DekaBank Group
Annual Report 2011

DekaBank

The integrated business model is the basis of DekaBank's success

Savings Banks Sales

Private customers
Individual customers
Private banking

Asset Management Capital Markets

Corporates & Markets

Securities funds
Fund-based asset management
Retirement solutions
Master/Services KAG
DekaBank custody account

Asset management servic
Liquidity services
Exchange traded funds
Financing
Treasury

Corporate Centres

Strategy & Communication, Group Audit, Legal Affairs, Human Resources, Group Risk

Institutional Customers

Savings banks
Institutional customers – Germany
Institutional customers – abroad

Asset Management Property

ces

s

Property funds
Credit funds
Real estate finance
Loan syndication

k, Finance, IT/Organisation, Group COO, Credit Risk Office

DekaBank Group at a glance

Business development indicators		31.12.2011	31.12.2010	Change %
Total assets	€m	133,738	130,304	2.6
Assets under Management (AMK and AMI) [1]	€m	150,995	162,698	−7.2
of which: Asset Management Capital Markets (AMK)	€m	126,895	139,508	−9.0
of which: Asset Management Property (AMI)	€m	24,100	23,190	3.9
Number of securities accounts	thousand	4,382	4,596	−4.7
		1.1.–31.12.2011	**1.1.–31.12.2010**	
Net sales (AMK and AMI)	€m	−5,861	908	(< −300)
of which: Asset Management Capital Markets (AMK)	€m	−6,826	−793	(< −300)
of which: Asset Management Property (AMI)	€m	965	1.701	−43.3
Performance indicators				
Total income	€m	1,301.6	1,758.0	−26.0
of which: Net interest income	€m	371.1	422.0	−12.1
of which: Net commission income	€m	976.7	1,061.7	−8.0
Total expenses	€m	918.5	832.9	10.3
of which: Administrative expenses (incl. depreciation)	€m	917.7	835.9	9.8
Economic result	€m	383.1	925.1	−58.6
Net income before tax	€m	376.6	876.7	−57.0
Key ratios				
Return on equity [2]	%	9.3	26.3	−17.0%-points
Cost/income ratio [3]	%	64.7	49.0	15.7%-points
Key regulatory figures		**31.12.2011**	**31.12.2010**	
Capital and reserves	Mio. €	3,923	4,358	−10.0
Core capital ratio	%	11.6	12.9	−1.3%-points
Core tier 1 capital ratio [4]	%	9.4	10.7	−1.3%-points
Total capital ratio	%	15.6	16.9	−1.3%-points
Risk ratios				
Total risk-bearing capacity	€m	4,694	5,840	−19.6
Group risk (value-at-risk) [5]	€m	2,660	2,718	−2.1
Utilisation of risk-bearing capacity	%	56.7	46.5	10.2%-points
Non-guaranteed rating (short-term/long-term)				
Moody's		P-1/Aa3	P-1/Aa2	
Standard & Poor's		A-1/A	A-1/A	
Key employee figures				
Number of employees		3,957	3,683	7.4
Average number of positions occupied		3,431	3,174	8.1

[1] The previous year's figures have been adjusted for better comparability. For details, please refer to note [2].
[2] 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; based on the equity figure which is around €1.0bn lower due to the purchase of own shares in June 2011, the return on equity for 2011 is 12.2%.
[3] Cost/income ratio (CIR) corresponds to the ratio resulting from total expenses (excluding restructuring expenses) and total income (before provisions for loan losses).
[4] The core tier 1 capital ratio takes not account of silent capital contributions of €552m.
[5] Confidence level: 99.9%, holding period: 1 year.

Proximity. Individuality. Commitment. Strength. Responsibility.
This is what the savings banks in Germany stand for. And DekaBank supports them 100% in achieving these values. Our Annual Report 2011 provides all the relevant information. As the central asset manager, we support the savings banks with individual investment concepts for private customers, commitment to promoting the economy and municipalities, taking the initiative when it comes to the environment and community, and finding opportunities for the profitable investment of savings banks' assets. Finally, we deliver sustained income.

100% success – our milestones 2011

Satisfactory results despite difficult market conditions

DekaBank ended financial year 2011 with an economic result of €383.1m. In line with expectations, this figure did not match the record result achieved in 2010. However, in view of the financial market conditions, it is satisfactory. This is all the more true since the development in net interest income and net provision income was relatively stable, and high demand from the savings banks for structured solutions and liquidity resulted in a significant increase in the trading result. The adverse effects of the national debt crisis – in the form of valuation discounts and risk provisions – have been successfully managed by DekaBank, in part due to a further reduction of commitments in the directly affected eurozone countries.

€383.1m

Successful launch of Deka-Vermögenskonzept

Price losses on the stock markets, weak yields in the bond market and low money market interest rates – funds faced difficult conditions in 2011, with these factors affecting all asset classes. Against this background, the successful launch of Deka-Vermögenskonzept (Deka Wealth Concept) was particularly pleasing. It bucked the negative trend to achieve net sales of almost €0.7bn. This individual, flexible and transparent solution for the structured investment of assets has been well received by both the savings banks' customers and by advisers. Its success is partly due to advisory alerts, which are automatically generated if specific portfolio limits are exceeded or not met. This provides many occasions for dialogue with customers and facilitates ongoing portfolio optimisation.

€0.7bn

Stability in every respect

The attractive business model and financial strength provide DekaBank with stability, even during difficult market phases. DekaBank passed the stress test conducted by the European Banking Authority and all the subsequent ad-hoc tests carried out in 2011 by a convincing margin in each case. The core tier 1 capital ratio decreased from 10.7% to 9.4%. This reduction resulted from the Bank's purchase of its own shares in the amount of €1bn. DekaBank was able to make this contribution in the course of the complete acquisition by the savings banks, thanks to the strong earnings performance in the previous years. Through profit retention measures and stringent management of the lending business, the ratio is to be increased to 12% again as rapidly as possible, which is a prerequisite for retaining our good ratings in the coming years.

9.4%

Sustainability – a premium provider

Signing the United Nations Global Compact, adopting the Equator Principles for responsible project financing and putting a sharp focus on certified Green Buildings, which already account for more than 10% of the property fund portfolio. DekaBank consistently implemented its sustainability strategy once again in 2011. These actions are recognised, valued and rewarded by customers, investors and analysts and resulted in increasing demand for sustainable investment solutions.

>10%

100% provider to the savings banks

In 2011, there was strong demand for our capital market activities, which support Asset Management. Demand from investment funds generated additional return through repo/lending activities and demand from the savings banks was high as well. Compared with the previous year, our partners significantly increased their utilisation of our trading activities, ranging from the provision of liquidity and short-term secured credit lines up to commission business in equities and bonds as well as interest rate derivatives brokerage. In addition, we offer access to customised credit assets. The volume of the Deka-Infrastrukturkredit fund, which was developed for Depot A (A securities account) investments by the savings banks, totalled nearly €120m at year-end 2011.

€120m

Open-ended property funds – reliable and high-yielding

The sector situation for open-ended property funds did not stabilise in 2011. Nevertheless, DekaBank continuously kept its funds on the market and generated net inflows totalling €0.7bn via its sales partners, the savings banks. This represented approximately half of the total funds inflows of the property investment companies in the BVI. The focus on retail investors is paying off, as is the consistent yield and liquidity management of the funds. The excellent letting ratio and vacancy ratios below the market average affirm the outstanding quality of the portfolio. With a volume-weighted yield of 2.4%, the open-ended property funds of AMI outperformed the market.

2.4%

Award-winning asset management

Top marks for equity, bond and property funds: numerous awards confirmed the quality of our fund products and strategies again in the past year. We also received strong ratings with regard to management quality. In the 2011 Extel study, Deka Investment was named best German asset manager, and Deka Immobilien Investment placed second in its peer group at the Scope Awards. The awards are presented to distinguish the strong performance of the relevant funds along with the clear investment philosophy, efficient portfolio administration and transparent investor information – and last but not least, much-acclaimed research as well. In addition, DekaBank is also a leader in the segment of passive funds: ETFlab asserted its title as "ETF Provider of the Year" by a large margin

No. 1

Lean organisation and efficient processes

DekaBank intends to use the Lean Transformation process launched in 2010 to align its entire value creation even more precisely with benefits for the savings banks and their end customers. This continuous optimisation process, which is being rolled out Group-wide, will leverage considerable potential in terms of increasing efficiency. In the business units included to date, such potential has averaged around 20%. The IT mission, which encompasses an extensive upgrade of the entire IT architecture, is also aimed at boosting performance and efficiency. By the end of 2014, a stable and at the same time flexible high-performance platform is scheduled to be in place, which will facilitate rapid adjustment to new market developments.

20%

Content

Foreword of the Board of Management

Dear Shareholders and Investors,

"After the crisis is before the crisis" – this is virtually the impression resulting from the latest capital market turmoil, the simmering national debt crisis in Europe and the clear signs of a global economic slowdown. Having overcome the financial market crisis and actually gotten back on a stabilisation course, the financial sector faced renewed pressure – including in the form of massive valuation allowances for government bonds and bank bonds from the directly affected eurozone countries. It is hardly surprising that unsettled investors have already held back in terms of investing in securities in this market environment.

It would be no exaggeration to describe this mix as a tough market situation. A repeat of the previous year's record result was not expected even under normal market conditions, and the actual market conditions then also prevented us from fully realising our income forecast. Valuation losses on securities left their mark as did provisions for loan losses. Nevertheless, we achieved a respectable economic result of €383.1m.

The largely steady development in net interest income and net commission income highlights the fact that our business model is able to weather even the worst storms. Another pleasing factor was growth in the demand for our services in the trading business, which support the investment funds and utilise our comfortable liquidity position for the benefit of the savings banks. Finally, the strong result is also based on consistent cost management. Excluding non-recurring factors such as the IT mission project, the one-off expense related to the acquisition of the LBBW and WestLB activities in Luxembourg and the bank levy, which we incurred for the first time, administrative expenses were at the previous year's level.

Since 2011, the savings banks have been our sole shareholders. We are proud that they have expressed their trust in us by fully acquiring their central asset manager. Especially in times like these, no one could wish for a better home than the *Sparkassen-Finanzgruppe*. Customer proximity and a focus on customer requirements, being rooted in the respective region, commitment to the SME sector, working for the good of the community, sustainable operations and strength based on the alliance – these are all aspects with which the savings banks consistently reaffirm the trust their customers place in them.

Being "100% savings bank" represents both a reward and incentive for DekaBank. Proximity, individuality, commitment, strength and responsibility – these are the savings banks' values, and ones to which DekaBank has always been committed as well. We take this responsibility and commitment seriously and have started tailoring our proven business model, product range and sales support even more precisely to the requirements of the savings banks and their end customers.

Therefore, at DekaBank, being "100% savings bank" also means 100% initiative, commitment and partnership. There is still a lot of work for us to do together, as the unsatisfactory net sales figure for the past year shows. Together with the DSGV, the regional savings banks and giro associations and the savings banks, we are working to underpin the importance of securities business. The relevant range of products is ready – starting with Deka-Vermögenskonzept (Deka Wealth Concept) and including attractive sustainability funds, fund savings plan models and funds of funds for basic investments as well as individual private banking solutions. However, convincing products alone will not bring about a trend reversal in Asset Management; that will only be possible through the close cooperation between the customer advisers in the savings banks and Deka experts. Our sales unit is supporting savings banks advisers more extensively than in the past, which in turn generates important impetuses for designing new investment concepts.

With the aim of providing the best possible support for the savings banks, DekaBank needs to focus at the same time on retaining its strong ratings and consequently its long-term funding strength. To accomplish this, we have set a goal of a core tier 1 capital ratio of 12%. We intend to quickly meet this target, following the utilisation of retained earnings from earlier periods for purchasing the Bank's own shares. That was our contribution as part of the transaction which made us 100% savings bank. Although DekaBank passed all stress tests and ad-hoc tests conducted by the banking supervisory authority in 2011, in the prevailing difficult market conditions and given the regulatory requirements, our current focus is on profit retention. However, we implement this while ensuring appropriate distribution to the shareholders.

Securing the trust of the investors, offering even more precisely customised solutions to the savings banks and maintaining the Bank's funding strength on the basis of future-oriented finance and risk management – DekaBank faces a challenging year, which will require 100% commitment and skill from each and every employee. As we are assured of the capabilities, performance and motivation of our teams in all of the Bank's divisions, we are able to meet these challenges with confidence.

Sincerely,

Franz S. Waas

Oliver Behrens

Dr. Matthias Danne

Hans-Jürgen Gutenberger

Dr. h. c. Friedrich Oelrich

The Board of Management of DekaBank

Franz S. Waas
Chairman of the Board of Management (until 2.4.2012)
Franz S. Waas was appointed Chairman of DekaBank's Board of Management at the start of 2006. A business administration graduate, he was previously a member of the Board of Management of HSH Nordbank and Landesbank Schleswig-Holstein with responsibility for capital market activities and the Private Equity division.

Oliver Behrens
Acting Chairman of the Board of Management (from 2.4.2012)
Oliver Behrens is responsible for the Asset Management Capital Markets division and trading business and therefore for all capital market products. He was previously with the Deutsche Bank Group where he was the spokesperson for the management teams of Deutsche Asset Management and DWS Luxembourg.

Dr. Matthias Danne
Member of the Board of Management
Dr. Matthias Danne is Chief Financial Officer, Head of Asset Management Property and responsible for all of the lending activities. An economics graduate, he was previously a member of the Board of Management of BHW Holding AG and Eurohypo AG.

Hans-Jürgen Gutenberger
Member of the Board of Management
Hans-Jürgen Gutenberger has been a member of DekaBank's Board of Management since the start of 2000. He is responsible for Marketing and Savings Banks Sales as well as Treasury. A qualified banker and economics graduate, he was previously Chairman of the Board of Management of Sparkasse Koblenz.

Dr. h. c. Friedrich Oelrich
Member of the Board of Management
Dr. h. c. Friedrich Oelrich is responsible for Risk Management at DekaBank. A graduate in business administration for savings banks, he joined the Board of Management in 2001 and is responsible for the units IT/Organisation, Group COO, Group Risk and Credit Risk Office.

Monica Cocco, Head of the Securities Products Team at Sparkasse KölnBonn, is always on the lookout for the right investment opportunities for her customers. Products that combine stability with a good return are especially in demand, such as Deka property funds, for example. After all, these funds have demonstrated earnings power, stability and soundness over a long period of time. And the reason for this is the experience, care and expertise that the Deka specialists bring in when selecting and supporting properties – like the Kranhaus Süd office complex. Along with a well thought-out strategy when compiling fund portfolios and managing fund flows. Close to the market, close to the customers: that's the formula for the Sparkassen-Finanzgruppe's success, when it comes to open-ended property funds as well.

Monica Cocco was photographed in front of Kranhaus Süd in Cologne.

Stable financial investments with sound returns have now almost become a rare commodity. Some of the few exceptions are the open-ended mutual property funds from the DekaBank Group. Even in fluctuating markets, they achieve reliable and consistently respectable returns. This is not a matter of coincidence, but rather due to the well thought-out investment strategy of fund managers, who, throughout the world, are close to the property markets in which they invest their clients' funds.

As the saying goes, three things matter in the real estate business: location, location, location. But in addition to a top quality real estate portfolio with many properties in prime locations, the success of the open-ended property funds of WestInvest and Deka Immobilien Investment is due to a carefully considered letting concept and clear positioning for the various investor groups. The latter aspect ensures that the funds for private and institutional investors are kept strictly separate. This factor distinguishes Deka property funds from many others: "We have always made sure to offer private and institutional investors property funds that are tailored to their respective requirements," emphasises Dieter Berg, Head of Property Funds Sales Support at Deka Immobilien.

A look back into the recent past confirms this: between 2004 to 2006, a large number of institutional investors invested aggressively in open-ended mutual property funds. As a result of high inflows, many property fund managers were under pressure to invest large sums quickly. In this environment, excessive prices were paid for some properties – and in the end, the funds had to pay dearly, since in the wake of the financial market crisis in 2008/2009, the institutional investors pulled out their money again. As a result, some funds ran into difficulties and others even had to close. "Thanks to our sales strategy, our funds escaped this fatal development. All of our funds remained open," says Berg. Private investors generally invest smaller amounts and are also not as quick to withdraw their capital. Consequently, Deka property fund investors were spared much of the turmoil that has kept the industry on tenterhooks over the past few years.

Global lease management

Long-term contracts with solvent tenants also contribute to the stability of the funds, as is the case with the Kranhaus Süd property in Cologne, a striking office complex on the banks of the Rhine River, which is part of the real estate portfolio of Deka-ImmobilienGlobal. A lease management system used for all of the fund properties ensures that the contracts expire on a rolling basis. This prevents high vacancy rates and provides flexibility, even if investment in the building is required, for example when there is a change of tenant. "We don't only invest in our properties just to maintain the portfolio," explains Berg. For instance, while the renovations are underway, showrooms are set up for potential tenants. Of course, DekaBank property funds have not remained completely immune to the fluctuations in demand either. But, as Berg continues, "by presenting the space in this way, we are always very successful in finding new tenants."

When selecting properties and locations, Deka real estate experts have to take a series of criteria into account. In addition to obvious differentiation features such as location and use of the property, they also check whether the Deka portfolio already has a similar property in the vicinity. Diversification is key here, as it is the best way to balance out regional and sector-related fluctuations in the real estate markets.

Monica Cocco, Head of the Securities Products Team at Sparkasse KölnBonn, can rely on the close links with and fast response from DekaBank: Dieter Berg, Head of Property Funds Sales Support at Deka Immobilien, and his team are on hand to advise and assist the savings banks.

Green buildings in demand

Another increasingly important selection criterion is sustainability. Buildings that are pioneering in terms of technology and energy, so called green buildings, are popular with tenants. The significantly lower operating costs they offer versus conventional properties make a convincing argument. The result: vacancies are rare. "Consequently, it is also easier for us to let the properties in difficult market phases," reports Berg. For Deka property funds, upgrading the energy performance of the portfolio properties is not just an investment in the future, but also part and parcel of a responsible and long-term portfolio strategy that facilities sound returns on a sustainable basis.

The specialists at Deka Immobilien are in charge of choosing the right properties. Thanks to the numerous representative offices in Germany and abroad, they know the local markets and understand how they fit into the international context of real estate markets and macro-economic trends. The combination of detailed regional knowledge and global perspective facilitates the assessment of each individual property. The asset managers also benefit here from property financing experts at DekaBank, who have great access to markets and investors. The property funds owe their particular strength and stability to this combination.

Property funds as a pillar of stability

Open-ended property funds are an integral component of the customer advising services offered by the savings banks. This is also the case at Sparkasse KölnBonn. "For our advisers, we have developed model portfolios for various customer types and their approaches to risk. As an asset class, real estate accounts for a large share of all of the model portfolios. Deka's open-ended property funds have impressed me and my colleagues in product consultancy for many years, and that is why we are also currently using DekaBank products to cover the real estate portion in the model portfolios," explains Monica Cocco.

From a customer perspective, open-ended property funds are a pillar of stability in structured financial investments. Moreover, as tangible assets, they are less severely affected by inflationary tendencies, especially since the leases for commercial property are usually index-linked. "The issue of protection against inflation is a priority for our customers," Monica Cocco reports. And customers of Sparkasse KölnBonn are also being convinced by another argument: the proximity to their own portfolio. "Together with DekaBank we have already organised property tours, where investors have visited selected properties they have invested in via their fund units," Cocco says. "This is a very strong emotional argument: a portfolio you can walk around and look at – where else can you get that?" Sparkasse KölnBonn can even use this trump card when an onsite visit is not possible, given that large format pictures of fund properties in the Cologne-Bonn region always deliver the "wow" factor during the consultation meeting with the customer.

