0	0.6
Change – additional liability	2.2	2.2	–
Actuarial gains and losses	–0.8	–	–0.8
Expected return on the plan assets	–14.1	–2.2	–11.9
Impact of settlements	–1.1	–	–1.1
Allocation to provisions for pensions	**10.9**	**26.7**	**–15.8**
Allocation to similar commitments	0.4	2.4	–2.0
Allocation to working hours accounts	0.9	0.9	–
Total	**12.2**	**30.0**	**–17.8**

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

%	31.12.2009	31.12.2008	Change
Discount rate to calculate present value	5.40	6.00	–0.60
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	2009	2008	Change
Defined benefit obligations as at 1 January	**253.0**	**273.8**	**–20.8**
Current service cost	11.1	13.7	–2.6
Interest expenses	13.6	13.0	0.6
Allocation to similar commitments	0.4	2.3	–1.9
Allocation to working hours accounts	0.9	0.9	–
Change in additional liability from fund-based commitments	2.2	2.2	–
Change in commitments	14.6	–41.3	55.9
Impact of settlements	–3.0	–	–3.0
Utilisation	–12.9	–11.7	–1.2
Defined benefit obligations as at 31 December	**279.9**	**253.0**	**26.9**

As at the reporting date, the plan assets were composed as follows:

€m	31.12.2009	Expected yield 2009	31.12.2008	Expected yield 2008
Mutual funds	42.6	6.65%	27.4	7.75%
Special funds	248.0	4.80%	234.4	5.25%
Other assets	2.2	–8.80%	2.4	–6.20%
Total	**292.8**		**264.2**	

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	2009	2008	Change
Fair value of plan assets as at 1 January	**264.2**	**32.3**	**231.9**
Allocation to plan assets			
Through employer contributions	4.3	238.2	–233.9
Through employee contributions	5.0	6.6	–1.6
Return on plan assets			
Expected return on plan assets	14.1	2.2	11.9
Actuarial gains and losses	9.2	–15.1	24.3
Withdrawal for benefits	–1.0	–	–1.0
Withdrawal for settlement of obligations	–3.0	–	–3.0
Fair value of plan assets as at 31 December	**292.8**	**264.2**	**32.6**

Defined benefit obligations and the corresponding plan assets of €3.0m in each case were transferred in conjunction with the migration of employees to Dealis Fund Operations GmbH.

[58] Other provisions

€m	31.12.2009	31.12.2008	Change
Provisions for income taxes	89.5	86.6	2.9
Provisions for credit risks	28.9	20.3	8.6
Provisions for legal proceedings and recourses	3.2	0.5	2.7
Provisions in human resources	0.2	–	0.2
Provisions for restructuring measures	37.5	15.6	21.9
Sundry other provisions	180.8	150.9	29.9
Total	**340.1**	**273.9**	**66.2**

The provisions for income taxes relate in particular to corporation and trade taxes. The change results from amended assessments carried out in the financial year for the tax audit period 2002 to 2006. A provision of €90.7m was recognised for de facto obligations in fund business (previous year: €137.0m). This is reported under sundry other provisions.

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

€m	Opening balance 01.01.	Additions	Utilisation	Reversals	Reclassi-fications	Currency effects	Closing balance 31.12.
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	31.12.2009	31.12.2008	Change
Current income tax liabilities	122.6	115.2	7.4
Deferred income tax liabilities	275.5	140.6	134.9
Total	**398.1**	**255.8**	**142.3**

Current income tax liabilities include payments due but not yet paid as at the reporting date for income taxes from 2009 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	31.12.2009	31.12.2008	Change
Assets			
Due from banks	3.4	0.3	3.1
Due from customers	14.4	83.7	–69.3
Financial assets at fair value	1,630.3	1,155.7	474.6
Positive market values from derivative hedging instruments	37.1	11.8	25.3
Financial investments	26.0	59.2	–33.2
Intangible assets	4.2	4.0	0.2
Property, plant and equipment	1.0	1.1	–0.1
Other assets	94.0	86.4	7.6
Liabilities			
Due to banks	–	5.6	–5.6
Provisions	1.0	40.4	–39.4
Other liabilities	2.7	7.2	–4.5
Sub-total	**1,814.1**	**1,455.4**	**358.7**
Netting	–1,538.6	–1,314.8	–223.8
Total	**275.5**	**140.6**	**134.9**

The deferred tax liabilities include €265.0m (previous year: €140.6m) 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 category, amounted to €1.1m (previous year: €0.9m) as at the reporting date.

[60] Other liabilities

The breakdown of other liabilities is as follows:

€m	31.12.2009	31.12.2008	Change
Liabilities			
Liabilities from non-banking business	0.3	0.8	–0.5
Liabilities from current other taxes	17.2	41.3	–24.1
Commissions not yet paid to sales offices	80.1	91.2	–11.1
Securities spot deals not yet settled	13.8	–43.9	57.7
Other	85.6	307.1	–221.5
Accruals			
Closing and other audit costs	2.6	2.3	0.3
Sales performance compensation	277.5	327.0	–49.5
Personnel costs	96.6	68.2	28.4
Other accruals	70.4	134.6	–64.2
Prepaid income	26.7	35.6	–8.9
Total	**670.8**	**964.2**	**–293.4**

The item other includes trade accounts payable of €32.8m (previous year: €86.2m), liabilities to custodial account holders of €5.0m (previous year: €19.1m) as well as outstanding invoices from current operations.

[61] Subordinated capital

€m	31.12.2009	31.12.2008	Change
Subordinated bearer bonds	855.4	850.9	4.5
Subordinated promissory note loans	200.3	125.0	75.3
Prorated interest on subordinated liabilities	22.2	20.4	1.8
Profit participation capital	78.0	152.9	–74.9
Prorated interest on profit	5.0	9.8	–4.8
Capital contributions of typical silent partners	755.6	755.6	–
Prorated interest on capital contributions of typical silent partners	64.1	64.1	–
Total	**1,980.6**	**1,978.7**	**1.9**

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	230.0	91.6	6-month-Libor	09.06.2010
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	33.0	6.42	31.12.2011
2002	5.0	5.0	6.44	31.12.2011
2002	20.0	20.0	6.31	31.12.2011
2002	20.0	20.0	6.46	31.12.2013

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

In 2002, typical silent capital contributions (tranche II) with a nominal amount of €500m were accepted for an indefinite period of time (perpetuals). DekaBank may only terminate these 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	31.12.2009	31.12.2008	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	2,923.0	2,566.1	356.9
Total reserves from retained earnings	**2,987.5**	**2,630.6**	**356.9**
Revaluation reserve	2.5	1.9	0.6
Currency translation reserve	4.1	3.4	0.7
Consolidated profit/loss	28.6	28.6	–
Minority interests	0.7	98.8	–98.1
Total	**3,500.0**	**3,239.9**	**260.1**

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. The following table shows the book values of the financial instruments broken down into transactions allocated to fair value hedges and transactions not posted as hedges.