Support on all channels

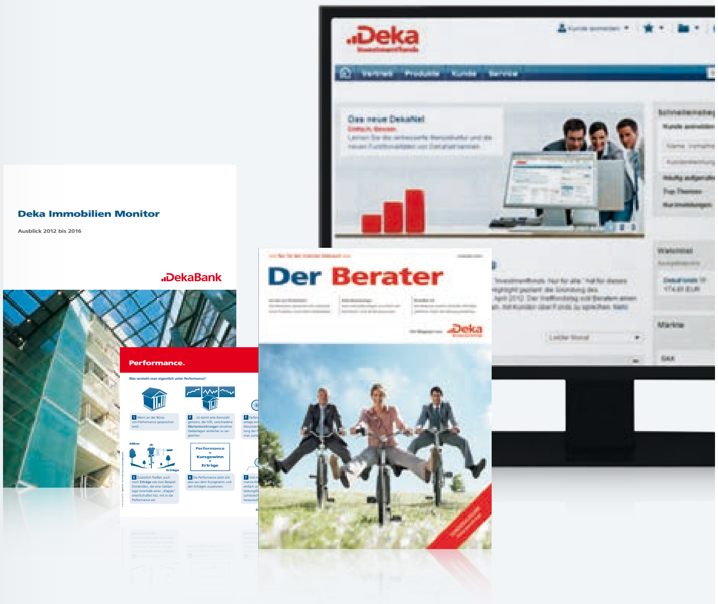
Whether in Cologne, Bonn or elsewhere in Germany, good advice is reflected by the fact that it focuses on the needs, desires and goals of each customer and then chooses the right product on that basis. Take the Sparkasse Memmingen-Lindau-Mindelheim for example: "The customer-centric approach is the path that the savings banks have always followed," says Karl-Heinz Haider, Head of the Securities Management department. "And it's the only way to raise our profile with customers on a long-term basis."

To ensure that the quality of advice remains consistently high, the advisers must continually update their knowledge. This applies in particular to open-ended property funds as well. Such funds have acquired a reputation as a pillar of stability, but in the past two years, they have increasingly become the focus of critical reporting. "Although it did not refer to Deka funds, our customers were initially unsettled nevertheless," reports Haider. "In such cases, we have to be ready with the right answers to our customers' questions." DekaBank supports the savings banks in this respect.

The most important factor here is training the advisers in the products. They have to understand the design and strategy of the funds in order to be able to explain them to the customers. "It's particularly helpful when specialists from fund management are also at the training sessions and workshops and can answer our questions first hand. This direct feedback works very well," comments Haider. Also at costumer events, the direct dialogue between local

costumers and Deka real estate specialists, who were able to add their knowledge of the property markets worldwide to the mix, proved to be especially useful. However, these training sessions and costumer events are just one element of sales support. Equally important is the informational material on the products, which is tailored to the requirements of the individual savings bank and the type of advising services it provides. Savings banks can request customised material in the form of brochures, product sheets, posters or presentations. Multimedia content and social media are also becoming more and more important.

The "DekaNet" IT application, DekaBank's intranet for the savings banks, provides a fast link between the savings banks and DekaBank and enables the advisers to access key information about all Deka products. "I particularly like the distinct responsiveness of DekaBank," stresses Haider. "If we need certain information or material tailored precisely to our needs, DekaBank immediately takes care of our request." The same applies if there are significant developments in the markets, for example. "In such cases, conference calls with the Deka specialists can be arranged at short notice in order to clarify the most important questions," says Haider.



But even more important when advising customers are hard facts and information on current developments in the real estate markets. Deka is very prompt in providing the advisers with such information. Take Fukushima for example: when the tsunami devastated large areas of Japan and damaged several nuclear reactors in March 2011, the real estate specialists in DekaBank's Tokyo office immediately ascertained the impact of the disaster on the Japanese properties in the Deka-ImmobilienGlobal fund. Their swift and sound assessment of the consequences was very important for customers and customer advisers in the savings banks. "Although Deka-ImmobilienGlobal experienced fund outflows in the initial response to Fukushima, over the year as a whole, this was just a small dip that we were able to readily compensate for," remarks Dieter Berg. "The fact that even such extraordinary events are unable to damage the confidence in our expertise and our open-ended property funds on a long-term basis sends a positive signal, for the savings banks as well."

An assessment that Monica Cocco shares. Deka's open-ended property funds are viewed by many savings bank customers as "the safe haven" in their portfolios. "Although the funds are touched by the turmoil in the markets, because of their anti-cyclical investment strategy, the impact is much more moderate than for other asset classes," explains Cocco. Overall, the funds have always delivered a positive return in the past, even after inflation. Just like a sound investment should.

What Benedikt Baron, Department Head of the Wealth Management Centre at Kreissparkasse St. Wendel, likes most about golf is the variety: every stroke, every fairway, every green poses its own individual challenge. Along with the right equipment and information about the course, you need a good strategy. In this way, golf shares some similarities with advising customers: after all, every customer has very individual ideas regarding his/her financial investments. That is why Baron uses Deka-Vermögenskonzept (Deka Wealth Concept), which offers a full range of options for pursuing a successful strategy, even when prices are fluctuating. Individually tailored for every customer.

Benedikt Baron was photographed in Angel's Hotel at the Golfpark in St. Wendel.

A good investment must be tailored to the customer's personal circumstances. No trivial task, since every investor has different objectives and the individual need for safety and security also varies greatly. Standardised investment solutions, such as fixed-term or time deposits, reach their limit very quickly. This is where Deka-Vermögenskonzept comes into play, as it makes it possible to introduce or omit hedging mechanisms depending on the market situation. The investment strategy can thus be balanced in line with the individual risk affinity and requirements in terms of security.

The ongoing national debt crisis in Europe has heightened investor sensitivity. Today, investors want to understand precisely how their investment works, which risks they are taking and what opportunities they can benefit from. They also require comprehensive and customised advice. And this is where the wheat is separated from the chaff in retail banking. Banks that do not provide advising services and offer nothing more than favourable terms for the money market face a problem. Benedikt Baron, Department Head of the Wealth Management Centre at Kreissparkasse St. Wendel, sums it up: "In difficult market phases, customers need their advisers at the savings banks to have an overview of the situation and be able to gain strategic benefits from the fluctuating markets. The advisers must therefore have the right answers even during downturns, and be able to respond flexibly with the right strategy for each individual customer." His savings bank's response to the demand for more advice and support is Deka-Vermögenskonzept.

Dirk Degenhardt, Head of Product Management at DekaBank, explains: "Deka-Vermögenskonzept is an investment model which combines comprehensive customer advice, an integral part of the savings banks financing concept, with a high level of support in all market situations." Together with his team, he has decisively advanced the development of Deka-Vermögenskonzept. "For advisers, it is important to understand customers' needs and be able to offer the appropriate products and services in each individual case," says Degenhardt. That is precisely what Deka-Vermögenskonzept aims to achieve: "In consultation with the adviser, the concept makes it possible to adapt the securities portfolio anytime to the individual risk affinity and personal need for security and safety through the use of various protection mechanisms," Due to this level of flexibility, hardly any two securities accounts have developed identically since the launch of Deka-Vermögenskonzept, even if the initial investment parameters were the same. This is where individual differences become obvious with regard to the safety requirements as well as the investment strategy.

Fund model with additional features

Deka-Vermögenskonzept is fund-based, meaning that fund assets are invested across different asset classes, sectors and securities. Several types of basic securities accounts are available to select from, which vary in terms of their investment focus and the quota invested in shares, bonds and the money market. The quotas for the different asset classes are weighted by Deka's fund managers, depending on the market conditions. Investors who are more opportunity-oriented will select a basic model where a higher share is invested in equities worldwide. Safety-oriented customers, on the other hand, are more likely to opt for a variant with a lower equity exposure.

Upon customer request, Deka-Vermögenskonzept may also be combined with a managed initial investment, where the share ratio is gradually increased to a level which is in line with the relevant market conditions and type of securities account. This approach minimises the timing risk and investors benefit from the cost average effect, which contributes to making securities savings with equal instalments more attractive. Exit management is also an option, and helps investors immunise their capital from price fluctuations in the capital market on the scheduled disposal date.

Customers want safety – however, each customer defines safety differently. This is where the portfolio strategies of Deka-Vermögenskonzept come into play. Dirk Degenhardt explains: "The portfolio strategies are our response to the customer needs reflected in the savings banks' day-to-day consultancy activities."

Christoph Müller (first on left) from Kreissparkasse St. Wendel recommends Deka-Vermögenskonzept to his customers. Co-developed by Dirk Degenhardt (first on right), Head of Product Management at DekaBank, the consultancy tool has been very well received by customers – this has also convinced Josef Alles (second on left), Chairman of the Board of Management of Kreissparkasse St. Wendel, and Benedikt Baron (second on right), Department Head of the Wealth Management Centre.

Customers can choose between three portfolio strategies at any time and may also combine them. The loss limitation option aims to ensure that the investment does not fall below the limits specified for an agreed-on period of time. This option offers protection if there is a steep and abrupt drop in prices. If the capital preservation strategy is chosen, Deka Wealth Management manages the investment with a view to preserving the value of the portfolio as far as possible over a defined time period. Customers who decide for the profit protection strategy can expect that any portfolio peaks realised will be repeated again on a defined end date. Christoph Müller, Customer Adviser at Kreissparkasse St. Wendel, reports from practical experience: “As soon as I have identified what type of safety the customer wants, the portfolio strategies offered by Deka-Vermögenskonzept provide me with the right tools for meeting their requirements in every market situation.”

The customer decides

With Deka-Vermögenskonzept, we consciously focus on the consultancy services of the savings banks rather than on product placement by DekaBank,” Dirk Degenhardt stresses. Investors have been continuously unsettled by the financial market crisis and only the strong combination of top quality advice across the board and customised fund products will be able to convince them again of the benefits of securities investments over the long-term. DekaBank has also learned from this and drawn its own conclusions from the crisis and changes in investor behaviour.

"Many advisers have confirmed that a completely different basis for discussions with their customers has evolved because we market Deka-Vermögenskonzept as a service," explains Degenhardt. As soon as a significant change in market conditions affects the relevant customer portfolio, the adviser is able to contact the customer directly regarding the new situation. In consultation with his or her adviser, the customer can then decide which options he or she prefers to use in a specific market phase. "This approach lets advisers offer an alternative to the binary decision-making logic of the past – simply whether to hold or sell," says Degenhardt. At the same time, customers have some influence over the success of their investment.

The participation-centred concept challenges customers. By selecting a specific portfolio strategy, they indirectly participate in the decision about which shifts and regroupings are made with regard to safety-oriented investments. Conversely, some activated portfolio strategies may curb performance in boom phases. Therefore, utilising all of the safety options offered by Deka-Vermögenskonzept and adopting a wait-and-see approach is not enough. Customers can actively decide, together with their advisers, when the time has come for greater exposure to the capital market again. Particularly in volatile phases, advisers and customers have to be able to respond quickly – and Deka-Vermögenskonzept makes that easier to do.

This task also represents a challenge for advisers. They must support customers with advice and expertise, "guiding" them in structuring their portfolio on an individual basis – in other words, providing consultancy services in the classic sense. Department Head Benedikt Baron points out that this is not always easy for advisers at the start, and most certainly not in volatile markets with falling share prices. "When it was first introduced, we were initially sceptical as to whether this model would really be accepted by the customers. Ultimately, you never know until you try." Here as well, DekaBank worked in close partnership with the savings bank and carried out extensive trials with two of their most experienced customer advisers. This pilot phase showed that "customers want expert advice, especially when prices are dropping," Baron says. "Moreover," he continues, "opportunities for outperformance also arise." The vague hope of offering customers something very special with Deka-Vermögenskonzept soon became a certainty.

Advice rather than selling

Committing to Deka-Vermögenskonzept marks a change of perspective for advisers. They need to understand the impetus of the market as an opportunity to talk with their customers and proactively contact them. This may cost some effort when the markets are heading south, but at the same time, it is a chance to increase customer loyalty. After all, the

Company pension scheme – time saves money

Anyone who associates the term "company pension scheme" with something akin to fatherly care is very wrong. With society ageing as a result of demographic developments and a growing shortage of specialists, companies are forced to pull out all the stops when recruiting and retaining employees. An attractive company pension will often convince a hesitant candidate.

However, the mere promise of cash payments, for example in the form of pension benefits, does not achieve the required aim. Regardless of the competition for the brightest minds, companies cannot afford to give up their future financial flexibility by making commitments on too wide a scale. Oliver Leidel, Head of Company Savings Schemes at DekaBank, explains: "Today, first and foremost, companies need solutions which are geared towards the individual life plans of their employees. One employee may want to retire early, while another might wish to take an extended leave of absence to work on a social project and yet another prefers to reduce monthly working hours gradually as retirement age approaches. All of these situations have an impact on the traditional earnings history and therefore on statutory pension entitlements."

DekaBank's response is the Deka-ZeitDepot, a working time account that accrues on the basis of regular deposits made over the employee's working life (such as capital-building payments, annual bonuses and regular contributions to savings plans from the individual's regular salary). In addition, payments received for overtime and compensation for days of holiday leave not taken also flow into the account. According to Leidel, "We deliberately offer a high level of flexibility, in order to align the offering to individual life plans and the personnel policy requirements of the employer." The capital is invested by the employer in selected Deka investment funds. Employees can make arrangements with their employer to either use the balance to finance leaves of absences or use it to reduce their working hours prior to retirement. The assets are held at DekaBank and are therefore protected from creditors in the event of bankruptcy on the part of the employer. Another advantage is that the credit balance is topped up by gross employer contributions. That means that taxes and social security contributions are also invested and earn interest until they are levied upon disbursement.

Companies also profit from the Deka-ZeitDepot, since they can offer it as an alternative to their own partial retirement models and early retirement arrangements. Moreover, the administrative expenses incurred by the company are low, because all the requirements in terms of asset management are covered by DekaBank, including insolvency protection, capital investment, administration and advice. Moreover, long-term securities accounts also offer an opportunity to retain employees and increase their loyalty to the company and have a positive effect on the corporate image as well.

The savings banks play a key role in sales of the Deka-ZeitDepot. They are in direct contact with companies, and this solution enables them to prove themselves as expert full-service providers. At the same time, administrative efforts and expenses are outsourced to DekaBank. As a result, the Deka-ZeitDepot has been established nationwide in Germany across all sectors and company sizes. The smallest participating company has only eight employees while the largest companies include several DAX-listed groups. Naturally, many savings banks as well as DekaBank itself are taking advantage of the benefits of the Deka-ZeitDepot for their own employees.

need for advice is greatest in times of uncertainty and volatile markets. Customer Adviser Christoph Müller is convinced that avoidance is no solution.

Naturally Deka-Vermögenskonzept cannot guarantee gains in every market phase. However, if customers realise price losses when the markets are in turmoil, they will critically question the role of their bank. “If they have the impression that the Bank was not focusing on them, but solely on sales targets when it sold the product, they will switch banks sooner or later,” says Müller. Investors have every right to expect that their adviser will explain the risks even in times when stock market conditions are difficult, suggest hedging strategies and provide an answer to the question of how to proceed. “Deka-Vermögenskonzept is ideal for this,” emphasises Müller.

He is not alone in this conviction. Josef Alles, Chairman of the Board of Management at Kreissparkasse St. Wendel, is also committed to Deka-Vermögenskonzept: “For us, this consulting approach, which places the customer at the centre, is the most important constant of our business activities. We want to be there for our customers and promote trust – those are the things that will pay off in the long term. I firmly believe that this represents a strategic customer solution, through which we can and must gain market shares.” This advantage benefits the savings bank, since good securities business always generates new deposit business as well. According to Josef Alles, “Deka-Vermögenskonzept attained the status of a basic product for us in a very short time.”

The figures reflect this: in less than a year, the eleven employees on Baron’s team have already convinced 310 customers of the benefits of Deka-Vermögenskonzept and their investments now total €7.6m – putting Kreissparkasse St. Wendel in a leading position in Germany.

Support from Frankfurt

DekaBank in Frankfurt is doing its part by providing the advisers at Kreissparkasse St. Wendel and other savings banks with all the information they need about Deka-Vermögenskonzept. This includes adviser training courses, supplying informational material and making recommendations based on typical cases. Every adviser is able to scrutinise the respective securities portfolios at any time, carefully examining the strategies and revenues. Well-equipped with this knowledge, they can then approach their customers. Baron has noticed a positive change among his colleagues at Kreissparkasse St. Wendel since the introduction of Deka-Vermögenskonzept: they are more confident when it comes to tackling their tasks. “Anyone who has had the opportunity to assist a customer with advice during a crisis is usually held in high regard. This is both a reward and incentive for my team.”

Schloss Sonnenstein: The castle complex located in Pirna, which dates back to the 12th century and is protected as a historic monument under a preservation order, became the new administrative headquarters of the Sächsische Schweiz-Osterzgebirge administrative district at the end of 2011, following a two-year renovation. The "Lord of the Castle" is District Administrator Michael Geisler, who is supported at the Pirna location by a team of around 500 employees in the district administrative authority. The restoration of the castle was also made possible by the support and commitment of Ostsächsische Sparkasse Dresden, where District Administrator Geisler is Chairman of the Administrative Board, together with the assistance of municipal consulting specialist Deka Kommunal Consult. Within a period of just two years, a disintegrating castle on the verge of collapse has been turned into a real gem.

Michael Geisler was photographed in Schloss Sonnenstein in Pirna.

100% COMMITMENT

It wouldn't have taken much and Schloss Sonnenstein, already close to collapse, would have just crumbled away. After a failed attempt to turn the castle into a hotel, all efforts at preservation were restricted to emergency structural measures. But the Sächsische Schweiz-Osterzgebirge administrative district was not satisfied with that. They had a daring idea: to combine the rescue of the dilapidated castle with the search for new headquarters for their administrative offices. A new location was needed because a territorial reform and transfer of regional duties to the municipalities in Saxony meant that they had to accommodate considerably more employees in the main district town of Pirna. Moreover, the previous administrative buildings in the district had significant structural defects and would have required a substantial amount of investment.

It was not just the architectural value of *Schloss Sonnenstein* and its picturesque location on an elevation directly adjacent to the Elbe River that spoke for its preservation, but also its varied history. "The city of Pirna's desire to renovate the castle, and the aim of the Sächsische Schweiz-Osterzgebirge administrative district to find an affordable solution for its new headquarters came together at just the right time," explains District Administrator Michael Geisler. Up until the end of 2011, when the district administrative authority was able to move into its new offices, it had been split across several locations, which had not made making working together very easy.

Complex financing structure

However, there was still the question concerning the feasibility and financing of the castle renovation. At around €38m, the volume of the project was far more than the public authorities are able to find in times of limited funding. The administrative district presented its idea to its financing partner, the Ostsächsische Sparkasse Dresden. The savings bank, whose remit and mission includes actively supporting the public sector in the region, demonstrated its commitment to this goal: it examined the challenging project in detail and recommended bringing in specialists from Deka Kommunal Consult (DKC). As a leading consulting company for the public sector, DKC had the expertise required to make restoring the castle and solving the administrative district's office space problems a reality.

DKC initially reviewed the various alternative locations in terms of feasibility and economic viability, taking into account all expected subsequent and operational costs. And the results were surprising: despite its ramshackle state, the *Schloss Sonnenstein* castle won out against its rival locations in the long-term viability analysis. This was due to the fact that subsidies from the government and the Free State of Saxony were available for the restoration of the historical ruins and could be used to supplement the funds from the City of Pirna and the start-up financing from the administrative district.

DKC in brief

Established in 1995, Deka Kommunal Consult (DKC) is a subsidiary of DekaBank with offices in Düsseldorf and Berlin. DKC is one of the leading German consulting companies for local authorities and public sector companies. In addition to providing financial advice and support on investment projects, DKC's range of consultancy services include strategy development, municipal budget and financial management, investment management, real estate management and strengthening the "Municipality Group".

District Administrator Michael Geisler (centre) likes teamwork. *Schloss Sonnenstein* was renovated thanks to the combined forces of the municipality, savings bank and DekaBank. Burkhard Egbers (left), Managing Director of Deka Kommunal Consult, and Joachim Hoof (right), Chairman of the Board of Management of Ostsächsische Sparkasse Dresden, praised the commitment and outstanding cooperation on all sides.

These financing components were the key to the success or failure of the ambitious project. According to Rainer Book, an experienced municipal consultant at DKC, the biggest hurdle for such undertakings is the tight time schedule for the individual project steps and approvals. A precisely coordinated approach is required here in order to ensure access to all of the available subsidies. "For that reason, the municipality asked us to support the entire project," says Book, who, together with his colleague Melanie Kunzmann, was responsible for managing the project locally in Pirna. With Ostsächsische Sparkasse Dresden and municipal consulting specialist DKC, the administrative district secured expert partners for its project.

Opening up new approaches

As part of the financial viability study, DKC suggested that the general restoration and operation of the property be put out to tender as a public-private partnership project for 25 years, thereby involving the private sector in the project. This model promised substantial cost benefits. The exemplary cooperation between the municipality and the private sector won the Innovation Award in 2011 from the PPP Federal Association and professional journal *Behördenspiegel*. The *Schloss Sonnenstein* project beat out 19 competitors that submitted their documents this year. In its opinion, the jury said: "It serves as a prime example throughout Germany for its inclusion of subsidies in a complex financing task and consideration of extensive building preservation requirements."

Precedent-setting project

Despite the tight timeframe, the renovation stayed on schedule. The ceremonial handover of the "new" *Schloss Sonnenstein* to the administrative district took place in December 2011, right on time. "The *Schloss Sonnenstein* restoration is a shining example of the outstanding cooperation between the savings bank, municipality and DekaBank," confirms Burkhard Egbers, Managing Director of DKC. "The *Sparkassen-Finanzgruppe* is a reliable partner for municipalities and their local companies – for a wide range of projects, regardless of their size."

Through the successful implementation of major projects, the savings banks demonstrate their commitment to their regions in line with their mission. "As one of the largest savings banks in Eastern Germany, it is particularly important to us to contribute to the attractiveness of the region," says Joachim Hoof, Chairman of the Board of Management of Ostsächsische Sparkasse Dresden. And DekaBank, too, fulfils its remit as a member of the *Sparkassen-Finanzgruppe* by supporting this commitment, with the expertise of its specialists or by facilitating access to the capital market and thus to funding.

In addition to the municipality and the savings bank, the employees of the district administration in Pirna also benefited from the project, as they now have modern office facilities in this historical setting. However, the residents of the city and the many Elb region tourists can also enjoy the castle in all its new splendour. Moreover, the opportunity was also utilised to restore the ramparts, improve transport connections for the complex, and to make it accessible for tourists as well in the near future.

All in all a successful project that would hardly have been possible without the commitment of the savings bank and the influential impact of the *Sparkassen-Finanzgruppe*. A message not lost on the politicians: "The *Sparkassen-Finanzgruppe* is able to provide the expertise for major projects as well and support the implementation of such projects at the local level," comments District Administrator Geisler. "In the case of the *Schloss Sonnenstein* project, everyone involved pulled together."

DKC Managing Director Burkhard Egbers is also very happy: "We are delighted that for projects such as *Schloss Sonnenstein*, we can provide support to both the local savings bank and the municipality and therefore fulfil our duty as a member of the *Sparkassen-Finanzgruppe*."

Commitment to art and culture

Commitment to art and culture is part of the "genetic makeup" of the *Sparkassen-Finanzgruppe*. A total of approximately €150m was invested in cultural projects in 2010, making the association the largest non-state sponsor of culture in Germany. The commitment of the savings banks and their 176 cultural foundations encompasses local and regional culture in all their diversity.

DekaBank primarily enters into partnerships with renowned national institutions, often together with the *Deutscher Sparkassen- und Giroverband – DSGV* (German Savings Banks and Giro Association). "By working with various institutions of the *Sparkassen-Finanzgruppe*, it is possible to enhance this existing regional support with projects that have important national and international impact. It is also intended to communicate, on a nationwide basis, the role that the *Sparkassen-Finanzgruppe* plays with regard to promoting culture," explains Silke Schuster-Müller, Head of Social Concerns at DekaBank.

A good example here is the cooperation between the *Staatliche Museen zu Berlin* (National Museums) and the *Sparkassen-Finanzgruppe*, represented by the Berliner Sparkasse, DekaBank and the Savings Banks' Cultural Fund of the DSGV. With 15 collections, the *Staatliche Museen zu Berlin* constitute a unique universal museum. This is complemented by three research institutions and the Replica Workshop, a traditional form of a manufactury that has been used to create high quality art replicas for 200 years. The areas covered by the *Staatliche Museen zu Berlin* range from the art and cultures of the antiquity through to the present day.

The aim of the cooperation between Berliner Sparkasse, DekaBank and the Savings Banks' Cultural Fund of the DSGV is to preserve this cultural heritage. Launched in the reporting year, the goal of the three-year cooperation is also to support outstanding exhibitions and youth education.

The red cloud (by Renato Guttuso), New National Gallery, Staatliche Museen zu Berlin

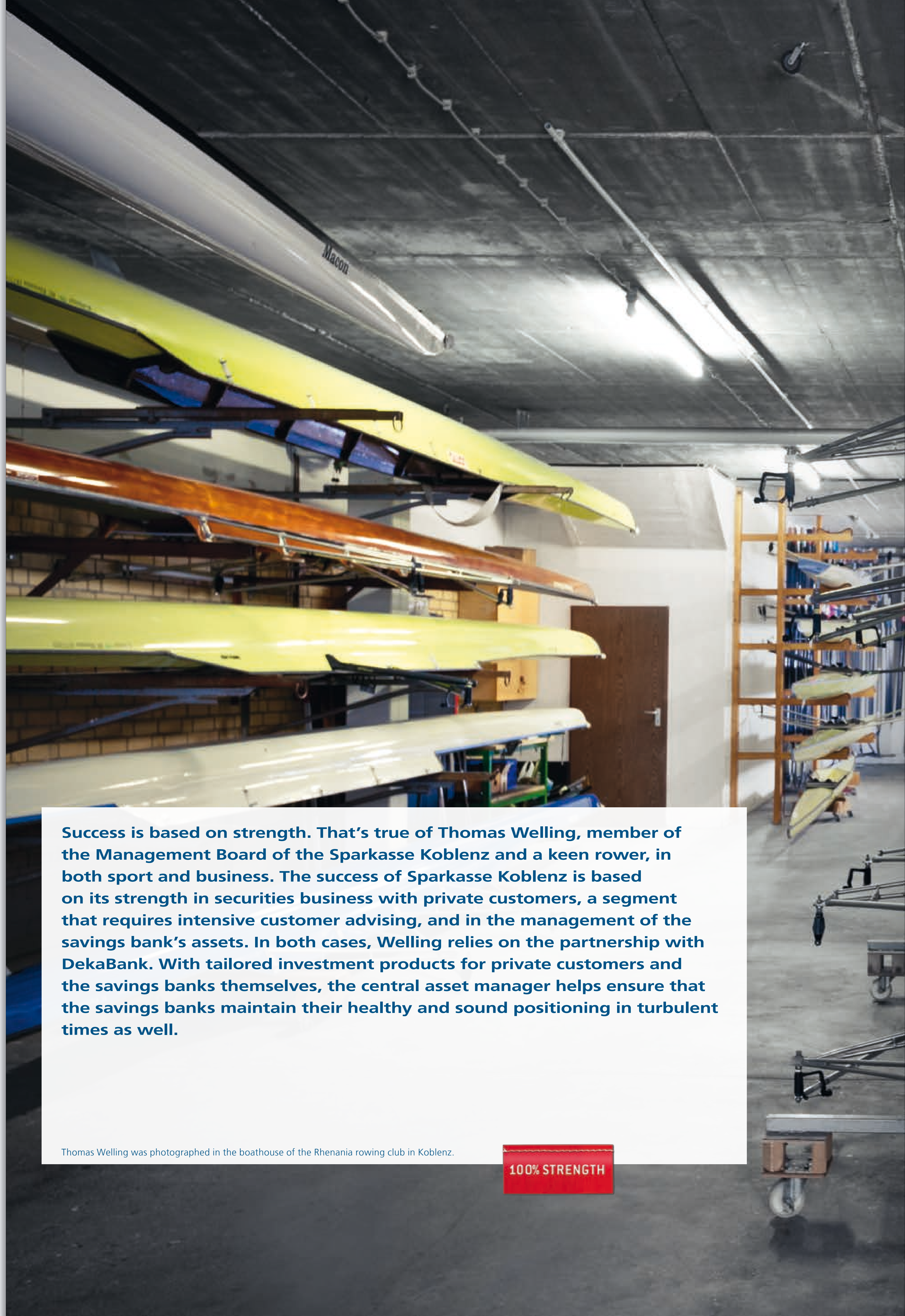
Historic Green Vault (Historisches Grünes Gewölbe), Staatliche Kunstsammlungen Dresden

The first highlight is the "Divided Heaven. 1945–1968" exhibition that opened at the New National Gallery in November 2011. The "Make a Wish!" competition, which invites young people to think critically about art and actively take part in shaping "their" museums, is especially designed to promote cultural education.

The partnership with the *Staatliche Kunstsammlungen Dresden* museum association was also extended for a further three years in 2011. The main sponsors are the DSGV, the *Ostdeutsche Sparkassenverband* (East German Savings Banks Association), the Ostsächsische Sparkasse Dresden, the Sparkassen-Versicherung Sachsen and DekaBank. *Staatliche Kunstsammlungen Dresden* museum is one of the most important and oldest museum associations in the world. The collections are spread across twelve exhibition sites, including the Historic Green Vault (*Historisches Grünes Gewölbe*). The *Sparkassen-Finanzgruppe* intends to support one to two outstanding projects a year. In 2012, these comprise the "Gerhard Richter. Atlas" exhibition that runs to commemorate the 80th birthday of the painter and "The Sistine Madonna. Raphael's iconic painting turns 500", a major anniversary exhibition which opens at the end of May 2012.

The support for dOCUMENTA, held in the City of Kassel, has a particularly longstanding tradition. The first exhibition in 1955 was already supported by the Kasseler Sparkasse. Since then, the *Sparkassen-Finanzgruppe* has been supporting this event, which takes place every five years and has become the world's most important contemporary art exhibition.

As the main sponsor, the DSGV, with the participation of DekaBank and five other institutions in the *Sparkassen-Finanzgruppe*, focuses on providing information. A smartphone app was developed for the 13th exhibition, dOCUMENTA 2012, which is intended to help visitors navigate more easily through the various exhibition sites in the town and also provides information on the exhibits.



Success is based on strength. That's true of Thomas Welling, member of the Management Board of the Sparkasse Koblenz and a keen rower, in both sport and business. The success of Sparkasse Koblenz is based on its strength in securities business with private customers, a segment that requires intensive customer advising, and in the management of the savings bank's assets. In both cases, Welling relies on the partnership with DekaBank. With tailored investment products for private customers and the savings banks themselves, the central asset manager helps ensure that the savings banks maintain their healthy and sound positioning in turbulent times as well.

Thomas Welling was photographed in the boathouse of the Rhenania rowing club in Koblenz.

100% STRENGTH

DekaBank does not operate alone, but rather as a team player. It can only be successful if its funds, services and advising offers are well received by its partners, the savings banks. To this end, DekaBank develops tailored products for the savings banks and provides support with customer advice and sales. Furthermore, it offers the savings banks flexible and attractive solutions for their own investments, which helps the savings banks comprehensively leverage their competitive strength.

When it comes to the investment fund business, Sparkasse Koblenz is one of the strongest and most successful banks in Germany. Its customers hold Deka investment fund units worth more than €700m in their securities accounts. This is the result of the savings bank's business policy which Management Board member Thomas Welling describes as follows: "We focus very strongly on the long term, in every aspect of our business: long-term customer relationships, long-term investment strategies, long-term increases in value in securities portfolios." Sparkasse Koblenz is thus a great example of the savings banks' particular business philosophy: for them, it's not just about performing well over a limited period or within the space of a year, but about operating successfully on a continuous basis. By foregoing short-term yield enhancement, they offer investors guidance, even – and especially – in turbulent times.

Focus on preserving assets

In terms of advising customers, this means that every investment strategy focuses first and foremost on the principle of preserving assets, in line with the customer's individual risk propensity. However, investment concepts that centre exclusively on risk-free interest rate investments are not enough to achieve this aim. This is because in the traditional deposit business, there are always phases when the rate of inflation exceeds the savings interest rate. In such market constellations, asset preservation is threatened. For Sparkasse Koblenz, funds are the answer. They are not immune to price fluctuations, but through their diversification they reduce the investment risk and offer attractive potential for returns at the same time.

If you look at the fund inflows in the sector, the savings bank is not exactly on trend with this approach. Regardless of low interest rates and inflation, some investors have temporarily turned their backs on investment funds along with other securities. Prices may well have long recovered and fund investors may be the winners in the long term: the tremors triggered by the financial market crisis are continuing to have an impact and the aftershock of the national debt crisis has brought it all back.

In view of this, DekaBank's ongoing task is to increasingly provide funds that are protected on the downside, but still offer potential return. And naturally, to always be somewhat better than the competition, a goal which, in the past few years, has been achieved remarkably well in the case of many funds. "Deka investment funds let investors participate in the development of the markets and generate asset growth without having to take on major risk with individual securities," explains Sebastian Ortmann, DekaBank Sales Director responsible for Koblenz. "They are therefore suitable for long-term investment concepts such as those recommended by Sparkasse Koblenz." Ortmann's job is to find out which funds are the best fit for the philosophy of the respective savings bank and its customers.

A strong team: Cornelis Witte (right), Head of Institutional Customers Savings Banks Central Region at DekaBank, and Sebastian Ortmann (left), Sales Director at DekaBank, help Thomas Welling (centre) maintain the strong positioning of Sparkasse Koblenz. As a member of the Board of Management, Welling not only recommends Deka investment funds to his customers, but also relies on the central asset manager of the *Sparkassen-Finanzgruppe* when it comes to managing the savings bank's own assets.

Advice is at the forefront of implementing this long-term business strategy at Sparkasse Koblenz. "Over the past few years, markets have become more volatile," stresses Welling. "In this climate, you need three things to make the right decisions: extensive expertise and knowledge, a cooperation between the adviser and customer that is based on trust, and an exact understanding of the customer's requirements." That's why the advising process starts by determining the level of risk the customer is prepared to take on. The next step is to identify the right asset classes and establish the appropriate weightings and ratios in the mix. "Experience has shown that this step is far more important for subsequent performance than the selection of individual securities," explains Welling. Deka investment funds can be used to track promising markets and favourable segments. At the same time, the broad range of funds allows the customer's individual risk appetite to be taken into account. Sparkasse Koblenz mainly uses Deka fund of funds, property funds and guarantee funds in its retail segment.

Transparent advice at the "Best Bank"

In order to continually ensure and improve the high quality of the advising services, detailed records of customer consultations have been retained since 2004. When the mandatory documentation requirement was substantially expanded at the start of 2010, the teams at Sparkasse Koblenz were therefore already well-prepared. In addition to meeting the legal requirements, these records also help to determine the needs of the customer. They enable customer advisers and customers to reach a common understanding of the long-term investment strategy. Moreover, the standard of the advice is also transparent over longer periods of time. To ensure the quality of the advising services on a long-term basis, Sparkasse Koblenz calls on the support of DekaBank. There are regular adviser workshops and sales training sessions, for example – all tailored to the sales focus of the savings bank.

Success shows that Sparkasse Koblenz has the right approach: in 2011 the magazine Focus Money distinguished the savings bank as the "Best Bank" in the region. An achievement that feels familiar, since Sparkasse Koblenz had already been awarded this title in 2010. "For me, winning the award twice is further proof that our long-term strategy is right," says Welling.

Transparency and reliability

Continuously being one of the best means that success cannot be just a "one-hit wonder". And that is why being named "best ETF provider" again in 2011 is almost more important for ETFlab Investment GmbH than it was when it won the title for the first time the year before. Readers of investment magazine *Börse Online* ranked the DekaBank subsidiary ahead of the competition in a wide range of categories: most trustworthy, amount and transparency of fees, best website, as well as the excellent accessibility and expertise of the staff; according to the readers, those factors are some of ETFlab's key strengths.

Compared with the competition, there is a need to catch up in terms of brand awareness. This is understandable as ETFlab is not geared primarily towards private investors, but rather institutional customers and the savings banks in particular. As a result of this focus, the range of index funds is of a manageable size, since professional customers concentrate on core markets and are less interested in "exotic" products.

Andreas Fehrenbach, Managing Director of ETFlab

Based in Munich, the company has been operating in the market since 2008 and is therefore comparatively young. "Winning the title of best ETF provider again makes us all the more determined to continuously improve our products and processes," says Andreas Fehrenbach, Managing Director of ETFlab. In line with this approach, the team in Munich places a special focus on the alliance with the savings banks, for example by using savings bank-specific IT interfaces for reporting or through the cooperation with DekaBank's Institutional Customers business unit.

Strength through ETFs

In principle, the same philosophy applies when it comes to managing the savings bank's own assets in the Depot A securities account as with customer advice: investments that combine capital preservation with opportunities for a return are top of the list. Welling: "It's true for Depot A as well: it's hard to preserve assets in the long term, let alone increase their value, by merely using interest rate products." The investments utilised by Sparkasse Koblenz therefore also include ETFs from DekaBank subsidiary ETFlab Investment GmbH.

ETFs, exchange traded funds, are passively managed index funds traded on the stock exchange. They are especially suitable for the savings banks' own investments because they can be flexibly traded like equities or bonds, but also offer many of the same advantages as funds (such as risk diversification). In addition, the investors also receive a dividend disbursement with these index funds, which are bankruptcy-remote and treated as investment funds. Furthermore, they provide an opportunity to invest liquidity in the short term.

ETFlab products are tailored to the requirements of institutional investors in Germany because they take into account all of the relevant reporting standards and tax regulations. They also use interfaces with the savings banks' IT system, which means that the Treasury department at the respective savings bank can easily create individualised reports and evaluations. The DekaBank subsidiary also offers excellent service and support and in this regard, benefits from the fact that it is very familiar with the structures in the *Sparkassen-Finanzgruppe*.