	No fair value hedge		Fair value hedge	
€m	**31.12.2009**	**31.12.2008**	**31.12.2009**	**31.12.2008**
Asset items				
Loans and receivables (lar)				
Due from banks	35,879.6	40,864.4	2,955.1	3,119.3
Due from customers	20,923.8	27,151.0	2,939.6	2,608.2
Financial investments	1,957.9	2,654.6	662.7	827.8
Held to maturity (htm)				
Financial investments	3,255.3	2,755.5		
Available for sale (afs)				
Financial investments	158.7	368.5	–	–
Held for trading (hft)				
Financial assets at fair value	43,938.2	34,991.3		
Designated at fair value (dafv)				
Financial assets at fair value	19,276.2	20,829.2		
Positive market values from fair value hedges under IAS 39			206.4	142.9
Total asset items	**125,389.7**	**129,614.5**	**6,763.8**	**6,698.2**
Liability items				
Liabilities				
Due to banks	23,080.9	30,177.2	144.9	142.9
Due to customers	22,077.2	31,920.3	1,696.2	1,824.7
Securitised liabilities	23,588.1	25,902.0	1,459.1	1,200.0
Subordinated capital	1,659.1	1,662.6	321.5	316.1
Held for trading (hft)				
Financial liabilities at fair value	37,118.2	28,357.1		
Designated at fair value (dafv)				
Financial liabilities at fair value	16,666.2	11,784.0		
Negative market values from fair value hedges under IAS 39			495.3	512.3
Total liability items	**124,189.7**	**129,803.2**	**4,117.0**	**3,996.0**

[65] Net income by valuation category

The individual valuation categories produce the following income contributions:

€m	2009	2008	Change
Held to maturity (htm)	105.1	92.4	12.7
Loans and receivables (lar)	1,784.2	3,169.0	–1,384.8
Other liabilities	–1,951.1	–3,691.3	1,740.2
Income not recognised in profit or loss	1.0	5.5	–4.5
Income recognised in profit or loss	9.7	22.4	–12.7
Available for sale (afs)	10.7	27.9	–17.2
Held for trading (hft)	260.4	485.4	–225.0
Designated at fair value (dafv)	201.3	–321.8	523.1
Valuation result from hedge accounting for fair value hedges	–10.0	–1.3	–8.7

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 hedged 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.

The securities reclassified as at 1 July 2008 were derecognised due to maturity in 2009. There were no further reclassifications in the reporting year. The volume of financial instruments reclassified in 2008 is shown in the table below:

€m	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	8.3	7.9	0.5
Reclassification out of available for sale category as at 31.12.2008	5.6	5.6	–5.3
Total	**13.9**	**13.5**	**–4.8**

Had the financial instruments in the held for trading category not been reclassified, a negative valuation result of €0.5m would have been achieved as at the reporting date. The valuation result for the financial instruments in the available for sale category would have been the same without reclassification due to the valuation allowance recognised in the income statement.

[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.

	31.12.2009			31.12.2008		
€m	Fair Value	Book value	Difference	Fair Value	Book value	Difference
Asset items						
Cash reserve	285.7	285.7	–	1,457.2	1,457.2	–
Due from banks (loans and receivables)	39,400.7	38,834.7	566.0	44,462.9	43,983.7	479.2
Due from customers (loans and receivables)	24,111.3	23,863.4	247.9	29,826.1	29,759.2	66.9
Financial assets at fair value	63,214.4	63,214.4	–	55,820.5	55,820.5	–
Positive market values from fair value hedges under IAS 39	206.4	206.4	–	142.9	142.9	–
Loans and receivables	2,597.3	2,620.6	–23.3	3,564.2	3,482.4	81.8
Held to maturity	3,316.8	3,255.3	61.5	2,702.4	2,755.5	–53.1
Available for sale	158.7	158.7	–	368.5	368.5	–
Financial investments	6,072.8	6,034.6	38.2	6,635.1	6,606.4	28.7
Total asset items	**133,291.3**	**132,439.2**	**852.1**	**138,344.7**	**137,769.9**	**574.8**
Liability items						
Due to banks	23,439.2	23,225.8	213.4	30,526.4	30,320.1	206.3
Due to customers	24,316.3	23,773.4	542.9	34,256.8	33,745.0	511.8
Securitised liabilities	25,078.9	25,047.2	31.7	27,258.1	27,102.0	156.1
Financial liabilities at fair value	53,784.4	53,784.4	–	40,141.1	40,141.1	–
Negative market values from fair value hedges under IAS 39	495.3	495.3	–	512.3	512.3	–
Subordinated liabilities	2,034.7	1,980.6	54.1	2,052.7	1,978.7	74.0
Total liability items	**129,148.8**	**128,306.7**	**842.1**	**134,747.4**	**133,799.2**	**948.2**

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.

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:

Valuation	Level 1	Level 2	Level 3	Total	Fair Value
	%	%	%	%	€m
Assets					
Derivative financial instruments	13.2	86.5	0.3	100.0	22,409.3
Other financial instruments	61.8	31.4	6.8	100.0	41,105.7
Liabilities					
Derivative financial instruments	20.0	79.7	0.3	100.0	34,051.6
Other financial instruments	49.9	50.1	–	100.0	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. 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 principle, 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 meantime. 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. 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 €2.8bn (previous year: €3.2bn) have been allocated to level 3.

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 as the correlation assumptions of the underlying CDS portfolios represent material parameters for the valuation.

Where assumptions and estimates have been included in the valuation models, these were selected from a range of possible values using market information and management assessments. Confidence intervals for the mark-to-model values of the positions can be determined based on these ranges. Using the modified discounted cash flow procedure, the corresponding confidence intervals were determined for both the cash flows and the parameters to determine the liquidity factor. The same procedure was also used to determine the possible correlation values for the valuation of synthetic securitisation transactions.

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.	Reclassifications out of level 3	Disposals	Maturity/ repayment	Valuation result	Closing balance 31.12.
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

Against the backdrop of the financial market crisis and resultant inactive markets, as well as the considerable liquidity spread developments in some cases, as at 31 December 2008 an increasing number of securities were identified as having external prices which were categorised as inactive (illiquid). For these securities, the fair value was determined based on the modified discounted cash flow model described above as for non-synthetic securitisation transactions. In financial year 2009, the bond positions were completely switched to market-oriented valuation, as a functioning market can be assumed from the middle of the year onwards. As the table above shows, for non-derivative financial instruments under assets, this resulted in a reclassification out of level 3 and into level 1 amounting to €1.6bn.

As at the reporting date, a negative valuation result of €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 €–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 €17.4m, which is reported in net interest income.