One feature of ETFlab products is their design as fully-replicating funds, and the respective index is thus tracked with the original securities. All of the instruments represented in the index are also actually held in the securities account with the corresponding weighting and not replicated synthetically via interest rate derivatives (swaps). "That offers greater advantages," says Cornelis Witte, Head of Institutional Customers Savings Banks Central Region at DekaBank. "While income from swap-based ETFs is treated as extraordinary income, here it is deemed to be ordinary income, with the associated tax benefits. Another disadvantage with swap-based products is that for the investor, there is sometimes a lack of transparency with regard to which agreements the ETF provider has entered into." The ETFs from ETFlab are also distinguished by a very low tracking error and consequently, they accurately replicate their respective market index.

For management board member Thomas Welling, these products are now indispensible for the savings bank's own investments in the Depot A securities account: "Even when markets are volatile, ETFs allow you to implement trading strategies with extensive limit options very easily and thus generate returns. For us, ETFs are therefore an important pillar in our business model and help ensure that Sparkasse Koblenz will continue to remain strong in the future."

Scientific knowledge doesn't come for free. Peter Anders from Stifterverband für die Deutsche Wissenschaft, an initiative for promoting science and higher education, knows that too. As an asset manager, he ensures that the capital donated by companies and private individuals is responsibly preserved and increased. In DekaBank and Sparkasse Essen, Anders has found two strong partners that share this same understanding of sustainability. The chemistry is right; after all, the responsible promotion of science and education has always been part of the public service remit of the Sparkassen-Finanzgruppe. Despite the financial market and national debt crisis, the performance of the special fund set up by the partners has been so stable that it has set an exemplary precedent and inspired others. Through the Deka-Stiftungen Balance mutual fund, private investors can now invest in line with the same sustainability criteria.

Peter Anders was photographed in the chemistry lecture theatre at the University of Duisburg-Essen.

Sustainability and responsibility are the key words of the day. There is hardly a company that has not publicly declared its commitment to a sustainable business policy. However, whether this is a true concern or the companies are just paying lip service to the issue is not always clear to an outsider. As a member of the Sparkassen-Finanzgruppe, it goes without saying that DekaBank not only considers the economic results, but also the ecological and social consequences of its commercial operations. Just how seriously the Bank takes its commitment is also highlighted by the investment strategy of its funds.

One example that illustrates DekaBank's comprehensive approach to sustainability and responsibility is its cooperation with the *Stifterverband für die Deutsche Wissenschaft*. DekaBank has set up a dedicated special fund for the *Stifterverband*, and its associated non-profit foundations can invest their capital in this fund.

The *Stifterverband* has around 3,000 members comprising companies, foundations and private individuals. They represent a cross-section of German trade and industry and include SMEs as well as nearly all DAX listed corporate groups. The members of the *Stifterverband* are committed to promoting science, research and education.

The foundations primarily finance their projects from donations and other contributions, as well as from the income generated by investing their assets. Although in principle, the foundations are free to choose which instruments they use in the capital market, as Peter Anders, Head of Asset Management in the *Stifterverband* Board of Management, explains: "…foundations have to invest in a way which ensures that their invested capital is preserved over the long term." The law governing foundations (*Stiftungsrecht*) stipulates narrow boundaries here and in accordance with their non-profit status, they are not permitted to enter into speculative, high-risk financial transactions. Consequently, traditional forms of investment in a fund wrapper have proven their worth, as they spread the investment, thereby ensuring diversification and adding stability to the portfolio. Moreover, funds can be flexibly adjusted in line with the current market situation, so that as well as diversifying the assets, opportunities for returns can be utilised.

The *Stifterverband*'s special fund offers even more advantages: it enables foundations that do not have the minimum amount of capital required for an individual solution to benefit from a tailored and professionally managed investment. Moreover, bundling volumes means the fund can achieve economies of scale where costs are concerned, which benefits smaller foundations in particular.

Sustainability as a central requirement

In addition to the basic requirement of "capital preservation", the design of the fund had to fulfil another key task: it should invest exclusively in sustainable assets. Consequently, besides economic and ecological criteria, ethical stipulations also have to be taken into account. "After an initial examination of the market, it was clear that the fund would have to be a customised solution," says Anders. Ultimately, the decision was taken to opt for DekaBank. "The determining factor for the choice was its excellent reputation as a provider of fund solutions."

Weert Diekmann, a foundation specialist in the Institutional Customers unit at DekaBank was part of the team that defined the fundamental strategy, alignment and selection criteria together with the *Stifterverband*. "It was no easy task," he remembers. Since if all of the potentially ideologically-based criteria are very strictly interpreted, the investment universe can become too limited to enable suitable diversification. "Accordingly, the safety of the portfolio could then only be guaranteed via near money-market forms of investments," Diekmann explains. Allowing for inflation, it would therefore hardly be possible to preserve the capital.

For the *Stifterverband*, it was therefore a question of making both the vision and objective measurable in a manner that constructively complements the risk, return and sustainability aspects and results in a healthy balance between sustainability

Arnd Brechmann (left), Divisional Head of Securities, Asset Management and Private Banking at Sparkasse Essen, believes that sustainable financial investments have to do more than take ethical, social and ecological aspects into account. Working in partnership with Peter Anders (centre), Asset Manager of the *Stifterverband*, and Weert Diekmann (right) from DekaBank's Institutional Customers unit, it was possible to successfully reconcile yield and sustainability aspects for a special fund.

and potential profit. In Sparkasse Essen, the *Stifterverband* found a partner that focused on achieving this same balance, with a particular emphasis on local economic and social development.

"As a member of the *Sparkasse-Finanzgruppe*, sustainability for us also means increasing value on a long-term basis," says Arnd Brechmann, Divisional Head of Securities, Asset Management and Private Banking at Sparkasse Essen. In the meetings with the *Stifterverband* and DekaBank, it very quickly became clear that they both shared a common understanding of the concept.

The details, however, required further discussion. In the end, the three partners agreed on a two-stage model. Certain sectors, such as armaments, tobacco and gambling, were excluded from the investment universe from the outset. In the second stage, the *Stifterverband* and DekaBank jointly specified negative criteria that impact adversely on the selection of individual assets, for example if a company's products could be used for both civil and military purposes. This situation applies to many conglomerates, but also to some chemical and pharmaceutical companies and in the energy sector as well. DekaBank and *Stifterverband* therefore developed a ranking model to illustrate the intensity of business operations in critical areas. Ultimately this ranking can lead to the corresponding stock or bond being excluded from the fund's investment universe. Conversely, aspects such as sustainability rankings from independent rating agencies have a positive impact.

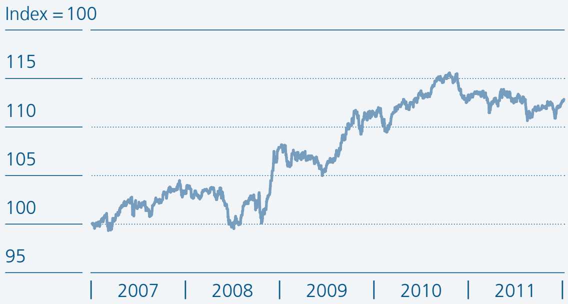
Sustainability – a formula for success for all investors

The *Stifterverband*'s special fund is not only a valuable benefit for Sparkasse Essen and DekaBank, but also for the *Sparkassen-Finanzgruppe* as a whole. With the Deka-Stiftungen Balance mutual fund, the savings banks costumers are able to invest according to the same sustainability criteria which proved successful for the *Stifterverband*'s special fund. Here as well, clearly defined ethical guidelines lead to the underweighting or even the exclusion of individual assets. The fund is actively managed and there is a great emphasis on risk control and security.

Deka also utilises the expertise of external partners: when selecting *Pfandbriefe*, the Bank calls on the knowledge of the *Institut für Markt-Umwelt-Gesellschaft* (Institute for Market, Environment and Society – imug) in Hanover, which conducts market research and socio-ecological company analyses. Government bonds are assessed on the basis of the findings of the Ethical Investment Research Service (EIRIS) in London. EIRIS is the world's oldest and most respected research agency for ethical investments. At the same time, Deka's specialists ensure that the fund has access to the broadest investment universe possible.

The concept also works for mutual funds: for example, in the last five years, the volatility shown by the Deka-Stiftungen Balance fund is on a par with that of a bond investment. No speculative investments, ethically sound and successful – these sales arguments also win points with demanding customers, as Arnd Brechmann of Sparkasse Essen reports: "Often it's the private banking customers that ask specifically about these sustainable funds. The mix of security and profitability is a convincing one."

Performance of the Deka-Stiftungen Balance fund*



* Calculated in accordance with the BVI method   Source: www.deka.de

When selecting candidates for the fund portfolio, the regional business focus of the respective company is also taken into account and assessed on the basis of sustainable and ethically sound criteria. Companies that supply goods or services to dictatorship regimes, or primarily conduct their business in regions where human rights violations on the part of the state are commonplace, are not eligible for inclusion in the fund.

The investment universe is regularly reviewed and discussed by the Investment Committee, which meets every six months. For instance, in recent years, all of the securities in the sustainability fund were examined to determine if they had any links to manufacturers of cluster bombs.

Deka's fund managers can operate freely in this ethically "clean" investment universe, which is limited by sustainability criteria. "For the *Stifterverband*'s special fund, our fund managers only shop in the organic delicatessen so to speak," remarks Diekmann.

To ensure and safeguard the preservation of the foundation's capital, the fund has a risk management system at model level. This is included in the forecasts prepared monthly by Deka's experts. Based on the forecasts, and taking current market conditions into account, the fund managers make decisions regarding the equities or liquidity ratios in the fund. Alongside DekaBank specialists, Arnd Brechmann represents Sparkasse Essen on the *Stifterverband*'s Investment Committee.

Responsibility pays off

The results are impressive: since the sustainability fund for the *Stifterverband* was launched in 2008, the returns have always been positive, even when adjusted for inflation. This is all the more remarkable given that the general conditions during this time were extremely unfavourable. The markets not only had to contend with the financial market crisis and its repercussions, but also the natural and nuclear disaster in Japan and the national debt crisis in Europe.

The fund's success story is due to the smooth-running cooperation between the three partners, who fit together very well. And the result shows that responsibility pays off – for all concerned.

Group management report 2011

In view of the market turmoil, DekaBank achieved a satisfactory economic result for its shareholders, the savings banks. The main contributions to this result were the comparatively steady level of net commission income – despite weak fund unit sales throughout the sector – and a strong net interest income as well as the high volume of customer trades. Together with the savings banks, DekaBank has established the foundations for future value-oriented growth on the basis of numerous strategic campaigns in Asset Management and supporting capital market business.

Group management report

At a glance

Financial year 2011 centred on the savings banks' acquisition of all of the shares in DekaBank. The trust-based cooperation with the savings banks, our exclusive sales partners in retail business and our most important institutional customers, is now also reflected by the shareholder structure. Following the change in the shareholder structure, we launched various campaigns to tailor the proven integrated business model, which is based on asset management and supporting capital market activities, even more precisely to the requirements of the savings banks and their customers. The joint aim is to strengthen securities business as part of the investment process and progressively increase our added value contribution to the savings banks.

In line with expectations, this added value contribution did not match the previous year's figure in 2011, due to increasing pressure on the capital markets. First and foremost, the national debt crisis in the eurozone further unsettled investors and adversely impacted fund sales. Like our main competitors, we recorded funds outflows in net terms. Marked volatility, widening credit spreads and downgraded issuer ratings were factors that led to a significantly negative valuation result for individual bond positions in the affected eurozone countries and for capital market credit products. In addition, the revaluation of some financed projects, which became necessary in view of the slowdown in economic activity, resulted in higher provisions for loan losses.

The reporting year nevertheless closed with a satisfactory economic result of €383.1m. We mainly achieved this due to comparatively steady trend in net interest and commission income as well as the contribution from customer trading activities. Net interest income reflects a stable development in the interest margin in conjunction with a decrease in portfolio volumes. With regard to net commission income, we partially compensated for the adverse effects of a decline in assets under management with performance-related income. Net financial income from trading positions, i.e. from customer business, actually exceeded the previous year's level. Demand from the savings banks for structured solutions and short-term liquidity was high.

In view of the unsatisfactory fund sales, we took prompt action. The sales launch of our Deka-Vermögenskonzept (Deka Wealth Concept), the new generation of structured investments, was positive, although the turmoil in the capital markets also had an impact here to some extent. We believe that the upcoming launch of a flexible fund of funds concept for basic investments, which is scheduled in 2012, offers great potential. The same applies to the enhanced fund savings plan models and new mixed and guaranteed funds. On the basis of this attractive product range and significantly strengthened local sales teams, we intend to convince savings bank customers across the board of the benefits of actively managed investment funds. We aim to increase both sales and payments to the alliance partners over the coming years.

Our growth course will remain consistently yield-based and risk-oriented in the future. An appropriate return on equity while ensuring the Bank's risk-bearing capacity at all times is just as much a prerequisite for DekaBank's stable ratings as an adequate core tier 1 capital ratio, all of which ensure the Bank's funding strength. We largely retained our strong ratings and passed the EBA (European Banking Authority) stress test conducted in 2011 as well as the subsequent ad-hoc tests by a large margin in each case. Nevertheless, it is necessary for us to increase the core tier 1 capital ratio, which decreased as a result of the purchase of the Bank's own shares that took place as part of the change in the shareholder structure, as rapidly as possible to the 12% target. Until we have achieved this, the application of net income will focus on profit retention while ensuring appropriate distribution to shareholders.

Structure, products and services of the DekaBank Group

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

The value we add ranges from procuring the assets for our various investment products and structuring them to enhancing them and delivering a finished product solution which promptly responds to market trends and investor requirements. The three business divisions cooperate closely together to continually develop and expand their product ranges. In the process, they take into account key capital and property market trends as well as the different risk profiles and investment strategies of private and institutional customers.

Legal structure and corporate governance

DekaBank is a German institution incorporated under public law with registered offices in Frankfurt/Main and Berlin. The shareholder structure of DekaBank changed fundamentally in the period under review. With effect as of 9 June 2011, the 50% stake previously held indirectly by the *Landesbanken* was transferred to Deka Erwerbsgesellschaft mbH & Co. KG and Deka Treuhandgesellschaft Erwerbsgesellschaft mbH. The savings banks have pooled their shares via the regional savings banks and giro associations affiliated with them in Deka Erwerbsgesellschaft mbH & Co. The new shareholder joins the German Savings Banks and Giro Association (DSGV ö. K.).

Of the purchase price totalling €2.3bn, the savings banks paid approximately €1.3bn. The remaining amount of around €1.0bn was contributed by DekaBank on the strength of the profit retained from the excellent results achieved in the 2009 and 2010 financial years. The Bank acquired shares worth approximately €1.0bn via Deka Treuhandgesellschaft Erwerbsgesellschaft mbH, which correspondingly reduced the Bank's equity.

The DekaBank Group strictly adheres to the principles of responsible corporate management. The corporate governance concept for the management and supervision of the Group defines clear and distinct responsibilities for boards and committees and enables an efficient and streamlined decision-making process. In the year under review, DekaBank's code of ethics was comprehensively reviewed and revised and its content was expanded.

In September 2011, the Administrative Board of DekaBank approved the new division of responsibilities at the Board of Management level. As a result, the full Board of Management of DekaBank comprises five members. As before, the business activities are combined in the Asset Management Capital Markets (AMK), Asset Management Property (AMI) and Corporates & Markets (C&M) business divisions. The activities of C&M were formerly allocated to the Board of Management member responsible for capital markets, however, this post has been vacant since 1 July 2011 and the activities have been reassigned. Oliver Behrens, the member of the Board of Management in charge of the AMK business division, is now also responsible for the Markets sub-division within C&M and therefore for all of DekaBank's capital market based products. CFO Dr. Matthias Danne, who remains responsible for the AMI business division, including Real Estate Lending, additionally took over responsibility for DekaBank's other lending activities. Chief Sales and Marketing Director Hans-Jürgen Gutenberger has also assumed responsibility for Treasury until his retirement on 30 June 2012. The duties of Franz S. Waas, as Chairman of the Board of Management, and Dr. h. c. Friedrich Oelrich, as Chief Risk Officer, remained unchanged.

The members of the Board of Management are supported by management committees at the business division level and in Savings Banks Sales. DekaBank also actively incorporates the expertise of the *Sparkassen-Finanzgruppe* into its decision-making process via three advisory boards, which advise the Board of Management, as well as several sales committees. In accordance with the provisions of the Investment Act, the supervisory boards of the German capital investment companies include external members in addition to members of the Bank's Board of Management.

The close cooperation of the Board of Management and Administrative Board is based on trust. The Administrative Board of DekaBank has 26 members in accordance with the Bank's statutes. They include representatives from the savings banks, employee representatives as well as representatives from the *Bundesvereinigung der kommunalen Spitzenverbände* (German Federal Association of Central Municipal Organisations), who act in an advisory capacity. The work of the Administrative Board is performed in part by the full Board and in part by various expert committees. To this end, the Administrative Board has formed the General Committee, the Audit Committee and the Credit Committee. The German Federal Minister of Finance has the general governmental supervisory responsibility.

Organisational structure and locations

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

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

Business divisions and product and service range

Asset Management Capital Markets business division (AMK)

Asset Management Capital Markets (AMK) provides all-round solutions for savings bank customers and institutional investors in capital market-based asset management. This facilitates the implementation of precisely tailored investment strategies that meet all market expectations and encompass the major asset classes. In total, around 4.4 million custody clients in Germany, Luxembourg and Switzerland use the DekaBank's fund-based products. Alongside the funds and structured investment solutions of the DekaBank Group, the product range also comprises products from selected international cooperation partners.

For private investors, AMK offers a wide range of funds, which facilitate investments in equity, bond, money market and mixed funds as well as capital protected funds and any combination of these, partly in conjunction with guaranteed, discount and bonus structures.

With our fund-based asset management products, including Deka-Vermögenskonzept launched in 2011, we offer comprehensive investment options for private investors. This investment approach enables investors to implement their own strategies in line with their individual risk/reward profile.

While retail sales of mutual funds are processed by the savings banks, DekaBank acquires and manages business with institutional investors directly. AMK manages 377 special funds and 67 advisory/management mandates on behalf of institutional investors. In addition, there are 101 master fund 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*).

As at year-end 2011, the AMK fund assets (according to BVI) amounted to €138.9bn, making the business division the third largest provider of mutual securities funds in the German market.

AMK's services encompass all aspects of the investment custody business, including portfolio management, and contract and order processing. Fund accounting and some areas of fund administration are pooled in Dealis Fund Operations GmbH, a joint venture with Allianz Global Investors. Dealis is the largest provider of fund administration services in the German market and also maintains operations in Luxembourg via a subsidiary.

Asset Management Property business division (AMI)

With AMI, DekaBank is one of the top ten property asset managers in Europe. The business division offers property investment products with different risk/reward profiles for private and institutional investors. In addition, customised financing of commercial property is offered to professional property investors. Product quality is decisively enhanced by providing the best possible access to the properties required for investment products and the investors who buy and sell them. The parallel activities in fund business and financing ensure optimum access to the markets that are important for the business division.

In the investment fund business, the focus is on the purchase, further development and sale of marketable commercial property in liquid markets. Subsidiary Deka Immobilien GmbH is responsible for the acquisition, sale and management of property worldwide as well as all other property-related services for all of the funds. The two capital investment companies, WestInvest Gesellschaft für Investmentfonds mbH and Deka Immobilien Investment GmbH, focus exclusively on active fund management.

The product range in the investment fund business includes three open-ended mutual property funds for private customers, thirteen special funds, two individual property funds for institutional customers as well as two real estate private equity funds of funds. The individual property funds are not subject to the German Investment Act. They are managed in the legal form of a German joint stock company and are therefore very flexible in terms of their investment policy and investment format. Another open-ended mutual property fund, WestInvest ImmoValue, is available for the proprietary investment of the savings banks.

With regard to open-ended mutual property funds, DekaBank is the market leader in Germany. Total fund assets (according to BVI) amounted to €22.7bn as at year-end 2011. The assets held in the property funds are invested in 447 properties in 25 different countries.

Real Estate Lending has significantly broader access to markets and investors as compared to the fund business and therefore considerably strengthens the expertise and commercial basis of the business division. The joint approach in fund business and financing provides a competitive advantage over most competitors in the market. Financing activities are concentrated on the same markets, business partners and types of property which are also relevant to fund business.

Corporates & Markets business division (C&M)

The capital market activities carried out within Corporates & Markets (Markets sub-division) support DekaBank's core business and are also available to the savings banks and other institutional investors. The product range is continually adjusted to meet the requirements of the Group's own investment fund companies and the savings banks.

C&M supplies the *Sparkassen-Finanzgruppe* with liquidity as required via the Credits and Markets sub-divisions, with the Treasury sub-division ensuring the Group's overall funding and liquidity investment. Treasury also centrally manages any interest rate, liquidity and currency risks to which the Group is exposed. In addition, C&M makes a contribution to expanding the product range in Asset Management with its production of index funds (ETFs).

Markets sub-division

Markets is the central product and infrastructure provider for DekaBank's customers in terms of capital market business. This sub-division is also responsible for product development, particularly for the Group's own asset managers and the *Sparkassen-Finanzgruppe*. To ensure full utilisation of the platform, services are also made available to selected clients outside the *Sparkassen-Finanzgruppe*, mainly banks, insurance companies and pension funds.

The Short Term Products (STP) unit lends securities from the portfolios of the Group's own investment companies, the Bank itself, the savings banks and portfolios of other customers, and uses the liquidity raised to create additional income for the securities providers and DekaBank. The Group's liquidity generated in this way can also be used at any time for the DekaBank Group's own funds or to supply alliance partners. This highlights the major importance of these activities for DekaBank's business model, especially in times of difficult capital market conditions. Structuring & Trading (S&T) is DekaBank's centre of competence for trading and structuring capital market products as well as for structured issuance business. The comprehensive range of business activities centre on customer-oriented cash flow based business with DekaBank's asset managers, the savings banks and other customers. In commission business, equities, bonds and stock exchange traded derivatives are bought and sold on behalf of customers. Key customers here also include the Group's own funds and the savings banks. In addition, Markets manages business related to exchange traded funds on behalf of institutional investors. Subsidiary ETFlab is responsible for developing, issuing, marketing and managing products while Market Making sets the prices of the DekaBank subsidiary's ETFs and those of other capital investment companies.

Credits sub-division

The lending business (Credits sub-division) focuses on financing infrastructure measures, means of transport (ships and aircraft) and government-backed trade finance. The Credits sub-division concentrates on loans that are suitable for the capital markets and which can be passed on to other banks or institutional investors. The sub-division is also the central point of contact for savings bank funding.

Treasury sub-division

The Treasury sub-division performs the typical tasks of a bank's treasury department and is thus responsible for refinancing and liquidity investments as well as for managing all of the Group's interest rate, liquidity and currency risks.

Savings Banks Sales and Corporate Centres

AMK and AMI are closely integrated with (Retail) Savings Banks Sales, for which a particular Board of Management member is responsible within DekaBank. The division is divided into the following sales units with regional responsibility: Sales North/East, Sales Mid, Sales South and Marketing/Sales Management. Retail Sales 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 the sales strategy and sales control as well as product and sales management and marketing. Institutional Sales and Private Banking Sales are assigned to the Board of Management member responsible for the AMK business division.

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

Non-core business

Business activities that are being discontinued have been pooled in non-core business since 2009. This segment manages securitisation transactions and loans that no longer form part of the core business. The relevant portfolios are reduced while safeguarding assets. In addition, non-core business includes the portfolio of the Public Finance unit, which was discontinued in 2009 and previously formed a sub-division within the C&M business division.

Value-oriented strategy and management

Following the savings banks' acquisition of 100% of the shares, DekaBank is anchored more firmly than ever in the *Sparkassen-Finanzgruppe* as the central asset manager. The business model is geared to comprehensively cover all the requirements of the savings banks and their customers in asset management in an optimal and cost-effective manner by providing a full range of products and services in fund business coupled with supporting capital market activities. This integrated business model was once again affirmed within the scope of savings banks' full acquisition of all of the shares in DekaBank.

Integrated value creation in the DekaBank Group

It is DekaBank's aim to create added value for the *Sparkassen-Finanzgruppe* on a sustained basis. All of DekaBank's activities are designed to accomplish this, and all of the Group's business units combine their competence and skills to work towards achieving this mission. The mission sets the standard for employees in all of the Group units to continually improve their performance while ensuring customer focus and an integrated, comprehensive approach.

The corresponding corporate strategy, which focuses on the requirements of the savings banks, promotes intensive cooperation between the three business divisions and the sales units. Based on this cooperation, the DekaBank Group develops its product range in close alignment with key capital and property market trends, broadens access to asset classes and responds to various risk profiles and investment strategies with customised products.

Ultimately, the integration of fund-based business, lending and capital market business generates attractive income for DekaBank's shareholders. In close cooperation with the savings banks, the regional savings banks associations and the DSGV, DekaBank continues the targeted development of its range of products and services. As a centre of competence for securities and property business and a reliable contributor of income, the Bank's aim is to add further value and benefit for the *Sparkassen-Finanzgruppe*.

Joint strategic campaigns

DekaBank identifies unconditionally with the objectives of the savings banks and actively brings its expertise into their projects. One example is ensuring high advisory quality at the local level.

Repositioning of securities business in the private customer segment

Together with the DSGV, the regional savings banks and giro associations and the savings banks, DekaBank intends to reposition securities as an important element in the formation of assets by German households, in order to permanently strengthen the securities business of the savings banks. The securities and property funds are particularly important, given that they ensure risk diversification. The large-scale project of the DSGV, "Securities Business in the *Sparkassen-Finanzgruppe* – New Challenges for Advisory Services" (*"Wertpapiergeschäft in der Sparkassen-Finanzgruppe – neue Herausforderungen für die Beratung"*), is aimed at the nationwide expansion of securities business in Germany. At the same time, the project is set to ensure that the securities business will be more firmly established at the customer adviser level within the *Sparkassen-Finanzgruppe*.

The specialised expertise of savings banks advisers is the central lever in this strategy. Their knowledge and experience in the securities business will make the difference in terms of whether customers who have been unsettled by the financial market crisis and the turmoil in the capital markets can once again be convinced of the benefits of fund-based products. To provide stronger support for advisers in their communication with end customers, plans are in place for specifically trained DekaBank sales managers to work locally on-site, and in some locations this is already the case. The development of additional sales capacities for fund sales in branch-based and customer business is underway, including expanded training and continuing professional development opportunities. Furthermore, the measures comprise the target group specific relaunch of our online information platform for the savings banks (DekaNet), which, in the future, will offer individual management functions with regard to the range of products and resources.

In terms of products, the comprehensive advisory approach focuses on Deka-Vermögenskonzept launched in the first quarter of 2011. The individual portfolio strategies it offers, coupled with system-generated advisory alerts, make Deka-Vermögenskonzept a key element of structured securities advising within the savings banks financing concept (see page 62).

Sales concept for Private Banking

DekaBank is also involved in a nationwide DSGV project in Germany, which centres on developing a sales concept for Private Banking. The market segment of affluent private customers is rapidly growing, and DekaBank aims to establish itself as a premium partner of the savings banks. In the course of a pilot phase started in the previous year, key success factors were defined that are now being implemented. They include the precise alignment with core advisory topics, such as generation and endowment management, and establishing customised advisory and investment processes as well as appropriate market positioning and the further development of the in-house private banking structure. Highly-trained private banking sales managers will act as the central contact for the savings banks when it comes to services, investment solutions and end customer advice. In 2011, additional savings banks opted for a close cooperation with DekaBank in the private banking segment.

As a result of the takeover of the private banking business of LBBW Luxembourg S.A. and WestLB International S.A. by DekaBank Deutsche Girozentrale Luxembourg S.A. with effect from 1 January 2011, we also acquired affluent customers and assets under management in the finance centre of Luxembourg for the savings banks organisation. For the most part, the adjustments resulting from the takeover were implemented during the year under review.

Group-wide optimisation processes

Alongside cross-entity campaigns in the *Sparkassen-Finanzgruppe*, DekaBank pays particular attention to ensuring that the efficiency of its services, processes and IT architecture is continually enhanced and that they are carefully aligned with customer requirements. By investing in seamless workflows and a high-performance banking platform, we secure our long-term competitiveness and create a broader scope for action.

In the reporting year, we pursued the continuous and sustainable Lean Transformation process that was launched in the previous year. With this project, DekaBank is taking on a pioneering role in the German banking sector. The project is designed to align services more closely to customer requirements and offer customers the specific service that adds the most value for them. This comprehensive approach is also geared to enhancing processes, promoting closer cooperation, expanding the specialised skills of employees, establishing new development prospects and creating sufficient flexibility and scope for action within the various DekaBank teams. To this end, Lean Transformation not only delivers higher quality and better service for customers, but also facilitates the further development and flexibility of the corporate culture as well as the achievement of DekaBank's mission. Following the sixth Lean Transformation wave, we have achieved a potential increase in efficiency totalling around 20%, which has already been taken into account in the current forecasts. By the end of 2011, almost 30% of the employees were involved in this further development campaign.

The measures taken to completely overhaul the IT environment have been combined in a programme called the IT mission. By 2014, the complete IT architecture will be migrated to a flexible, controllable application environment, which ensures high system stability and faster adaptation to new market trends at appropriate operating costs. Within the scope of implementing the IT mission, DekaBank has intensified its cooperation with Finanz Informatik GmbH & Co. KG, the central IT service provider of the *Sparkassen-Finanzgruppe*. The technological solutions developed as part of this cooperation will also be used by other financial institutions within the *Sparkassen-Finanzgruppe* where possible.

Strategy in the business divisions

Strategy in the AMK business division

The strategy in the AMK business division focuses on strengthening its market position in partnership with the savings banks, which are the Bank's exclusive retail sales partners and at the same time the most important institutional customers. To this end, AMK continually develops its range of products and advisory services on the basis of the various customer requirements. Specific advisory options and tailored product solutions are to be made available to customers, which are customised to meet their individual requirements with respect to their income and asset situation, risk profile and investment objectives.

In retail business, AMK and the savings banks jointly target customer groups whose income and wealth varies considerably. By developing specific products, services and advisory concepts, the customer approach is increasingly differentiated and fine-tuned in line with requirements. Across the board, the current focus is on safety-oriented solutions that safeguard the capital invested, partly owing to the current volatility in the capital markets.

For retail customers, AMK bases its range of mutual funds on the savings banks financing concept with the basic product, fund-linked asset management, which is positioned nationwide, and the funds of funds. In this connection, the product range was realigned in 2011 by closing some funds, merging others on a tax-neutral basis and launching some new funds to respond to changing customer requirements and market conditions. The focus of sales continues to be on straightforward products that are easy to understand and provide a high level of security while offering attractive yield opportunities at the same time. The introduction of a new fund of funds concept is scheduled for 2012 as are new fund savings plan models (see page 79). Following the launch in December 2011 of three sustainable funds which only require a low minimum investment, AMK has also made it easier for private investors to access attractive sustainable investment options. Mixed funds remain another focal point. They invest in various asset classes, such as equities and fixed-interest securities and use a wide range of instruments, including direct investments, funds and derivatives. This makes it possible to align each fund portfolio in different market phases in order to exploit the most attractive investment opportunities.

In close cooperation with Savings Banks Sales, AMK developed Deka-Vermögenskonzept primarily for affluent customers. The new service was initially offered in the first quarter of 2011 (see page 62) and makes professional, tailored asset management available to a broad array of customer groups, taking into account changes in investment objectives, life stage planning and risk affinity or aversion. Business with affluent customers of the savings banks with above-average wealth will be expanded with exclusive products and services as well as advisory support for the savings banks.

In institutional business, AMK intends to utilise the opportunities arising from its positioning as a full-service solution provider. Additional sales potential will be leveraged by offering new services.

For the savings banks' own investments, AMK continually develops the range of products and the required infrastructure in cooperation with the other business divisions and Institutional Sales. Regulatory changes necessitate new solutions, particularly in the special funds segment.

The aim of AMK is to integrate institutional customers of the savings banks more closely in the *Sparkassen-Finanzgruppe* by offering comprehensive, advice-centred service. This includes repositioning the range of products and services related to fund-based company savings plans.

Strategy in the AMI business division

The strategy in the AMI business division remains the same and is based on the effective combination of property fund business and property financing. The resources and expertise in commercial property developed over more than four decades are used to buy, sell and manage property as well as for the active management of the property loan portfolio. On the strength of direct access to international property investors in Germany and abroad, AMI ensures product quality and reliable sales and income contributions. The property segments involved (hotels, shopping centres, offices and logistics) and the regions are matched as closely as possible in property fund business and property financing. By using the same local expertise in representative offices and coordinating customer activities, significant synergies are leveraged within the business division in terms of costs, expertise, access and income. Hardly any other provider in the property investment segment can claim this kind of combined, broad and direct market access to important international property business partners.

Property fund business

With the exception of WestInvest ImmoValue, the open-ended mutual property funds are consistently geared to private investors. Rather than being growth-oriented, AMI operates a strict stability-driven investment strategy. Investments focus primarily on core and core+ property with long-term rental income. At the same time, particular care is taken to ensure balanced regional diversification and sustainability-related aspects, such as Green Building certification in particular. AMI also invests in modernisation to ensure the sustainability and marketability of its portfolio, increase letting performance on a sustained basis and enhance the reselling price, all of which generate a steady cash flow for fund investors. On a targeted basis, AMI will continue to channel funds received from institutional investors into products specifically launched for this group of customers. Sales of open-ended mutual property funds are managed on the basis of sales quotas, whose volume is determined by investment opportunities and the target liquidity ratio of the funds.

With this active portfolio management as well as the proven management of fund inflows and outflows, DekaBank was once again consistently present in the market with “open funds” in 2011. Stability of earnings for the funds remains the primary goal of fund management in a competitive environment that remains challenging.

Building on its position as market leader in private customer property funds, the business division is also driving forward the expansion of institutional business. In 2011, AMI therefore focused in particular on buying (smaller) properties which are ideally suited for the generally smaller institutional investment products. To supplement the existing funds, including the single-sector funds of the WestInvest TargetSelect fund family and alternative products such as the Deka Realkredit Klassik and Deka Infrastruktur credit funds, solutions offering additional investment vehicles for the savings banks and other institutional investors are developed and launched in the market.

Real Estate Lending

The strategic focus in Real Estate Lending (REL) remains unchanged: to finance commercial properties in the markets in which the investment companies of the AMI business division also invest. In the current market environment, REL is focusing on countries in which the Bank maintains its own representative offices, with the aim of increasing synergies and reducing risks. New business is only conducted in relation to property types for which the business division has many years of expertise. In other words, we only finance properties which we would also buy for our funds.

This kind of property financing is regularly passed on pro rata to savings banks, banks and/or funds. The role of Real Estate Lending in this respect is continually expanded in the interests of the business division as a whole. The REL sub-division is also responsible for financing open-ended property funds governed by German law.

Strategy in the C&M business division

The C&M business division views itself as a service provider and product supplier for the Group’s own investment companies and the savings banks. In addition, C&M supplements DekaBank’s range of products and services with ETFs and structured issues. Another important role as part of C&M’s responsibilities is to raise, invest and supply liquidity for the Group’s own funds and the savings banks.

Markets sub-division

In the course of the regular review of the product and service range, the Markets sub-division was realigned in 2011. The realignment was based on changed customer needs, market conditions and the imminent new regulatory requirements. Markets, the unit responsible for customer capital market business in the true sense of the term, had a successful year in 2011 and is well positioned for the future.

As a product and infrastructure provider in the capital market business, the Markets sub-division’s role encompasses the development of capital market products and serving as a liquidity centre, credit intermediary and execution platform for the DekaBank Group and the *Sparkassen-Finanzgruppe*. Based on its traditionally strong position in commission business, Markets has evolved into an integrated provider of customised structured products for managing performance and hedging risks.

In its capacity as competent business partner, the Structuring & Trading unit (S&T) meets the customers’ demand for tailored products relating to guaranteed capital funds. Building on the strong foundation of traditional business activities in customer-oriented cash flow based trading, the unit’s extensive trading and structuring expertise is put to use on behalf of customers to develop solutions that offer maximum (customer) benefit and value and generate income for the DekaBank Group. Structured multi asset solutions are used in this context for professional risk hedging and straightforward representation of asset classes in funds and the savings banks. The expansion of its bond and derivatives based business enables C&M to offer institutional customers convincing fixed-income solutions from under one roof. One key element is to expand the structuring expertise in all asset classes. In addition, S&T is the centre of competence for structured issuing business. Alongside traditional origination/syndication of third party issuance business, the first activities related to DekaBank’s own structured issues were implemented in 2011. Upon the request of the savings banks, activities in this segment can be increased anytime.

The Markets sub-division is also the DekaBank Group's central platform for the short-term supply of liquidity to the *Sparkassen-Finanzgruppe*. In addition to tasks related to traditional money transactions, Short Term Products focuses on generating and supplying liquidity to the Group's own funds and the savings banks: for the funds, by borrowing securities from the portfolios of the investment funds, and for the savings banks, from the Depot A (A securities account). With a broad range of traditional repo/lending transactions, including total return/equity swaps, Markets generates additional income through securities lending.

In commission business with shares, bonds and exchange traded derivatives, which is handled by the Brokerage business unit, Markets has been a longstanding active and established partner for the Group's own funds, the savings banks and also for some other institutional investors.

Furthermore, C&M is the provider and market maker of ETFs in the *Sparkassen-Finanzgruppe*, partly via its subsidiary ETFlab. The strategic range of index funds is continually further developed, thereby enabling institutional customers to implement their investment strategies even more accurately and differentiated. In the past year, ETFs based on French government bonds and euro-denominated corporate bonds were issued in the non-banking sector. ETFlab will continue to pursue its conservative product philosophy, which benefits investors. Wherever possible, ETFlab fully replicates the underlying indices. This ensures that the investment funds always reflect the relevant benchmark with the greatest possible accuracy.

Credits sub-division

Credits focuses its activities on funding the savings banks and granting loans in a few selected segments of the lending business.

In the lending business, we have many decades of experience in the segments of infrastructure loans, the financing of means of transport (ships and aircraft) and government-backed trade finance. Since 2011, new transactions with standard conservative structures are only entered into if an assessment is available prior to closing the deal which affirms that partial placement with other investors is a highly probable option. The focus is on transactions that are suitable for the capital markets.