The profit realised on the disposal of derivative financial instruments amounts to €6.0m and is shown in profit or loss on financial instruments designated at fair value. A negative result totalling €9.2m was realised on the sale of non-derivative financial instruments, of which €2.5m was reported under net interest income and €–11.7m under profit or loss on financial instruments designated at fair value.

Using sensible possible alternative scenarios determined from the minimum and maximum of the confidence intervals produces a fair value for the portfolio as at the reporting date that was up to €43.3m lower or up to €67.2m higher.

[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	2009	2008
Interest rate risks OTC products						
Interest rate swaps	231.6	594.1	3,433.5	2,841.1	7,100.3	5,207.6
Forward rate agreements	0.8	0.6	–	–	1.4	46.2
Interest rate options						
Purchases	–	0.1	4.2	2.0	6.3	3.4
Other interest rate contracts	–	–	64.7	80.0	144.7	8.7
Stock exchange traded products						
Interest rate futures/options	2.6	0.3	–	–	2.9	5.5
Sub-total	**235.0**	**595.1**	**3,502.4**	**2,923.1**	**7,255.6**	**5,271.4**
Currency risks OTC products						
Foreign exchange future contracts	23.9	55.3	–	–	79.2	712.3
(Interest rate) currency swaps	2.6	46.7	201.8	73.6	324.7	314.1
Sub-total	**26.5**	**102.0**	**201.8**	**73.6**	**403.9**	**1,026.4**
Share and other price risks OTC products						
Share forward contracts	160.4	16.6	–	–	177.0	87.0
Share options						
Purchases	771.6	477.5	4,675.2	566.7	6,491.0	2,948.9
Credit derivatives	0.4	1.2	127.6	160.3	289.5	289.7
Other forward contracts	13.7	0.3	0.3	–	14.3	435.2
Stock exchange traded products						
Share options	26.5	829.1	5,768.5	151.8	6,775.9	5,955.3
Share futures	56.7	0.1	–	–	56.8	17.1
Sub-total	**1,029.3**	**1,324.8**	**10,571.6**	**878.8**	**13,804.5**	**9,733.2**
Total	1,290.8	2,021.9	14,275.8	3,875.5	21,464.0	16,031.0

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	2009	2008
Interest rate risks OTC products						
Interest rate swaps	190.8	549.8	3,587.2	3,075.9	7,403.7	5,469.0
Forward rate agreements	0.1	2.5	3.0	–	5.6	36.7
Interest rate options						
Purchases	–	–	–	–	–	0.3
Sales	3.3	3.3	15.9	1.8	24.3	13.0
Caps, Floors	–	–	–	2.5	2.5	–
Other interest rate contracts	–	6.5	112.9	121.6	241.0	39.4
Stock exchange traded products						
Interest rate options	–	–	–	–	–	0.2
Interest rate futures	1.2	–	2.2	–	3.4	8.1
Sub-total	**195.4**	**562.1**	**3,721.2**	**3,201.8**	**7,680.5**	**5,566.7**
Currency risks OTC products						
Foreign exchange future contracts	47.4	53.9	–	–	101.3	614.5
(Interest rate) currency swaps	5.2	30.0	196.3	161.1	392.6	474.2
Sub-total	**52.6**	**83.9**	**196.3**	**161.1**	**493.9**	**1,088.7**
Share and other price risks OTC products						
Share forward contracts	19.9	11.6	–	–	31.5	625.1
Share options						
Sales	1,150.6	930.5	6,883.2	628.9	9,593.2	4,076.2
Credit derivatives	0.4	2.4	233.1	125.5	361.4	387.2
Other forward contracts	2.1	42.0	7.3	–	51.4	–
Stock exchange traded products						
Share options	2,858.0	2,340.8	7,785.0	150.2	13,134.0	12,584.9
Share futures	20.5	3.0	–	–	23.5	17.8
Sub-total	**4,051.5**	**3,330.3**	**14,908.6**	**904.6**	**23,195.0**	**17,691.2**
Total	**4,299.5**	**3,976.3**	**18,826.1**	**4,267.5**	**31,369.4**	**24,346.6**

The following table shows the positive and negative market values from derivative transactions by counterparty:

	Positive fair values		Negative fair values	
€m	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Banks in the OECD	7,956.0	7,042.2	8,650.0	6,534.9
Public offices in the OECD	99.0	52.4	12.0	37.5
Other counterparties	13,409.0	8,936.4	22,707.4	17,774.2
Total	**21,464.0**	**16,031.0**	**31,369.4**	**24,346.6**

[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	31.12.2009	31.12.2008	Change
Assets			
Due from banks			
Due on demand and indefinite term	4,987.8	4,654.3	333.5
Up to 3 months	8,037.8	9,739.8	–1,702.0
Between 3 months and 1 year	4,441.5	5,637.7	–1,196.2
Between 1 year and 5 years	13,527.5	13,111.0	416.5
More than 5 years	7,840.1	10,840.9	–3,000.8
Due from customers			
Due on demand and indefinite term	432.6	2,521.9	–2,089.3
Up to 3 months	1,716.7	4,618.1	–2,901.4
Between 3 months and 1 year	2,471.3	2,163.7	307.6
Between 1 year and 5 years	12,064.1	11,364.3	699.8
More than 5 years	7,178.7	9,091.2	–1,912.5
Financial assets at fair value			
Due on demand and indefinite term	4,149.7	5,045.6	–895.9
Up to 3 months	9,419.0	8,669.9	749.1
Between 3 months and 1 year	35,816.2	28,542.1	7,274.1
Between 1 year and 5 years	6,810.2	5,395.6	1,414.6
More than 5 years	7,019.3	8,167.3	–1,148.0
Positive market values from fair value hedges under IAS 39			
Up to 3 months	1.9	1.1	0.8
Between 3 months and 1 year	4.8	4.5	0.3
Between 1 year and 5 years	96.7	49.4	47.3
More than 5 years	103.0	87.9	15.1
Financial investments			
Due on demand and indefinite term	0.3	0.5	–0.2
Up to 3 months	83.5	1,433.6	–1,350.1
Between 3 months and 1 year	997.4	440.6	556.8
Between 1 year and 5 years	909.3	728.3	181.0
More than 5 years	3,980.3	3,923.6	56.7