Treasury sub-division

Treasury is responsible for funding and liquidity management throughout the Group. This sub-division also manages the Group's interest rate and currency risks on an operational basis.

Strategy in Savings Banks Sales

Savings Banks Sales is the link between Asset Management and the customer advisers in the savings banks. The unit supports customer advisers in convincing private customers of the quality of our customised products and solutions, for example during adviser and customer events.

Savings Banks Sales also actively supports the implementation of DSGV-wide campaigns to promote securities business and expand private banking activities. In 2011, we strengthened the sales team, particularly at the regional and local level, by making experienced advisers available on-site in the branches. On the product side, the current focus is on campaigns to promote Deka-Vermögenskonzept, which is supplemented by the new Deka basic investments and fund-based saving plans.

Strategy in non-core business

In non-core business, the Bank's strategy is still based on reducing the portfolio volume while safeguarding assets at the same time. The assets (securities and loans) are regularly analysed in terms of their value and expected cash flow. Depending on market prospects, potential write-ups and risk parameters – including probability of default and spread fluctuations – hold or sell decisions are regularly taken in respect of all assets and any previous decisions already made are reviewed. This approach is in line with DekaBank's value-oriented long-term strategy.

Sustainable business policy

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

Our sustainability-related activities extend across four pillars: environmental management/sustainable banking, sustainable HR management, sustainable banking products and social responsibility. Details regarding our principles and current developments are provided in the sustainability report, which is published every year as an integral component of the annual report.

Risk and profit management at the DekaBank Group

To achieve our goal of sustainable and value-oriented growth, the Bank's overall management prioritises measures, optimally allocates resources and consistently meets its targets. With this approach, DekaBank also aims to ensure an appropriate risk/reward ratio in the long term as well as an attractive return on equity. We use non-financial and financial performance indicators to measure our progress in this respect. Comprehensive reporting on Group management indicates at an early stage whether strategic and operational measures are successful or if changes are required, and whether the risk/reward ratio is within the target range.

Non-financial performance indicators

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

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

- Net sales as the performance indicator of sales success. This figure essentially results from the total of direct sales of mutual and special funds of the DekaBank Group, fund-based asset management, the funds of our cooperation partners and the master funds and advisory/management mandates. Sales generated through our own investments are not taken into account.
- Assets under management (AuM). Key elements include the income-related volume of mutual and special fund products in the AMK and AMI business divisions, direct investments in cooperation partner funds, the cooperation partner fund, third party fund and liquidity portions of fund-based asset management and the advisory/ management mandates. For comparative purposes within the scope of the BVI statistics, we continue to use the fund assets according to the BVI.
- Fund performance and the fund ratings to measure product quality.
- The ratio of intra-alliance business (share of our products in total fund sales of the savings banks) to measure our acceptance in the *Sparkassen-Finanzgruppe* and the payments to the alliance partners, which in combination with the economic result reflect our added value contribution in respect of our partners within the *Sparkassen-Finanzgruppe*.

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

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

We also establish staff-related key indicators, such as the age structure of our workforce (see pages 72 to 73), and develop indicators to measure the implementation of our sustainability strategy.

Financial performance indicators

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

The DekaBank Group's risk, earnings and capital management is essentially illustrated by two central financial indicator concepts. The monthly analysis of risk-bearing capacity involves comparing the Group's risk cover funds that may be used to cover losses with the Group risk that has been established across all types of risks that have an impact on profit or loss (see pages 85 to 86). In addition, DekaBank strives to continually increase its corporate value by achieving the best possible economic results under the prevailing risk conditions at any given time.

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

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

Moreover, the economic result forms the basis for calculating adjusted, long-term economic Group net income. This variable, which is adjusted for non-recurring factors and any components that are not sustainable, forms the basis for an assessment of the development of the corporate value of DekaBank as part of medium-term planning. To this extent, the management concept is also linked to DekaBank's business strategy, which focuses on sustainability (see page 50).

Other financial performance indicators are return on equity and the cost/income ratio. In addition to the key indicators concerning risk-bearing capacity, 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 in line with regulatory requirements.

Economic environment

Economic conditions noticeably deteriorated in the course of 2011. After a strong start to the year, the global economy lost considerable momentum. The main reason for this was greater uncertainty among companies and consumers in view of the serious risk to growth resulting from the unresolved national debt crisis in the eurozone. The threat of another recession in Europe also slowed down growth in the emerging economies.

With regard to the capital markets, the national debt crisis continued to cause major uncertainty in some European countries, which was reflected by substantial volatility in almost all the markets. Massive valuation losses on government bonds, which in the past were considered to be safe investments, fuelled fears of a second financial market crisis, and consequently, further measures were taken to stabilise the financial system. The renewed turmoil in the capital markets meant that investors' risk affinity decreased further, after already being at a low level since the financial market crisis. As a result, demand for investment funds was once again restrained and the downward trend in demand from private investors consolidated throughout the sector. At the same time, more stringent regulatory requirements led to higher costs and restricted the leeway available to Asset Management.

The national debt crisis in the eurozone

The European national debt crisis has continually worsened since summer 2011. Alongside Greece, Ireland and Portugal, Italy and Spain were also subject to a downgrade in the second half of the year. France and Austria followed at the beginning of 2012. Risk premiums on many euro-denominated government bonds rocketed. Given that no permanent political solution had been found for dealing with the debt issue, even strong eurozone countries, such as Germany, were concerned about their top rating by the end of 2011.

It took some time for decisions to be made with respect to containing the crisis. Finally, in October 2011, the EU countries at least agreed on the financial leveraging of the European Financial Stability Facility (EFSF), which is worth €440bn. After Greece and Ireland received loans via the EFSF in 2010 and Portugal also required financial assistance from the European Union and the International Monetary Fund (IMF) in April 2011, concerns were voiced that the bailout fund may not dispose of sufficient funds.

In addition, the eurozone countries and the IMF committed to providing additional aid to Greece totalling €109bn in July. In October, another rescue package of €130bn was agreed on, involving a haircut of 50% for private bond investors. The aim of this rescue package was to prevent the crisis from spreading.

Almost all of the eurozone countries failed to meet their consolidation targets, although the shortfall of the different countries varied significantly. Ireland is on target, whereas Greece still has a very long way to go. In most cases, the shortfall was not due to a lack of austerity efforts, but rather to the fact that the economy was weaker than expected.

Despite concerns with respect to independence and monetary stability, the European Central Bank (ECB) supported the rescue measures by buying government bonds from the affected eurozone countries, as it had also done in 2010. Overall, the ECB held government securities amounting to approximately €220bn at the end of 2011. The controversy regarding the possible joint issuance of bonds by eurozone countries (eurobonds) continued. Such bonds would enable the PIIGS countries (Portugal, Italy, Ireland, Greece and Spain) to borrow at more favourable rates in the capital markets. However, they would also result in an increase in interest rates for the stronger eurozone countries. In the course of the year, the difference in interest rates between German government bonds and bonds from the crisis-stricken countries continually widened.

The decline in the value of European government bonds also had an adverse impact on banks. In response to the ongoing European national debt crisis, the EU Council stipulated a minimum requirement for core tier 1 capital ratio of 9%, taking into account market value losses on government financing activities. This requirement must be fulfilled from mid-2012 onwards. However, in the European Banking Authority's (EBA) second ad-hoc stress test for banks, conducted in November 2011, many banks fell short of this figure. These banks also included German financial institutions which had passed the regular EBA stress test conducted in July 2011. This fact prompted the initiative at year-end for passing a second Financial Market Stabilisation Act, which comprises reactivating the Financial Market Stabilisation Fund (SoFFin). In its wake, banks have been aiming to increase their core capital through targeted measures while reducing their risk-weighted assets at the same time, for example by restricting their lending activities. However, the opportunities for an immediate sale of bank loans to remove them from the balance sheet are relatively limited. A credit crunch is not expected to result from these measures, at least not in the strong, northern European areas of the monetary union. The picture looks very different in the highly indebted member states.

Overall economic trends

Global economic growth slowed down in 2011 in the context of the debt crises in Europe and the USA. In particular, the unresolved situation in Europe unsettled companies and consumers, with both groups holding back in terms of investment and consumption. Stringent austerity measures have already seen some national economies in the eurozone slide into recession. However, provided that the eurozone debt crisis does not deteriorate into a full-blown banking crisis, the phase of weak global economic growth should soon be overcome. Although the catastrophic earthquake in Japan and the conflict in the Middle East had very little impact on global economic growth, they triggered temporary outflows from funds.

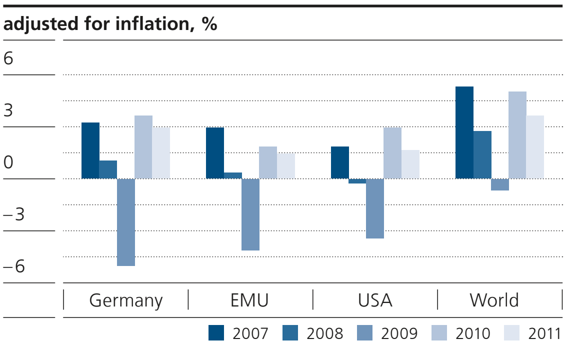
In the USA, the economic outlook stabilised, despite national debt remaining at a high level and the country's rating being downgraded. Falling inflation rates, especially in the wake of declining commodities prices, and a relative easing in the labour market meant that households were more optimistic again towards the end of the year. At 1.7%, the gross domestic product (GDP) just outperformed growth in the eurozone. However, this is far from a return to dynamic growth (Fig. 1).

Most of the emerging markets are experiencing a phase of slightly weaker economic conditions in view of the unfavourable global factors, although growth remains at a high level. This is a positive situation, given that inflationary pressure has reduced considerably. It provides the central banks with more room to manoeuvre and takes the pressure off consumers.

Adversely affected by the debt crisis, the eurozone slid into a light recession. Overall, economic growth in the eurozone was down to 1.5%. In particular, Greece, Portugal, Spain and Italy recorded very negative growth rates in the second half of the year.

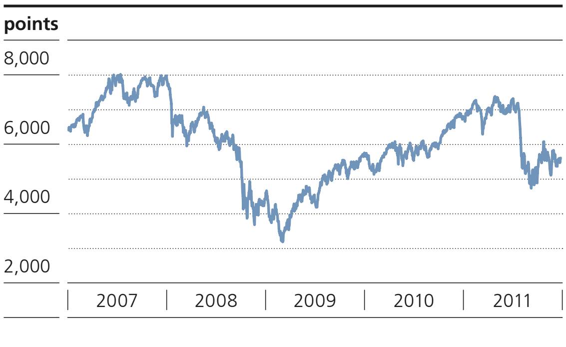
With economic growth of 3.0%, Germany confirmed its role as Europe's economic powerhouse. Nevertheless, the country's exports were negatively impacted by weaker demand from its European neighbours and China. As a result, companies became increasingly restrained with regard to planned investments. However, domestic demand remained robust on the strength of stability in the labour market.

Growth in GDP 2007–2011
(Fig. 1)



Source: Destatis, Eurostat, BEA, IWF

Performance of the DAX 2007–2011
(Fig. 2)



Source: Bloomberg

Trends in capital markets

Uncertainty among investors resulted in substantial volatility in the capital markets accompanied by high demand for safe investment options. The very jittery European equity markets in particular plummeted in the second half of the year (Fig. 2). Key valuation figures are now significantly below their long-term averages, measured in terms of price/earnings ratios, which reflects that an economic slowdown has already been priced in. Exploiting the recovery potential will also depend on whether the loss of trust in the stability of the financial markets and the European Monetary Union is restored. The fact that there is doubt about the general willingness on the part of some of the countries severely affected by the debt crisis to implement reforms currently indicates otherwise.

After the ECB increased key interest rates for the eurozone in two steps to 1.5% in the first half of 2011, it reversed the increases again in the second half of the year in view of the gloomy economic outlook. The 3-month EURIBOR essentially followed the key interest rate development and gradually dropped again in the second half of the year (Fig. 3).

In the bond markets, a two-class society progressively emerged. Government bonds from Germany and the USA were in demand as a safe haven, whereas investors took flight from bonds issued by eurozone crisis countries. Despite the active countermeasures taken by the ECB, risk premiums on Greek, Italian and Spanish bonds were at record highs, whereas the interest on German government securities remained very low. The threat of a downgrade has not changed the situation in principle. The flight from risky investments also resulted in a rise in spreads on emerging market bonds.

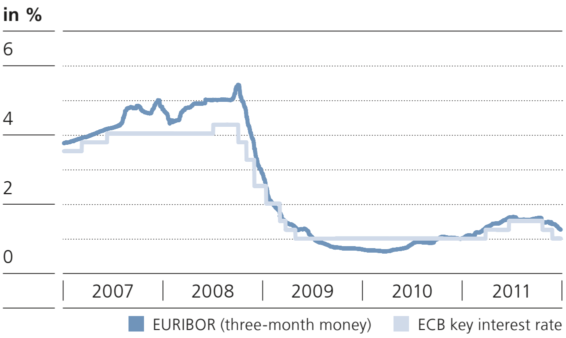
Companies in the affected eurozone countries were also forced to pay higher risk premiums on their bonds. This equally applied to banks with high exposure levels in peripheral countries, which faced extensive losses. In addition, the requirement to improve equity ratios reduced the prospects of future profits. Issuing activities virtually came to a halt.

Covered bonds were also adversely impacted by the volatile markets and only attracted few investors. The ECB, which intends to support the market with €40bn up to October 2012, initially also held back.

In view of the global slowdown in economic growth, commodities prices fell in the year under review. The price of soft commodities and industrial metals declined, in particular. Conversely, there was no change in the demand for gold as a crisis currency and the price of the precious metal continued to climb. However, none of the other precious metals profited from the crisis. Investors speculating on commodities were also far more cautious in their approach. Since April 2011, they have been reducing their net long positions on a considerable scale. Although the continuing high demand for commodities from the emerging markets is likely to support the price of energy resources and industrial metals, the low point has probably yet to come in terms of commodity prices.

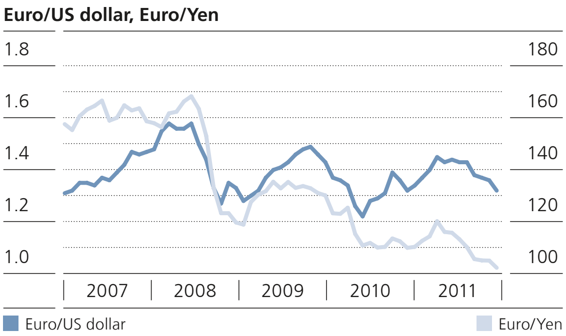
The development of the debt crisis is also reflected by exchange rate developments. In the first half of 2011, the euro rose sharply against the US dollar. However, in the second half of the year, the markets were predominantly sceptical about the future of the single currency and the exchange rate dropped again, returning to the level at the start of the year (Fig. 4). The Swiss franc became so popular as a crisis currency in the second half of the year that the Swiss central bank decided to set a minimum exchange rate of CHF 1.20 against the euro.

EURIBOR and eurozone key interest rate 2007–2011
(Fig. 3)



Source: ECB, Bloomberg

Euro/US dollar and Euro/Yen exchange rate 2007–2011
(Fig. 4)



Source: Bloomberg

Trends in property markets

The financial market crisis also impacted on the European property markets during the reporting year. Reflecting the economic development, the gap between northern and southern European property markets continued to widen. The markets in southern Europe were worst hit by the effect of the crisis. Conversely, Germany remained a safe haven for investors. From our point of view, a stable base had largely been established by mid-2011 with regard to yields in Europe. Compared with the previous year, the investment volume rose once again. However, the flight into core assets continues.

Sales of space and growth in rents accelerated somewhat throughout Europe in the year under review. Growth in rents in Europe was supported by demand in the sound national economies, which mirrored economic developments, and a sharp decline in the volume of completed buildings. London, Warsaw and some locations in Germany, including Berlin, Hamburg, Stuttgart and Munich, led the way. Rental markets in Germany and Scandinavia were increasingly driven by expansion, whereas expiring tenancy agreements and the consolidation of space dominated in Spain and Portugal – markets affected by the debt burden and stringent austerity measures. These markets faced rental losses. The vacancy rate across Europe decreased marginally due to the ongoing restraint in terms of project developments. Frankfurt/Main, Prague and London's West End recorded the most substantial reduction.

In the investment market, the upturn already observed in 2010 continued during the reporting year. Almost 50% of the transaction volume was linked to office property. However, investors' risk aversion remained at a high level, and the focus continued to be on core markets with sound prospects. Investors appreciated the stability of the German property market, where almost half of total sales were attributable to six locations: Frankfurt/Main, Berlin, Düsseldorf, Hamburg, Cologne and Munich. In addition, France and the Scandinavian countries, where national debt is low and the economic outlook robust, were among the biggest winners. Investors are only very gradually starting to consider properties in higher risk categories for their portfolios. Buyers from the USA were the most active cross-border investors.

In the current year, the worsening debt crisis as well as emerging economic concerns have resulted in deteriorating financing conditions and a slight increase in gross loan margins. This trend was least marked in Germany as compared with the rest of Europe, a fact driven by competition. In contrast, the crisis in Spain was reflected in extremely high margins and low credit lines.

Top yields stagnated throughout Europe towards mid-year. Lisbon was the first location to record a renewed rise in yields. In terms of top yields, only those for London's West End are currently significantly below the 5-year average. In addition, the capital value of office space is the highest in London compared with all other European countries and far ahead of Paris.

High-quality retail property once again proved extremely resilient in the crisis, with demand in Europe at a high level in 2011, as was also the case in the previous year. However, demand was concentrated on the best inner city locations and well-established shopping centres. Secondary sites and poorly located shopping centres recorded higher vacancy rates and a decline in rents.

The European logistics markets continued to recover, especially at the start of the year. In the first half of 2011, sales remained at a high level, particularly in Germany and the Central and Eastern European countries, where domestic demand was high. However, the debt crisis and deteriorating economic outlook induced many companies to adopt a more cautious approach in the third quarter of the year. Many companies put their expansion plans on hold for the time being. Compared with the pre-crisis level, rent levels have remained significantly lower in most locations.

In the USA, the low volume of new construction produced a positive effect. During the current year, the volume of completed new buildings fell to its lowest level since 1994, which resulted in a further reduction in vacancy rates. The increase in demand for class A office space was particularly noticeable in the second quarter of 2011. New York, Houston, Seattle and Dallas recorded significant growth, which was mainly driven by the technology, biotechnology and energy sectors as well as by financial services providers. There was very little movement in terms of rents in the class A segment. Vacancy rates remained at a high level, preventing an increase in rents on a wide scale. San Francisco was the only exception and recorded a significant rise.

In the year under review, the transaction volume regarding commercial property rose sharply in the US market. All market segments recorded appreciable increases as a result of improved financing conditions and the hunt for yield opportunities in a low interest rate environment. Overall, investors continued to concentrate on core assets in top locations, such as New York and Washington DC. Due to the limited supply in the premium segment, class A property yields remained under constant pressure. However, the values in the leading markets are still far from the pre-crisis low recorded in 2007.

In Asia, demand for office space proved surprisingly robust in the reporting year. Demand from multinational and domestic companies rose sharply in the Asian office markets. Premium properties were particularly sought after here as well. Hong Kong, Shanghai and Beijing recorded the most significant increase in rents. This trend was countered by a renewed steep rise in the volume of new construction in some cities. In some locations, the rate of expansion has therefore already slowed down. In Tokyo and Seoul, rents decreased or stagnated. Yet, demand in Japan's capital did not slump to the expected extent in the wake of the earthquake and nuclear accidents.

A new rent cycle commenced in Australia in 2011. Against the backdrop of strong economic growth, the expansion of domestic companies was reflected in continuous high demand in the Australian office markets. At the same time, declining supply in the best city centre locations resulted in a reduction of rental incentives and therefore a slight increase in rents. The major share of this year's volume of new construction is already pre-let.

Investor attitudes and sector development

Uncertainty among investors overall had a negative impact on sales of mutual fund units. The investment statistics published by the *Bundesverband Investment und Asset Management* (BVI) reported considerable funds outflows from mutual securities funds in almost all fund groups for 2011. In 2010, the funds collected €19.4bn. However, the net funds inflow was down to €–16.6bn in the reporting year.

The substantial funds outflows from bond funds, totalling €5.8bn, clearly reflected the crisis of confidence in the bond market. The volume of equity and mixed funds, which recorded a sharp increase in the first half of the year, diminished in the course of 2011 – especially during the last few months of the year. In addition to funds outflows of €2.3bn in each case, a marked negative performance was a contributing factor. In the past year, both fund groups had recorded strong growth. Other losers in 2011 included capital protected funds, hybrid funds and alternative investment funds. Open-ended property funds were the only funds to buck the trend, achieving an increase of €1.2bn, which was largely attributable to DekaBank's retail funds.

At €45.3bn, special funds for institutional investors recorded lower net funds inflows than in the previous year (€71.1bn).

Despite the turmoil in the equity market, the number of shareholders and fund unit holders increased to 8.7 million in 2011 (previous year: 8.2 million), according to data from the *Deutsches Aktieninstitut* (German Equities Institute, DAI). This equates to a share of 13.4% of the population. However, the increase was mainly attributable to a rise in the number of direct shareholders, up by 0.7 million to 4.1 million. The number of fund unit holders was only slightly up by 0.2 million to 6.2 million.

Regulatory provisions

New information provisions for investment products, more stringent qualitative requirements for advisors and longer holding periods for open-ended mutual property funds are the cornerstones of the *Gesetz zur Stärkung des Anlegerschutzes und Verbesserung der Funktionsfähigkeit des Kapitalmarkts* (German Act on Strengthening Investor Protection and Improving the Functionality of the Capital Market), which came into force in April 2011. For DekaBank, the new regulations stipulated in the Investment Act are of particular importance. To date, it was possible to return fund units held in open-ended mutual property funds at any time. However, no later than by the start of 2013, a 1-year notice period will apply, and additionally for new investors, a 2-year initial holding period – however, only above the allowance of €30 thousand per calendar half year. The new regulation is aimed at increasing the stability of funds and tailoring them more precisely to the needs of private investors. DekaBank already took measures some time ago to reduce the proportion of institutional investors in its open-ended mutual property funds. At year-end 2011, the share of these investors was down to 7.3%.

Another new regulation stipulated by the act which has affected DekaBank was the introduction of the Key Investor Document (KID) for investment funds on 1 July 2011. It provides investors with key information that is relevant for their decision about objectives and investment policy, the risk and earnings profile, fees and the historical performance of the relevant investment fund in a standardised format. DekaBank promptly implemented all of the documentation requirements resulting from the act, for example those regarding fund units bought and redeemed.

The *Gesetz zur Restrukturierung und geordneten Abwicklung von Kreditinstituten, zur Errichtung eines Restrukturierungsfonds für Kreditinstitute und zur Verlängerung der Verjährungsfrist der aktienrechtlichen Organhaftung* (German Restructuring Act, law pertaining to the orderly restructuring and winding-up of banks, for the establishment of a restructuring fund for financial institutions and for the extension of the limitation period of management liability under stock corporation law), which came into force at the turn of the year 2010/2011, was substantiated by means of a statutory instrument in July 2011.

The restructuring fund has a target volume of €70bn and is funded by contributions from the banking industry. The statutory instrument specifies a contribution ranging from 0.2 to 0.4 basis points of the relevant financial institution's liabilities (excluding defined non-contribution based components). The contribution is tiered according to the amount of liabilities. In addition, a contribution of 0.0015 basis points is payable on the nominal volume of forward transactions. A limit of reasonableness of 20% of the respective bank's annual net income applies.

Business development and profit performance in the DekaBank Group

Overall assessment by the Board of Management

2011 was a difficult year for the financial sector. Pressure on the capital markets worsened, triggered by the escalating national debt crisis in the eurozone, and also had an increasingly negative impact on DekaBank's business. Consequently, the economic result was only slightly positive in the second half of the year. Despite the latest turmoil in the markets, strong growth in the first half of 2011 meant that we achieved a satisfactory economic result for the year in the amount of €383.1m. As expected, the previous year's record figure, which included high revaluations and a noteworthy positive balance of risk provisions, was not matched.

The fact that the overall figure fell short of the target by around 22% was mainly the result of capital market related external influencing factors. Foremost among these was the trend in the bond markets. Marked volatility, widening credit spreads and downgraded issuer ratings produced a very negative valuation result for bond positions relating to debtors in the affected eurozone countries. This mainly concerned Treasury bond positions. In addition to the market-driven valuation discounts, comprehensive specific valuation allowances were required for a total of four bond issues from Greek and Portuguese debtors. A further factor was the significantly lower valuation result from other capital market credit products, which was also an immediate result of market developments. Increasingly precarious overall economic conditions additionally necessitated provisions for loan losses, which were approximately 30% above the expected amount. Since the development in net commission income and net interest income was steadier than anticipated and administrative expenses remained below budget, despite higher write-downs, a considerable portion of the negative valuation result was compensated.

However, developments in fund business were not satisfactory. Fund sales fell short of expectations by a substantial margin. Like our major competitors, we also recorded net funds outflows. Although the sales launch of Deka-Vermögenskonzept was positive overall, we and our sales partners were not able to convince a sufficiently high number of increasingly securities-averse end customers of the benefits of actively managed investment funds. Together with the DSGV and the savings banks, we are working towards reviving the future-oriented securities business and ensuring that it will account for an appropriate share in the financial asset formation of German households. Institutional business remains an additional focus, as we have not yet sufficiently leveraged the considerable existing potential in that segment. With regard to open-ended mutual property funds, we intend to consolidate our longstanding position as the market leader and contribute to stabilising the sector situation, which is still subject to considerable pressure. In this respect, we made further progress in 2011, a year of upheaval in the markets.

At an annual average of 75.4% (previous year: 77.5%), the ratio of intra-alliance business, or the share of our products in total fund sales of the sales partners, declined further in the year under review. The ongoing expansion of our sales activities, which is aimed at providing local support in securities business for savings banks advisers, can and is countering this trend. It is coupled with the further development of our product range and measures taken to enhance the performance of our funds. At year-end, 35.1% of our equity and bond funds had an above-average rating (end of 2010: 34.4%).

In step with the ratio of intra-alliance business, payments to the savings banks as alliance partners are set to rise again gradually, after decreasing in the year under review due to the adverse market and sales situation. Until such time as we achieve our target ratio of 12% core tier 1 capital, we and our shareholders will focus attention on ensuring a good balance between appropriate distribution and strengthening core capital through profit retention.

Ratings

DekaBank's core tier 1 capital ratio (excluding silent capital contributions, which will no longer be eligible for inclusion in the long term) decreased in the reporting year from 10.7% to 9.4% following the change in the shareholder structure. On the basis of the profit retention policy agreed on with the shareholders, the ratio is to be increased to 12% in the coming years. This will also secure the DekaBank ratings, which are relevant to the business model.

Both Moody's and Standard & Poor's assessed the change in the shareholder structure in spring 2011 as generally positive. At the time, Moody's affirmed the Aa2 rating. Within the scope of a method-based review of systemic support in the public banking sector, Moody's adjusted the ratings of various banks in November. As part of this process, the long-term unsecured debt rating of DekaBank was also downgraded by one notch from Aa2 to Aa3. Prompted by the crisis in the eurozone and the observed disruptions in the financial markets, Moody's initiated a review process throughout Europe in mid-February 2012. In this context, DekaBank's issuer rating was put on review for downgrade. The short-term unsecured debt rating was affirmed as P-1.

The Standard & Poor's ratings remain unchanged at A (long-term) and A-1 (short-term). The temporary negative outlook for long-term debt, which related to the reduced capital resources following the change in the shareholder structure, was upgraded again to stable in December 2011. We view the overall strong ratings as positive confirmation of our business model, which is anchored in the *Sparkassen-Finanzgruppe*, and of DekaBank's liquidity, funding and risk policy.

As in the past, DekaBank convincingly passed the EBA stress test conducted in 2011 (see page 72).

Profit performance in the DekaBank Group

The increasingly difficult capital market conditions are reflected in the profit performance. The DekaBank Group's economic result amounted to €383.1m at the end of the 12-month period and, as expected, was significantly down on the previous year's extraordinary figure of €925.1m. The comparative figure for 2010 was decisively boosted by revaluations of capital market credit products in non-core business and extensive reversals of loan loss provisions. In contrast, but in line with expectations, the opposite effects occurred during the current year as a consequence of the national debt crisis. Higher administrative expenses also had an impact, which resulted almost entirely from the implementation of strategic projects.

Total income of €1,301.6m (previous year: €1,758.0m) was countered by expenses amounting to €918.5m (previous year: €832.9m). The cost/income ratio rose from 49.0% to 64.7%. Return on equity, which reflects the economic result in relation to equity at the beginning of the year (including atypical silent capital contributions), decreased from 26.3% to 12.2%. The 2011 figure relates to the date after the acquisition of the Bank's shares. This exceptional post-dating was introduced for the purpose of ensuring greater transparency following the buy-back of DekaBank shares. DekaBank achieved a return on equity which covered the cost of capital, despite the difficult economic environment.

In core business, the decline in income was less marked than at the Group level. Compared with the previous year's figure of €742.6m, the economic result for 2011 amounted to €367.5m. With regard to net commission income and net interest income, in particular, the decrease on the previous year remained comparatively minor. However, the negative valuation results mainly related to the Treasury portfolio and therefore concerned core business. Following the high previous year's level of €182.5m, which included revaluations, non-core business recorded a significantly lower economic result of €15.6m in 2011.

The added value contribution for our shareholders, which comprises payments to the alliance partners and the economic result, decreased from €1.8bn to €1.2bn.

Net interest income totalled €371.1m and was 12.1% down on the previous year's figure of €422.0m. The figure was mainly impacted by the lower portfolio volume of loans and securities in core business (Treasury and Credits) and non-core business as compared with the annual average for 2010 – an immediate consequence of our active management of risk-weighted assets.

Provisions for loan losses exceeded the required valuation allowances included in the forecast by around 30% and amounted to €–117.7m as compared with the previous year's positive figure of €52.0m. Valuation allowances were primarily required for ship and infrastructure loans in the Credits sub-division. Risk provisions in the Real Estate Lending sub-division were only slightly above the forecast. Gross allocations were offset by considerably lower gross reversals than in the previous year.

Risk provisions for securities in the loans and receivables (lar) and held to maturity (htm) categories are reported in net financial income. They amounted to €–78.0m (previous year: €–0.8m) and predominantly related to valuation allowances for a Greek government bond and three Portuguese bank bonds, which are assigned to the htm category.

Despite adverse conditions for Asset Management, at €976.7m, net commission income was only 8.0% down on the high comparative figure for 2010 (€1,061.7m). In view of the reduction in assets under management due to price and sales factors, commission from investment and fund transactions recorded a relatively moderate decrease; the development in portfolio-related commission in the second half of the year was especially decisive in this respect. Commission from banking business was also slightly below the previous year's figure. A low level of income from securities management had a particular impact here, whereas the contributions from commission business, sales and lending matched or surpassed the respective 2010 figures.

Net financial income of €66.9m, which comprises trading and non-trading positions as well as risk provisions for securities in the lar and htm categories, was significantly down on the previous year's level of €250.9m. The trend in the trading portfolios was positive, whereas negative valuation effects occurred, as mentioned above, in relation to the financial instruments not held for trading purposes and the risk provisions set up for securities.

DekaBank achieved a net financial income from trading positions in the amount of €203.1m, which represents a rise of 56.6% compared with the previous year (€129.7m). Repo/lending activities accounted for the highest share of the result. The comparative figure for 2010 was exceeded. Trading in fixed-income securities, which mainly comprises customer trades in the primary and secondary markets as well as multi asset products, which include trading in index and equity derivatives, also generated a very positive result.

Net financial income from non-trading positions decreased to €–58.2m (previous year: €122.0m) and comprised a negative valuation result from securities held in Treasury and non-core business, which was attributable to market developments in the second half of the year.

Other income climbed from €–28.6m in the previous year to €4.6m. The previous year's figure included provisions in connection with expenses associated with properties used by the Bank.

The marked rise in administrative expenses of 9.8% to €917.7m (previous year: €835.9m) primarily reflects higher operating expenses. The increase in operating expenses from €423.7m in 2010 to €487.6m in 2011 largely resulted from higher project expenses for upgrading the Group's IT infrastructure; it will take several years to implement this IT mission. Another reason for the rise in operating expenses is the new bank levy, which was incurred for the first time in financial year 2011 and totalled €17.1m.

At €367.7m, personnel expenses were down on the comparable figure for the previous year (€379.3m). The increase in expenses was mainly attributed to the larger number of positions filled during the year on average, which was partly associated with the expansion of activities in Luxembourg (see page 46). On the other hand, provisions for variable remuneration for financial year 2011 were significantly lower than in the previous year due to the income trend.

Depreciation and amortisation of €62.4m (previous year: €32.9m) included higher scheduled amortisation of intangible assets. In addition, an unscheduled amortisation (impairment) of around €25m applied in mid-year 2011 on the goodwill relating to WestInvest also affected the figure (Fig. 5).

Profit performance in the DekaBank Group *(Fig. 5)*

€m	2011	2010	Change	
Net interest income	371.1	422.0	–50.9	–12.1%
Provisions for loan losses	–117.7	52.0	–169.7	(< –300%)
Net commission income	976.7	1,061.7	–85.0	–8.0%
Net financial income[1]	66.9	250.9	–184.0	–73.3%
Other income	4.6	– 28.6	33.2	116.1%
Total income	**1,301.6**	**1,758.0**	–456.4	–26.0%
Administrative expenses (including depreciation)	917.7	835.9	81.8	9.8%
Restructuring expenses	0.8	–3.0	3.8	126.7%
Total expenses	**918.5**	**832.9**	85.6	10.3%
Economic result	**383.1**	**925.1**	–542.0	–58.6%

[1] Net financial income includes risk provisions for securities in the lar and htm categories of approximately €–78m (previous year: €–1m).

Business development and profit performance in the AMK business division

The hoped-for moderate revival of the fund business did not materialise in 2011. Against the backdrop of the unresolved national debt crisis in the eurozone, political unrest in the Middle East and increased fear of a recession, market turmoil worsened, unsettling many investors who then steered clear of securities investments. At the same time, competition intensified once again due to ETFs and certificates as well as money on call and fixed-term deposits. For the third year in a row, net sales in the AMK business division were therefore negative and, in line with the sector trend, remained below the previous year's figure. There was a significant decline in the volume of assets under management, which was driven by both sales and prices. Nevertheless, AMK created a strong starting position for 2012 with the well-received launch of Deka-Vermögenskonzept, product campaigns for guaranteed and sustainable funds and by strengthening local sales activities.

Net sales performance and assets under management

AMK's net sales performance decreased from €–0.8bn in the previous year to €–6.8bn in 2011 (Fig. 6). Key factors included weaker direct sales of mutual securities fund units and, in contrast to the previous year, net funds outflows from special funds and mandates for institutional customers.

AMK sales performance *(Fig. 6)*

€m	2011	2010
Direct sales mutual funds	–5,326	–3,553
Fund-based asset management	–1,498	–1,534
Mutual funds and fund-based asset management	**–6,824**	**–5,087**
Special funds and mandates	–2	4,294
Net sales AMK	**–6,826**	**–793**
For information purposes:		
Net funds inflow AMK (according to BVI)	**–7,759**	**–3,066**

With regard to mutual securities funds, including fund-based asset management, net sales were down to €–6.8bn (previous year: €–5.1bn). Despite the growing market turbulence during the second half of the year, the sales situation improved somewhat from mid-year onwards. Decisive factors here included limiting net funds outflows from bond funds (including near-money market bond funds), which were increasingly sought-after again as a safe haven in the wake of massive share price losses. Compared with the previous year, the volume of net funds outflows from bond funds was reduced. This also reflects our intensive portfolio management, which contributed to limiting outflows. These developments were largely offset by the poorer sales of mixed funds, which had benefited from the sales launch of the Deka-Wertkonzept product series in the previous year. Nonetheless, net sales performance in this segment bucked the trend and was slightly positive. Capital protected funds recorded higher net funds outflows as compared with the previous year. Our equity funds also failed to match the previous year's figures in terms of the levels recorded for the full year. However, the situation stabilised somewhat in the second half of the year.

In fund-based asset management, net sales amounted to €–1.5bn and were approximately at the previous year's level (€–1.5bn). Higher funds outflows from the Sparkassen-DynamikDepot were partially compensated by a pleasing level of net investments in the Deka-Vermögenskonzept product (€0.7bn).

Sales of special securities funds as well as master funds and advisory/management mandates were approximately balanced in the reporting year. Unlike the previous year, which closed with a positive figure of €4.3bn, demand from the savings banks and institutional customers for our products was subdued as a result of the market conditions. Funds inflows into master funds decreased to €0.9bn, despite customer satisfaction remaining high in respect of the quality of our products and advisory services. Advisory/management mandates made a sales contribution of €0.4bn in the year under review. The figure for net sales of special funds (€–1.3bn), which were balanced in the previous year, was therefore virtually compensated.

Assets under management in the AMK business division decreased by 9.0% to €126.9bn compared with the level at year-end 2010 (€139.5bn); (Fig. 7). With regard to mutual funds and fund-based asset management, the volume of assets under management was down from €90.4bn to €78.6bn. In addition to the negative level of net funds inflow, price losses in equity and mixed funds particularly impacted on the figure. Bond funds (including near-money market bond funds) accounted for approximately 44% of the fund volume at the end of 2011 (previous year: 42%), while the share of equity funds fell from around 25% to 22%. Mixed funds accounted for almost 13% of assets under management (previous year: approximately 11%). With regard to special funds and mandates, the trend in assets under management was largely steady. A moderate volume of funds outflows was offset by a positive performance, especially in the special funds segment.