€m	31.12.2009	31.12.2008	Change
Liabilities			
Due to banks			
Due on demand and indefinite term	3,262.4	3,772.0	–509.6
Up to 3 months	13,669.0	17,754.4	–4,085.4
Between 3 months and 1 year	1,236.7	4,032.9	–2,796.2
Between 1 year and 5 years	4,052.6	3,234.3	818.3
More than 5 years	1,005.1	1,526.5	–521,4
Due to customers			
Due on demand and indefinite term	7,926.9	12,598.0	–4,671.1
Up to 3 months	4,054.4	7,128.0	–3,073.6
Between 3 months and 1 year	1,140.5	1,888.4	–747.9
Between 1 year and 5 years	5,868.1	5,787.2	80.9
More than 5 years	4,783.5	6,343.4	–1,559.9
Securitised liabilities			
Up to 3 months	1,506.9	942.6	564.3
Between 3 months and 1 year	2,600.6	3,848.5	–1,247.9
Between 1 year and 5 years	5,884.2	6,158.0	–273.8
More than 5 years	15,055.5	16,152.9	–1,097.4
Financial liabilities at fair value			
Due on demand and indefinite term	8,512.9	6,987.0	1,525.9
Up to 3 months	7,222.2	3,172.5	4,049.7
Between 3 months and 1 year	26,117.1	22,200.5	3,916.6
Between 1 year and 5 years	8,443.3	5,291.5	3,151.8
More than 5 years	3,488.9	2,489.6	999.3
Negative market values from fair value hedges under IAS 39			
Up to 3 months	11.6	9.5	2.1
Between 3 months and 1 year	1.9	2.0	–0.1
Between 1 year and 5 years	232.1	164.1	68.0
More than 5 years	249.7	336.7	–87.0
Subordinated capital			
Up to 3 months	91.3	94.3	–3.0
Between 3 months and 1 year	485.7	255.6	230.1
Between 1 year and 5 years	967.2	968.0	–0.8
More than 5 years	436.4	660.8	–224.4

Other information

[69] Equity management

The aim of equity management is to ensure adequate capital and reserves to carry out the Group strategy determined by the Board of Management and to achieve an appropriate return on equity and comply with regulatory capital and reserves requirements (see Note [70]). The definition of economic equity corresponds to the primary risk cover 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	31.12.2009	31.12.2008	Change
Subscribed capital	286.3	286.3	–
Open reserves	441.7	443.3	– 1.6
Silent capital contributions	552.4	552.4	–
Fund for general banking risks	1,570.8	1,213.5	357.3
Interim profit under Section 10 (3) KWG	–	135.0	– 135.0
Deductions under Section 10 (2a) German Banking Act	12.4	12.7	– 0.3
Deductions under Section 10 (6) and (6a) KWG (half)	0.3	23.0	– 22.7
Of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	0.3	10.6	– 10.3
Core capital	**2,838.5**	**2,594.8**	**243.7**
Profit participation capital	78.0	153.0	– 75.0
Subordinated liabilities	889.0	813.2	75.8
Other components	246.6	323.8	– 77.2
Deductions under Section 10 (6) and (6a) KWG (half)	0.3	23.0	– 22.7
Of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	0.3	10.6	– 10.3
Supplementary capital	**1,213.3**	**1,267.0**	**– 53.7**
Modified available capital	**4,051.8**	**3,861.8**	**190.0**
Tier III funds	–	–	–
Capital and reserves	**4,051.8**	**3,861.8**	**190.0**

The core capital of the DekaBank Group increased by €243.7m compared to the prior year. The change mainly stems from the application of net income for financial year 2008 with an allocation to the fund for general banking risks.

The supplementary capital declined by €53.7m compared to the previous year. The reduction stems essentially from the other components, for which there was a partial reversal of provisions under Section 340 f German Commercial Code (HGB).

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	31.12.2009	31.12.2008	Change
Default risks	20,713.0	23,213.0	–2,500.0
Market risk positions	6,975.0	6,112.5	862.5
Operational risks	1,725.0	1,688.0	37.0

The decline in default risks results essentially from the internal rating system "fund" used for the first time for supervisory purposes. BaFin allowed DekaBank to use the rating system in the IRB approach in the reporting year. Previously, comparatively high risk weightings were used in the credit risk standard approach.

The rise in market risk positions essentially stems from higher capital charges for the general interest rate change risk in the trading book. To calculate the capital charges, DekaBank uses the standard procedures prescribed by the Federal Financial Supervisory Authority (BaFin), 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 important banking subsidiary DekaBank Deutsche Girozentrale Luxembourg S.A.:

%	31.12.2009	31.12.2008	Change
DekaBank Group			
Core capital ratio (including market risk positions)	9.7	8.4	1.3
Core capital ratio (excluding market risk positions)	12.7	10.5	2.2
Total capital ratio	13.8	12.5	1.3
DekaBank Deutsche Girozentrale			
Core capital ratio (including market risk positions)	9.4	8.2	1.2
Core capital ratio (excluding market risk positions)	12.5	10.6	1.9
Total capital ratio	12.8	11.8	1.0
DekaBank Deutsche Girozentrale Luxembourg S.A.			
Core capital ratio (including market risk positions)	11.4	7.8	3.6
Core capital ratio (excluding market risk positions)	11.7	8.1	3.6
Total capital ratio	23.4	17.1	6.3

The core capital ratio (including market risk positions) takes account of half of the deductions under 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	31.12.2009	31.12.2008	Change
Irrevocable lending commitments	2,715.2	5,120.4	–2,405.2
Other liabilities	636.2	456.4	179.8
Total	**3,351.4**	**5,576.8**	**–2,225.4**

Other financial liabilities include payment obligations of €0.1m (previous year: €3.1m) and subsequent payment obligations of €30.0m (previous year: €36.2m) to external or non-consolidated companies. There is an additional funding obligation for the security reserve of the *Landesbanken* of €107.9m (previous year: €125.4m).

The guarantees provided by DekaBank refer to financial guarantees under IFRS, which are stated net in compliance with IAS 39. The nominal amount of the guarantees in place as at 31 December 2009 is €0.6bn (previous year: €0.9bn).

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 €1.9m 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: €7.0bn) at the respective guarantee dates. The present value of the volume amounted to €7.0bn (previous year: €6.3bn). The market value of the corresponding fund assets totalled €7.6bn (previous year: €6.8bn).

[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	31.12.2009	31.12.2008	Change
Book value of transferred collateral securities for			
Repurchase agreements	2,701.7	2,087.1	614.6
Securities lending transactions	453.3	1,022.3	–569.0
Other securities transactions	3,051.3	383.8	2,667.5
Total	**6,206.3**	**3,493.2**	**2,713.1**

In addition, assets amounting to €25.0bn (previous year: €27.2bn) were deposited in the blocked custody account as cover funds in line with the *Pfandbrief* Act.

Furthermore, securities and loans with a collateral value of €6.4bn were deposited with *Deutsche Bundesbank* for refinancing purposes. Securities with a nominal value of €8.3bn were deposited as collateral for transactions on German and foreign futures exchanges.

DekaBank received collateral with a market value of €11.7bn (previous year: €15.8bn) for genuine 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.

[73] Financial instruments transferred but not derecognised

The Group transfers financial assets while retaining the material opportunities and risks arising from these assets. The transfer mainly takes place parting the context of genuine repurchase and securities lending transactions. In addition, securities are sold in combination with the conclusion of derivatives, so that in commercial terms there is no disposal of the securities. These assets continue to be reported in the balance sheet.

€m	31.12.2009	31.12.2008	Change
Carrying value of non-derecognised securities for			
Securities lending transactions	1,480.1	3,096.4	–1,616.3
Genuine repurchase transactions	2,701.7	2,087.1	614.6
Other sales without commercial disposal	3,051.3	383.8	2,667.5
Total	**7,233.1**	**5,567.3**	**1,665.8**

Liabilities of €6.1bn (previous year: €3.5bn) 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	31.12.2009	31.12.2008	Change
British pound (GBP)	148.0	48.8	99.2
US dollar (USD)	91.5	27.5	64.0
Swiss franc (CHF)	12.7	11.3	1.4
Japanese yen (JPY)	11.4	3.3	8.1
Hong Kong dollar (HKD)	11.3	0.2	11.1
Norwegian krone (NOK)	5.2	3.8	1.4
Swedish krona (SEK)	5.1	2.6	2.5
Australian dollar (AUD)	1.2	7.7	–6.5
Other foreign currencies	8.5	12.8	–4.3
Total	**294.9**	**118.0**	**176.9**

[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 (Ireland) Ltd. i.L., Dublin	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	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
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-FONDS, Frankfurt/Main	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
Deka-Treasury Corporates-FONDS, Frankfurt/Main	100.00

Associated companies and joint ventures consolidated using the equity method:

Name, registered office	Equity share in %
S PensionsManagement GmbH, Cologne	50.00
Dealis Fund Operations GmbH, Frankfurt/Main	49.90
S Broker AG & Co. KG, Wiesbaden	30.64

Non-consolidated companies:

Name, registered office	Equity share in %
Datogon S.A., Luxembourg	100.00
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main (formerly: WestInvest Erste Beteiligungs- und Verwaltungs GmbH)	100.00
Deka Immobilien k.k., Tokyo	100.00
Deka Loan Investors Luxembourg I, Luxembourg	100.00
Deka Loan Investors Luxembourg II, Luxembourg	100.00
Deka Loan Investors Luxembourg III, 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
DekaBank Advisory Ltd., London	100.00
Deutsche Landesbankenzentrale AG, Berlin	100.00
Europäisches Kommunalinstitut S.A.R.L., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Perfeus S.A., Luxembourg	100.00
STIER Immobilien AG, Frankfurt/Main	100.00
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
Global Format GmbH & Co. KG, Munich	20.00

Non-consolidated mutual funds:

Name, registered office	Fund volume €m	Equity share in %
Deka-AktienEuropa 130/30, Luxembourg	4.4	100.00
Deka-Immobilien PremiumPlus – Institutionelle, Luxembourg	1.5	100.00
DekaLux-FRL Mix: Rendite, Luxembourg	0.5	100.00
DekaLux-FRL Mix: Chance, Luxembourg	0.6	100.00
DekaLux-FRL Mix: ChancePlus, Luxembourg	0.6	100.00
OPTIVOL 1200, Frankfurt/Main	1.0	100.00
OPTIVOL 750, Frankfurt/Main	1.0	100.00
RE-AVT-FundMaster, Frankfurt/Main	25.6	100.00
Deka-Russland, Luxembourg	28.0	98.95
Deka-BonusStrategie 3y (II), Frankfurt/Main	25.9	98.86
DekaLux-FRL Mix: Wachstum, Luxembourg	0.7	80.17
Deka-Zielfonds 2045-2049, Frankfurt/Main	2.3	73.75
Deka-HedgeSelect, Frankfurt/Main	85.6	72.63
Deka-RenditeStrategie 12/2013, Luxembourg	25.4	67.40
Deka-Zielfonds 2050-2054, Frankfurt/Main	2.5	62.97
Deka-Zielfonds 2040-2044, Frankfurt/Main	2.7	61.73
Deka-EuroRent 3y, Frankfurt/Main	40.1	57.75
ETFlab iBoxx € Liquid Sovereign Diversified 1-10, Munich	3.8	56.22
ZukunftsPlan III, Frankfurt/Main	0.5	52.70
ETFlab Deutsche Börse EUROGOV® Germany Money Market, Munich	324.6	52.59
Deka-BR 45, Frankfurt/Main	6.8	51.58
RE-FundMaster, Frankfurt/Main	18.9	50.13
ETFlab iBoxx € Liquid Sovereign Diversified 1-3, Munich	65.8	49.84
ETFlab DJ STOXX® Strong Style Composite 40, Munich	10.9	49.51
ETFlab DAX®, Munich	1,776.2	49.51
ETFlab iBoxx € Liquid Sovereign Diversified 5-7, Munich	20.6	49.49
Deka-ZielGarant 2046-2049, Luxembourg	2.6	49.44
ETFlab MSCI USA, Munich	3.3	49.34
ETFlab iBoxx € Liquid Sovereign Diversified 3-5, Munich	10.3	48.87
ETFlab MSCI Japan LC, Munich	20.9	48.79
iShares DJ STOXX 600 Construction & Materials Swap (DE), Munich	17.2	48.62
ETFlab MSCI Japan MC, Munich	0.8	48.60
ETFlab DJ STOXX® Strong Value 20, Munich	3.3	48.38
ETFlab DJ STOXX® Strong Growth 20, Munich	1.9	48.30
ETFlab iBoxx € Liquid Sovereign Diversified 7-10, Munich	37.0	47.62
ETFlab MSCI Europe MC, Munich	1.1	47.61
ETFlab DJ EURO STOXX 50®, Munich	1,969.1	47.58
ETFlab MSCI Europe, Munich	0.9	47.35
ETFlab MSCI USA MC, Munich	0.2	47.09
ETFlab DJ EURO STOXX® Select Dividend 30, Munich	14.0	46.83
Deka-Zielfonds 2035-2039, Frankfurt/Main	3.3	46.39
ETFlab Deutsche Börse EUROGOV® Germany 10+, Munich	29.9	45.27
Deka-ZielGarant 2042-2045, Luxembourg	2.3	45.24
ETFlab Deutsche Börse EUROGOV® Germany 5-10, Munich	52.0	42.46
ETFlab Deutsche Börse EUROGOV® Germany 3-5, Munich	34.5	42.42

Non-consolidated mutual funds:

Name, registered office	Fund volume €m	Equity share in %
ETFlab MSCI Europe LC, Munich	15.7	41.81
ETFlab MSCI USA LC, Munich	53.9	41.28
ETFlab Deutsche Börse EUROGOV® Germany, Munich	42.6	41.25
ETFlab iBoxx € Liquid Germany Covered Diversified, Munich	30.1	40.64
ETFlab DAX® (distributing), Munich	71.7	39.12
Haspa Zielfonds 2021-2024, Frankfurt/Main	1.0	39.10
Haspa Zielfonds 2025-2028, Frankfurt/Main	1.1	38.40
Haspa ZielGarant 2021-2024, Luxembourg	2.3	37.29
ETFlab DJ EURO STOXX 50® Short, Munich	4.8	37.11
Haspa ZielGarant 2025-2028, Luxembourg	2.2	36.41
iShares DJ STOXX 600 Chemicals Swap (DE), Munich	31.8	36.38
ETFlab iBoxx € Liquid Sovereign Diversified 10+, Munich	4.3	35.95
Haspa Zielfonds 2017-2020, Frankfurt/Main	1.0	35.30
ETFlab Deutsche Börse EUROGOV® Germany 1-3, Munich	31.8	34.40
Deka-Immobilien PremiumPlus – Private Banking, Luxembourg	105.4	33.13
iShares DJ STOXX 600 Utilities Swap (DE), Munich	32.2	32.89
Haspa ZielGarant 2017-2020, Luxembourg	2.9	31.86
iShares DJ STOXX 600 Personal & Household Goods (DE), Munich	18.6	30.48
IFM Euroaktien, Luxembourg	31.3	30.35
Deka-Treasury CreditStrategie, Luxembourg	52.4	29.34
iShares DJ STOXX 600 Oil & Gas Swap (DE), Munich	31.6	28.09
Deka-Institutionell Aktien Europa, Frankfurt/Main	16.3	26.94
iShares DJ STOXX 600 Technology Swap (DE), Munich	11.7	26.60
WestInvest Target Select Hotel, Düsseldorf	22.2	23.78
ETFlab MSCI Japan, Munich	0.2	23.60
WestInvest Target Select Logistics, Düsseldorf	36.4	23.47
Gutmann Emerging Markets Balanced Portfolio, Vienna	56.0	22.50
Assenagon Primus – 1M Euribor, Luxembourg	47.0	21.39
ZukunftsPlan IV, Frankfurt/Main	0.6	21.34
Deka-Convergence Small MidCap, Luxembourg	8.9	20.18

[77] Related party disclosures

Transactions are carried out with related parties at normal market terms and conditions as part of ordinary business activities. The table below shows the extent of these transactions.

Business dealings with shareholders of DekaBank and non-consolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Assets				
Due from customers	–	–	–	6.9
Financial assets at fair value	–	–	3.9	–
Other assets	–	–	0.3	–
Total asset items	**–**	**–**	**4.2**	**6.9**
Liabilities				
Due to customers	26.8	14.8	10.6	24.6
Financial liabilities at fair value	–	–	0.4	–
Total items	**26.8**	**14.8**	**11.0**	**24.6**

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

	Joint ventures/ associated companies		Other related parties	
€m	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Assets				
Due from customers	28.2	0.7	0.2	154.0
Financial assets at fair value	0.6	–	–	0.8
Other assets	10.6	–	0.3	–
Total asset items	**39.4**	**0.7**	**0.5**	**154.8**
Liabilities				
Due to customers	46.2	10.3	2.1	155.2
Financial liabilities at fair value	–	0.2	–	–
Other liabilities	0.1	–	–	–
Total liability items	**46.3**	**10.5**	**2.1**	**155.2**

Own mutual and special funds where the holding of the DekaBank Group exceeds 20% as at the reporting date are no longer reported under other related parties but under non-consolidated subsidiaries or joint ventures and associated companies in accordance with the equity holding. The previous year's figures were adjusted accordingly.

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 €53.9bn (previous year: €58.9bn) were made available to DekaBank in its capacity as agent. In return, the funds received payments from DekaBank of €34.0m (previous year: €37.7m).

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.

[78] Average number of staff

	31.12.2009	31.12.2008	Change
Full-time employees	3,126	3,130	−4
Part-time and temporary employees	496	499	−3
Total	**3,622**	**3,629**	**−7**

[79] Remuneration to Board members

€	2009	2008	Change
Remuneration of active Board of Management members			
Short-term benefits	5,079,251	10,605,083	−5,525,832
Scope of obligation under defined benefit plans (defined benefit obligation)	6,795,005	4,947,480	1,847,525
Remuneration of former Board of Management members and their dependents			
Post-employment benefits	2,183,010	2,186,659	−3,649
Scope of obligation under defined benefit plans (defined benefit obligation)	31,797,068	30,677,507	1,119,561
Scope of obligation for similar commitments	2,304,162	2,288,801	15,361

The short-term benefits due to the members of the Board of Management include all remuneration paid 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 €657.3 thousand (previous year: €650.2 thousand).

In financial year 2009, €1.3m was allocated to provisions for pensions for active members of the Board of Management (previous year: €1.8m). This includes voluntary salary sacrifice components from the short-term benefits of the Board of Management amounting to €0.1m (previous year: €0.6m).

The total commitments of €38.6m 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 €43.3m (previous year: €41.3m).

The provision for payments relating to the termination of the employment of former Board of Management members amounted to €0.2m (previous year: €0.8m). This was reported under provisions for restructuring measures.

[80] Auditor’s fees

The following fees were recorded as expenses for the auditors of the consolidated financial statements in the reporting year:

€m	2009	2008	Change
Fees for			
Year-end audit services	2.8	2.2	0.6
Other auditing services	1.4	0.3	1.1
Tax advisory services	0.2	0.2	–
Other services	0.8	0.5	0.3
Total	**5.2**	**3.2**	**2.0**

[81] Additional miscellaneous information

The consolidated financial statements were approved for publication on 12 February 2010 by the Board of Management of DekaBank.

Assurance of the Board of Management

We assure that to the best of our knowledge, the consolidated financial statements prepared in accordance with the applicable reporting standards convey a true and fair view of the net assets, financial position and results of operations of the Group and that the management report conveys a true and fair view of the business performance including the business results and position of the Group and suitably presents the material risks and opportunities and likely development of the Group.

Frankfurt am Main, 12 February 2010

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 2009. 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, 15 February 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Roland Rausch)	(Stefan Palm)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Shareholders

Shareholders of DekaBank

(as of March 2010)

GLB GmbH & Co. OHG	**49.17%**
thereof:	
Landesbank Baden-Württemberg[1)]	14.78%
HSH Nordbank AG[1)]	7.75%
WestLB AG[1)]	7.61%
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –[1)]	2.89%
NORD/LB Norddeutsche Landesbank Girozentrale[1)]	2.39%
Landesbank Saar[1)]	0.98%
Landesbank Hessen-Thüringen Girozentrale	5.51%
Bayerische Landesbank	3.09%
NIEBA GmbH[2)]	4.17%
NIEBA GmbH[2)]	**0.83%**
DSGV ö.K.[1)]	**50.00%**
thereof:	
Savings Banks Association Baden-Württemberg	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) Guarantors.

2) 100% subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale.

Subsidiaries and associated companies

Subsidiaries and associated companies of DekaBank[1]

(as of March 2010)

Business division Asset Management Capital Markets	
Deka Investment GmbH, Frankfurt/Main	100.0%
Deka FundMaster Investmentgesellschaft mbH, 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%
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%
Dealis Fund Operations GmbH, Frankfurt/Main	49.9%
S Broker AG & Co. KG, Wiesbaden	30.6%
S Broker Management AG, Wiesbaden	30.6%
Heubeck AG, Cologne	25.0%
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%
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%
Global Format GmbH & Co. KG, Munich	20.0%
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 of DekaBank
(as of March 2010)

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

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

Stefan Ermisch
Chairman of the Management Board of Bayerische Landesbank (temporary), Munich

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

Klaus-Dieter Gröb
Member of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt/Main

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

Dr. Stephan-Andreas Kaulvers
Chairman of the Management Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

Thomas Mang
President of the Savings Banks Association Lower Saxony, Hanover
Member of the Audit Committee

Harald Menzel
Chairman of the Management Board of Kreissparkasse Freiberg, Freiberg

Prof. Dr. Dirk Jens Nonnenmacher
Chairman of the Management Board of HSH Nordbank AG, Kiel
Member of the Audit Committee

Hans-Werner Sander
Chairman of the Management Board of Sparkasse Saarbrücken, Saarbrücken

Helmut Schleweis
Chairman of the Management Board of Sparkasse Heidelberg, Heidelberg

Peter Schneider
President of the Savings Banks Association Baden-Württemberg, Stuttgart

Hans Otto Streuber
President of the Savings Banks Association Rhineland-Palatinate, Budenheim
Member of the General Committee

Dr. Harald Vogelsang
President of the Hanseatic Savings Banks and Giro Association, Hamburg

Dietrich Voigtländer
Chairman of the Management Board of WestLB AG, Düsseldorf
Member of the Audit Committee

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 First Vice 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
Member of the Staff Committee, 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 March 2010)

Business division Asset Management Capital Markets

Advisory Board Asset Management Capital Markets Retail

Reinhard Klein
Chairman
Deputy Chairman of the Management Board of Hamburger Sparkasse AG, Hamburg

Michael Horn
Deputy Chairman
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

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

Dr. Joachim Herrmann
Chairman of the Management Board of Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Sigmaringen

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

Christian W. Rother
Member of the Management Board of Sparkasse Aachen, Aachen

Werner Schmiedeler
Chairman of the Management Board of Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach

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
Deputy 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

Karl Novotny
Chairman of the Management Board of Sparkasse Neumarkt-Parsberg, Neumarkt

Hubert Riese
Member of the Management Board of Kreissparkasse Eichsfeld, Worbis

Stefan W. Ropers
Member of the Management Board of Bayerische Landesbank, Munich

Arthur Scholz
Chairman of the Management Board of Sparkasse Vogtland, Plauen

Hans-Joachim Strüder
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Dr. Hermann Weber
Chairman of the Management Board of Sparkasse Offenburg/Ortenau, Offenburg

(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

Dr. Johannes Evers
Chairman of the Management Board of Landesbank Berlin AG, Berlin

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 Banking, 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

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 SV SparkassenVersicherung 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
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

Dietmar P. Binkowska
Chairman of the Management Board of NRW.BANK, Düsseldorf

Hans-Jürgen Gutenberger
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Fernand Koch
Former Partner of Lombard Odier Darier Hentsch & Cie., Geneva

Richard Nahmani
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
Thomas Schneider
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

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

Ulrich Voigt
Member of the Management Board of Sparkasse KölnBonn, Cologne

Dr. Hariolf Teufel
Chairman of the Management Board of Kreissparkasse Göppingen, Göppingen

Jürgen Wagenländer
Member of the Management Board of Sparkasse Schweinfurt, Schweinfurt

Dr. Bernhard Walter
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Reinhold Wintermeyer
Chairman of the Management Board of Sparkasse Oberhessen, Friedberg

(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

Stefan Borgelt
Burkhard Dallosch
Torsten Knapmeyer

Business division Corporates & Markets

Corporate bodies of the subsidiary – business division C&M

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, Brussels

Board of Management

Andreas Fehrenbach *Chairman*
Michael Langmack

Savings Banks Sales

Fund Sales Advisory Council

Hans Martz
Chairman
Chairman of the Management Board of Sparkasse Essen, Essen

Reinhard Klein
Deputy Chairman
Deputy Chairman of the Management Board of Hamburger Sparkasse AG, Hamburg

Hans Adler
Chairman of the Management Board of Sparkasse Starkenburg, Heppenheim

Götz Bormann
Chairman of the Management Board of Förde Sparkasse, Kiel

Manfred Driemeier
Member of the Management Board of Sparkasse Osnabrück, Osnabrück

Dr. Johannes Evers
Chairman of the Management Board of Landesbank Berlin AG, Berlin

Martin Fischer
Chairman of the Management Board of Sparkasse Jena-Saale-Holzland, Jena

Peter Fröhlich
Chairman of the Management Board of Stadtsparkasse Düsseldorf, Düsseldorf

Dr. Thomas Grützemacher
Member of the Management Board of Stadtsparkasse München, Munich

Horst Herrmann
Chairman of the Management Board of Kreissparkasse Saarlouis, Saarlouis

Joachim Hoof
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Wolfgang Kirschbaum
Chairman of the Management Board of Sparkasse Minden-Lübbecke, Minden

Detlev Küfe
Chairman of the Management Board of Bordesholmer Sparkasse, Bordesholm

Ralph Marx
Member of the Management Board of Kreissparkasse Saarpfalz, Homburg (Saar)

Thomas Menke
Chairman of the Management Board of Sparkasse Tauberfranken, Tauberbischofsheim

Uwe Perl
Member of the Management Board of Sparkasse Bremerhaven, Bremerhaven

Andreas Peters
Member of the Management Board of Sparkasse Rhein-Nahe, Bad Kreuznach

Markus Schabel
Chairman of the Management Board of Sparkasse Münsterland Ost, Münster

Siegmund Schiminski
Chairman of the Management Board of Sparkasse Bayreuth, Bayreuth

Michael W. Schmidt
Chairman of the Management Board of Sparkasse Worms-Alzey-Ried, Worms

Klaus Schöniger
Member of the Management Board, Die Sparkasse Bremen AG, Bremen

Frank Schumacher
Member of the Management Board of Sparkasse zu Lübeck AG, Lübeck

Werner Taiber
Member of the Management Board of WestLB AG, Düsseldorf

Carl Trinkl
Chairman of the Management Board of Kreissparkasse Ostalb, Aalen

Klaus Wagner
Deputy Chairman of the Management Board of Kreissparkasse Verden, Verden

Johannes Werner
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

Further Members

Dr. Bernd Kobarg
Chairman of the Management of Deutscher Sparkassenverlag GmbH, Stuttgart

Gerhard Müller
Chairman of the Management Board of Sparkassen-Versicherung Sachsen, Dresden

Werner Netzel
Executive Member of the Management Board of the German Savings Banks and Giro Association e. V., Berlin

Heinz Panter
Chairman of the Management Board of LBS Baden-Württemberg, Stuttgart

(End of the term of office: 31.12.2010)

Regional Fund Committees for Savings Banks

Regional Fund Committee for Savings Banks North/East I

Sparkasse Erzgebirge, Annaberg-Buchholz
Kreissparkasse Anhalt-Bitterfeld, Bitterfeld-Wolfen
Sparkasse Chemnitz, Chemnitz
Sparkasse Oder-Spree, Frankfurt (Oder)
Kreissparkasse Freiberg, Freiberg
Sparkasse Gifhorn-Wolfsburg, Gifhorn
Sparkasse Göttingen, Göttingen
Sparkasse Vorpommern, Greifswald
Saalesparkasse, Halle
Sparkasse Harburg-Buxtehude, Hamburg
Sparkasse Hannover, Hanover
Sparkasse Hildesheim, Hildesheim
Sparkasse Westholstein, Itzehoe
Sparkasse LeerWittmund, Leer
Sparkasse Leipzig, Leipzig
Sparkasse Lüneburg, Lüneburg
Stadtsparkasse Magdeburg, Magdeburg
Sparkasse Emsland, Meppen
Sparkasse Vogtland, Plauen
Sparkasse Meißen, Riesa
Sparkasse Schaumburg, Rinteln
Sparkasse Mecklenburg-Schwerin, Schwerin
Salzlandsparkasse, Staßfurt
Kreissparkasse Syke, Syke
Sparkasse Uelzen Lüchow-Dannenberg, Uelzen
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
Spar- und Leihkasse zu Bredstedt AG, Bredstedt
Kreissparkasse Wesermünde-Hadeln, 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
Kreissparkasse Mittweida, Mittweida
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 v. d. H.
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
Sparkasse Duisburg, Duisburg
Sparkasse Mittelthüringen, Erfurt
Sparkasse Oberhessen, Friedberg
Sparkasse Fulda, Fulda
Sparkasse Gera-Greiz, Gera
Sparkasse Gießen, Gießen
Kreissparkasse Groß-Gerau, Groß-Gerau
Sparkasse Dieburg, Groß-Umstadt
Sparkasse Hagen, Hagen
Sparkasse Hanau, Hanau
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 am Niederrhein, Moers
Sparkasse Mülheim an der Ruhr, Mülheim
Sparkasse Neuwied, Neuwied
Sparkasse Paderborn, Paderborn
Sparkasse Vest Recklinghausen, Recklinghausen
Sparkasse Langen-Seligenstadt, Seligenstadt
Sparkasse Siegen, Siegen
Stadt-Sparkasse Solingen, Solingen
Sparkasse Trier, Trier
Sparkasse Wetzlar, Wetzlar
Nassauische Sparkasse, Wiesbaden
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 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
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, Mainz
Savings Banks Association Westphalia-Lippe, Münster
Savings Banks Association Saar, Saarbrücken

Regional Fund Committee for Savings Banks South I

Sparkasse Amberg-Sulzbach, Amberg
Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach
Sparkasse Berchtesgadener Land, Bad Reichenhall
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, Karlsruhe
Sparkasse Allgäu, Kempten
Kreissparkasse Ludwigsburg, Ludwigsburg
Sparkasse Rhein Neckar Nord, Mannheim
Sparkasse Memmingen-Lindau-Mindelheim, Memmingen
Sparkasse Altötting-Mühldorf, Mühldorf
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
Kreissparkasse Tübingen, Tübingen
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 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 i.K.
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 am Rhein
Sparkasse Neuburg-Rain, Neuburg an der Donau
Vereinigte Sparkassen Eschenbach i.d.OPf. Neustadt a.d. Waldnaab Vohenstrauß, Neustadt/Waldnaab
Sparkasse Regen-Viechtach, Regen
Sparkasse Rothenburg, Rothenburg o.d.T.
Sparkasse Schopfheim-Zell, Schopfheim and Zell i.W.
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 i.d.OPf.
Sparkasse Wolfach, Wolfach

Further Members South I + II

Savings Banks Association Bavaria, Munich
Savings Banks Association Baden-Württemberg, 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.

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.

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.

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.

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 pools
Primary cover pools are composed of the annual net income contribution, IFRS balance-sheet equity and atypical silent capital contributions. Secondary cover pools consist 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.

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.

Sensitivities
Sensitivities are ratios which reflect changes in market value in response to the change in an individual risk factor.

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, credit, shareholding, property, property fund and operational risk) and the cover pools.

Value-at-risk (VaR)
The VaR of a portfolio identifies the maximum possible loss 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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We would like to thank our children for inspiring and motivating us. And for their beautiful drawings.

Sustainability – our employees' children breathed life into this much-used term. Each of the 173 drawings reminds us of the tasks modern companies will face in the future. They also illustrate what makes all the hard work worthwhile.

From left to right, front row: Simone Uhl (8), Elena Taubel (6), Lara Knüppe (6), Frieda Mittenzwei (6). Back row: Katja Leibold (10), Finn Löffler (10), Kilian Nowak (9), Virginie Klutzny (9).

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Financial calendar

Financial year 2010	**August 2010**	Interim Report as at 30 June 2010
	November 2010	Interim Report as at 30 September 2010

Publication dates are preliminary and subject to change.

Internet website

The Annual Report 2009 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 2009. If you would like to receive our annual reports or interim reports on a regular basis, please contact our Internal Communication & Media department:
Phone: +49 (0) 69 71 47-14 54
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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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Disclaimer

The management report as well as the Annual Report 2009 in other respects contain forward-looking statements as well as expectations and forecasts. These are based on the information available to us at the time of publication, which we have deemed to be reliable after careful consideration. We do not assume an obligation to update based on new information and future events after the publication of this information. We have derived our estimations and conclusions from these forward-looking statements, expectations and forecasts. We expressly point out that all of our future-oriented statements are associated with known or unknown risks or imponderables and are based on conclusions relating to future events, which depend on risks, uncertainties and other factors that are outside of our area of influence. Such developments can result from, among other things, a change in the general economic situation, the competitive situation, the development of the capital markets, changes in the tax law and legal framework and from other risks. The events actually occurring in the future may thus turn out to be considerably different from our forward-looking statements, expectations, forecasts and conclusions. We can therefore assume no liability for their correctness and completeness or for the actual occurrence of the information provided. The English translation of the DekaBank Group Annual Report is provided for convenience only. The German original is definitive.

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