Assets under Management AMK *(Fig. 7)*

€m	31.12.2011	31.12.2010	Change	
Equity funds	17,420	22,183	–4,763	–21.5%
Capital protected funds	4,769	6,085	–1,316	–21.6%
Bond funds[1]	34,570	38,056	–3,486	–9.2%
Money market funds[1]	244	278	–34	–12.2%
Mixed funds	10,033	9,501	532	5.6%
Other mutual funds	3,788	4,563	–775	–17.0%
Owned mutual funds	**70,824**	**80,666**	–9,842	–12.2%
Partner funds, third party funds/liquidity in fund-based asset management	5,886	7,505	–1,619	–21.6%
Partner funds from direct sales	1,882	2,181	–299	–13.7%
Mutual funds and fund-based asset management	**78,592**	**90,352**	–11,760	–13.0%
Special securities funds	31,991	33,155	–1,164	–3.5%
Advisory/management mandates	7,670	7,568	102	1.3%
Advisory from master funds	8,642	8,433	209	2.5%
Special funds and mandates[2]	**48,303**	**49,156**	–853	–1.7%
Assets under management AMK	**126,895**	**139,508**	–12,613	–9.0%
For information purposes:				
Fund assets – mutual funds AMK (according to BVI)	**89,634**	**103,890**	–14,256	–13.7%
Fund assets – special funds AMK (according to BVI)	**49,272**	**49,962**	–690	–1.4%

[1] Previously categorised as money market funds, investment funds have been assigned to a new BVI category since 1 July 2011. In accordance with the new classification, they are now reported as bond funds, with the exception of two funds which remain in the category of money market funds. The previous year's figure has been adjusted for better comparability.
[2] In the year under review, a new classification was applied in the wake of the merger of Deka FundMaster Investmentgesellschaft mbH and Deka Investment GmbH with regard to the assignment of institutional products to the assets under management item. The previous year's figure has been adjusted for better comparability.

Expanded product range

With the launch of Deka-Vermögenskonzept in February 2011, the AMK business division has made an individual, flexible and transparent solution available to the savings banks and their customers for structured investments in line with the savings banks financing concept. The offering represents the further development of fund-linked asset management and supplements it with advisory elements that ensure comprehensive customer advice and individual support in all market situations. Deka-Vermögenskonzept targets customers who wish to invest for a minimum of five years. Depending on individual preferences, customers select a dynamic or steady growth portfolio based on the ratio of equities included. Three optional portfolio strategies are also available, which offer the choices of loss limitation, capital preservation or profit preservation. If specified portfolio limits are exceeded, or the portfolio value falls below such limits, the IT-supported concept generates advisory alerts, which prompt advisers to arrange a meeting with the relevant customer.

In addition, the range of products relating to mixed funds and capital protected funds has been expanded. The Deka-Deutschland Balance mixed fund, which pursues a conservative strategy in accordance with customer preferences, was launched in December 2011. It combines investments in German shares and bonds. Similar to the extremely successful and multi award-winning Deka-Euroland Balance fund, investment decisions are computer-generated based on a technical model. This facilitates rapid response, even in phases of market turmoil.

The new Deka-EuroGarant Strategie guaranteed fund concept, which has been available since September 2011, provides a particularly steady performance thanks to the daily management of the equity ratio in the portfolio on the basis of a volatility-oriented eurozone share index. The fund also guarantees repayment of the capital invested at the end of the six-year investment period.

Fund performance and rating

As at year-end 2011, a total of 35.1% of our funds had above-average ratings from Morningstar over a 3-year to 10-year period. This was approximately the same percentage as in the previous year (34.4%). 20.0% of our equity funds outperformed their relevant benchmark, as did 46.5% of our bond funds.

In performance comparisons, the AMK business division once again achieved good rankings. At this year's €uro Fund Awards, the Deka-ConvergenceAktien CF was distinguished as the "Best Eastern Europe Equity Fund over 5 Years" for the second year in a row. The Deka-Wandelanleihen CF was the winner in the category of "Best Bond Fund Convertible Bonds over 5 Years" and the Deka-Schweiz fund came in first place in the "Equity Fund Switzerland" category over a 1-year period.

The Deka-ConvergenceAktien CF, which won a prize at the €uro Fund Awards, was also a winner at the Feri Euro Ratings 2011, coming away with the coveted award in the "Central/Eastern Europe Equity Fund" category for Germany, Austria and Switzerland.

At the Lipper Fund Awards, the fund was also the winner in its category for the third consecutive time – just like the Deka-Euroland Balance CF and Deka-EuropaBond TF. The Deka-Renten: Euro 3-7 CF A received an award for the first time in the "Euro Bond Funds Medium Term" category.

Deka-Euroland Balance also impressed the German consumer testing organisation Stiftung Warentest. In the December issue of the *finanztest* magazine, the fund ranked first place in the category of mixed funds with a risk level similar to fixed-income securities or low-risk mixed funds, giving it the accolade of "significantly outperformed the market".

The quality of our fund management, asset management and portfolio administration was also rewarded. In the 2011 Extel survey, an annual survey of analysts conducted by Thomson Reuters, Deka Investment ranked in third place among 100 investment companies in Europe. Deka Investment placed first in the category of German asset managers. In the 2011 FondsConsult survey, DekaBank's Asset Management came in first place in the overall ranking for the first time. The deciding factors were a positive assessment of the risk/reward profile and certain features, including the cost structure and reporting. The Bank's strong risk management in the conservative and balanced segments received particular praise. DekaBank Luxembourg was successful in the asset manager test conducted by the *Fuchsbriefe* information service, coming in third place, just slightly behind the two first place winners. Dealis, the joint venture of DekaBank and Allianz Global Investors for fund administration, was awarded by investment and portfolio management software services provider SimCorp for best practice in growth management.

Profit performance in the AMK business division

With an economic result of €300.4m, the AMK business division made the largest contribution to Group net income. As expected, the amount fell short of the previous year's figure (€419.9m) by 28.5%, but significantly exceeded the forecast. Compared with the previous year, lower income and higher expenses had basically the same effect on this figure.

The year-on-year decrease in income was mainly attributable to net commission income, which was down 10.2% to €717.6m (previous year: €799.1m). This figure was primarily affected by the decline in portfolio-related commission. Performance-related income did not match the previous year's level. The volume of assets under management dropped in the second half of the year, in particular, and this was also reflected in the decline in portfolio-related income.

Other income of €20.8m included negative valuation effects from start-up financing, which were countered by a positive result from the reversal of provisions which were no longer required as well as positive net interest income. The positive balance achieved in the previous year, in the amount of €0.9m, comprised a tax refund and write-downs of equity investments.

Administrative expenses (including depreciation) rose to €437.3m (previous year: €376.6m). Higher project costs resulting from the implementation of our IT mission and the takeover of the Luxembourg-based activities of LBBW and WestLB impacted on the figure as did an increase in personnel expenses associated with this rounding off of the business portfolio. In addition, amortisation of intangible assets increased (Fig. 8).

AMK profit performance *(Fig. 8)*

€m	2011	2010	Change	
Net commission income	717.6	799.1	−81.5	−10.2%
Other income	20.8	0.9	19.9	(> 300%)
Total income	**738.4**	**800.0**	−61.6	−7.7%
Administrative expenses (including depreciation)[1)]	437.3	376.6	60.7	16.1%
Restructuring expenses	0.7	3.5	−2.8	−80.0%
Total expenses	**438.0**	**380.1**	57.9	15.2%
Economic result	**300.4**	**419.9**	−119.5	−28.5%

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

Business development and profit performance in the AMI business division

The AMI business division performed well under persistently difficult market and sector conditions. The sales strategy agreed on with the savings bank supported this development, as did the consistent return and liquidity management of the funds. Our open-ended mutual property funds continuously remained open and achieved a further increase in fund assets, while other providers were again forced to suspend acceptance of returned fund units due to liquidity problems or even had to remove their funds from the market. According to the BVI statistics for 2011, the net funds inflow for our open-ended mutual property funds outstripped the sector average. We therefore further strengthened our position as the market leader in mutual property funds.

The management of sales via limited sales quotas and the associated coordinated buying and selling policy proved their worth again in the reporting year. Even though the sales quotas were not fully utilised this year, the liquidity quotas stayed within the target range. After temporary funds outflows prompted by the earthquake and nuclear disaster in Japan as well as the subsequent fund closure of a renowned competitor, moderate net inflows were achieved again as of mid-year.

The letting ratio rose slightly over the course of the year, despite the modest increase in vacancy rates; this reflected the time-delayed effect of the downturn in the economic environment resulting from the national debt crisis.

Development in institutional business was predominantly positive, in large part due to the successful efforts in property purchasing in 2011.

The slight decline in the financing portfolio in property finance in conjunction with the thriving new business was mainly attributed to brisk external placement activity, successful restructuring and significant repayments. In light of the business model pursued in this sub-division, this performance is very pleasing.

Net sales performance and assets under management

Given the strained sector environment, AMI achieved very satisfactory net sales of €1.0bn, although the level was down on the previous year's figure of €1.7bn (Fig. 9). A substantial share was attributed to the fixed and limited sales quotas of open-ended mutual property funds, which were agreed on with the savings banks. However, because of the exceptional situation in spring, the quotas had not been utilised in full by the year-end. Deka-ImmobilienEuropa was particularly successful. In contrast, the temporary outflows following the events in Japan in spring were most pronounced in the global-oriented funds. Direct sales of retail funds totalled €0.7bn and were down on the figure for the previous year (€1.5bn).

AMI sales performance *(Fig. 9)*

€m	2011	2010
Mutual property funds	732	1,472
Property funds of funds	–6	–11
Special funds (including credit funds)	200	222
Individual property funds	39	18
Net sales AMI	**965**	**1,701**
of which to institutional investors	369	486
For information purposes:		
Net funds inflow AMI (according to BVI)	**914**	**1,670**

In institutional property fund business, the open-ended property fund WestInvest ImmoValue, which is available for the savings banks' own investments, and the TargetSelect series attracted net funds of €205m, thereby falling short of the previous year's figure (€334m) for market-related reasons. With net sales of €233m, the special and individual funds, which operate with smaller funds volumes, were able to build on the previous year's figure (€199m).

Compared with year-end 2010 (€23.2bn), assets under management in the AMI business division rose by 3.9% to €24.1bn (Fig. 10). In addition to sales, this was mainly due to the performance of the funds. The total distribution amount of our property funds stood at €624m in the reporting year (previous year: €646m). Of the assets under management, approximately 85% (previous year: around 86%) was attributable to open-ended mutual property funds and 11% (previous year: about 10%) to special funds.

Assets under management AMI *(Fig. 10)*

€m	31.12.2011	31.12.2010	Change	
Mutual property funds	20,529	19,996	533	2.7%
Property funds of funds	89	94	–5	–5.3%
Special funds (including credit funds)	2,646	2,324	322	13.9%
Individual property funds[1]	836	776	60	7.7%
Assets under management AMI	**24,100**	**23,190**	910	3.9%
For information purposes:				
Fund assets AMI (according to BVI)	**22,666**	**21,848**	818	3.7%

[1] As a result of a change in the assessment basis for the administration fee on individual property funds (as of 2011 total purchase price payments), the previous year's figure was adjusted to improve comparability.

Our funds used the available financial leeway to secure contracts for the purchase of 25 properties with a value of €1.0bn (previous year: €2.4bn). This once again made Deka Immobilien, which handled all the transactions, one of the major property investors worldwide in 2011. Furthermore, Deka Immobilien sold 14 properties from the funds with a volume totalling €0.3bn. The transaction volume therefore dropped overall from €3.2bn to €1.3bn, while the number of transactions remained essentially unchanged. This was also due to the business policy decision taken at the beginning of financial year 2011 to substantially step up acquisitions for institutional funds.

Acquisitions focused especially on certified green buildings, such as the "BIZ ZWEI" office building in Vienna, which was brought into the WestInvest ImmoValue open-ended mutual property fund. In addition, we increased investments in the properties in our portfolio, particularly with regard to energy efficiency, in order to secure the basis for a stable property performance over the long term. One such example is the Poseidon Haus in Frankfurt/Main, which, following extensive modernisation, is set to receive a gold certificate in accordance with the international sustainability standard LEED (Leadership in Energy and Environmental Design).

Fund performance and rating

Our open-ended mutual property funds achieved an average volume-weighted yield of 2.4% in the past year, thereby outperforming the competitors. Despite the challenging market conditions, the funds consequently matched the level of the previous year (2.4%). In relation to the benchmark, the Deka-ImmobilienGlobal, Deka-ImmobilienEuropa and WestInvest ImmoValue funds occupied top positions again in the reporting year.

In rating comparisons as well, the stability of our open-ended mutual property funds was also convincing. In November 2011, Deka-ImmobilienGlobal won the "Scope Investment Award" as the best global fund for private investors for the third time in a row. The very high letting ratio, security-oriented fund strategy and rapid implementation of the German Investor Protection Act (*Anlegerschutzgesetz*) were highlighted in particular. DekaBank's open-ended mutual property funds had already scored well in the Scope rating in May. Scope rated WestInvest ImmoValue as "very good" quality; this rating ranked the fund in first place out of the 24 open-ended mutual property funds assessed. Deka-ImmobilienGlobal was upgraded from A to A+ as the second best fund for private investors. Scope again awarded good ratings for management quality to the DekaBank Group's property capital investment companies, with Deka Immobilien Investment GmbH placing second out of all the fund providers evaluated.

Real Estate Lending

In Real Estate Lending (REL), we continued to concentrate on markets, property types and business partners which are also relevant to our property funds. Our activities once more centred on risk-aware lending with a consistent focus on capital market viability. In addition, loans were granted to our own or third party property funds which are governed by the German Investment Act.

At €3.4bn, the volume of new business arranged in 2011 exceeded the previous year's figure (€2.5bn) and was acquired in markets in which Real Estate Lending has a local presence. This figure includes extensions in the amount of €0.3bn (previous year: €0.2bn). The volume of external placements totalled €1.5bn and was up on the previous year (€1.3bn). In the financial year, around one-third of the externally placed volume was granted to the *Sparkassen-Finanzgruppe*.

The gross loan volume amounted to €7.4bn by year-end 2011 (end of 2010: €7.5bn). Commercial property financing accounted for a share of €5.3bn and property fund financing for €1.6bn. The average rating in the portfolio improved by one notch on the previous year, primarily due to the low loan-to-value ratios in new business.

Profit performance in the AMI business division

With an economic result of €79.0m, AMI exceeded the previous year's figure of €68.3m by 15.7%. However, after adjusting the previous year's figure for non-recurring effects which do not pertain to the division's operating activities, the level in 2011 was €6.8m below the very good figure achieved in the previous year. The moderate increase in income to €207.3m (previous year: €192.2m) was countered by higher administrative expenses.

Net interest income of €71.5m decreased slightly as compared to the corresponding figure for the previous year (€72.4m).

Provisions for loan losses are negative at €–24.6m (previous year: €–14.4m). Here, the reversal of risk provisions that were no longer required was countered by higher additions to the risk provision, particularly for an exposure in the Asia region.

Net commission income totalled €160.9m, almost matching the level in the previous year (€164.7m). Portfolio-related commission was down on the previous year. In contrast, commission payments on contracts signed in the previous year led to higher buying and construction fees of €21.3m as compared with €17.8m in 2010. Boosted by strong new business, net commission income from property financing business increased by around 26% on the previous year (€14.6m) to €18.4m.

As in the previous year (€–6.4m), net financial income was negative at €–6.2m.

Other income improved to €5.7m (previous year: €–24.1m). The previous year's figure also included expenses for buildings used by the Bank.

Administrative expenses (including depreciation but excluding non-recurring effects) climbed 4.6% to €127.6m (previous year: €122.0m). This was due in part to higher project expenses resulting from the implementation of the IT mission. Sales costs also exceeded the previous year's figure (Fig. 11).

AMI profit performance *(Fig. 11)*

€m	2011	2010	Change	
Net interest income	71.5	72.4	–0.9	–1.2%
Provisions of loan losses	–24.6	–14.4	–10.2	–70.8%
Net commission income	160.9	164.7	–3.8	–2.3%
Net financial income	–6.2	–6.4	0.2	3.1%
Other income[1]	5.7	–24.1	29.8	123.7%
Total income	**207.3**	**192.2**	15.1	7.9%
Administrative expenses (including depreciation)[1]	127.6	122.0	5.6	4.6%
Restructuring expenses	0.7	1.9	–1.2	–63.2%
Total expenses	**128.3**	**123.9**	4.4	3.6%
Economic result	**79.0**	**68.3**	10.7	15.7%

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

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

The C&M division performed well in persistently difficult capital market conditions. However, due to adverse effects resulting from the national debt crisis, the economic result was significantly down on the previous year. The main factor here was the specific valuation allowances recognised for bonds in the Treasury portfolio and for loans in the Credits portfolio. In contrast, despite a market-related downturn, C&M's trading transactions were stable in the second half of the year and therefore surpassed the previous year's figure.

Business development in the C&M business division

Markets sub-division

Markets recorded a moderate rise in customer trading activities over the year as a whole. This development was primarily due to the relative robust demand of our customers in some segments during the first half of the year. The bond markets saw an upturn in trading activities and an increase in corporate bond issues. As a result, the levels in both customer trading with fixed-income securities and interest rate derivatives trading topped the previous year. In equities trading however, muted demand for actively and passively managed funds had a notable curbing effect.

Overall, business development in short term products (STP) was pleasing. In light of the increased refinancing options for financial institutions and the associated restricted availability of unsecured liquidity in particular, the demand for repo/lending products and their derivatives increased. Top quality securities especially benefited from this trend. The ECB's move towards a much more expansive monetary policy (interest rate cuts, more relaxed collateral criteria, long-term repo operations) boosted profit performance in the last quarter of the year, particularly by restoring liquidity and the demand for securities. As in previous years, STP made a major contribution to profit in Markets.

The consistent focus on core customers, greater effectiveness and optimisation of trading and risk selection approaches were reflected in a better than forecast result in the Structuring & Trading unit. In this regard, we not only further improved services for our customers, but also increased the result from these business activities. The expansion of customer-oriented structuring activities, in particular, contributed to this positive result for both our customers and DekaBank.

The volume in traditional commission business slightly exceeded the previous year; after small declines in equities and bonds in the first half of the year, the commission business benefited from increased market volatility as the year progressed.

Our subsidiary, ETFlab, further expanded the product range in ETFs in financial year 2011 with a focus on bond markets. Institutional customers, especially the savings banks, are thus able to implement their investment strategies more precisely on a differentiated basis with 21 equity and 19 bond ETFs. Furthermore, for the first time, ETFlab offered private investors the opportunity to take out savings plans on selected index funds. For this purpose, the company works together with selected online brokers.

Net sales amounted to €610m (previous year: €806m). Once again, we utilised the positive development to reduce our own portfolio of ETFlab fund units; the total volume therefore dropped from €5.0bn (end of 2010) to €3.5bn. The Bank's own portfolios decreased as a result to 18.6% (previous year: 38.7%) of the total volume. They are used to ensure a liquid and efficient market and support customers in complying with investment limits.

In an investor survey conducted by investment magazine *Börse online*, ETFlab was distinguished as best ETF provider of 2011, with a significant lead over other issuers, thereby defending its title from the previous year.

Credits sub-division

In the Credits sub-division, the gross loan volume declined as planned over the course of 2011 from €30.1bn to €26.8bn. The reduction of 11.0% is a result of our restraint in new business, which was down 24.2% on the previous year, as well as the expiry of contracts, early repayments by customers and the successful selling of loans to investors. The margin in the loan portfolio improved through the high quality of the new business and active portfolio management.

In financial year 2011, a major proportion of the assets were again attributable to refinancing for savings banks, although the volume decreased due to market-related reasons. As at the reporting date, our partners in the *Sparkassen-Finanzgruppe* accounted for a gross loan volume of €12.9bn (end of 2010: €15.5bn). Of this amount, €3.5bn (previous year: €4.4bn) related to other public sector borrowers in Germany, with loans to local authorities accounting for the greatest share. On the strength of this volume, DekaBank continues to play an important role for the long-term refinancing of savings banks.

At year-end 2011, the volume of the Deka-Infrastrukturkredit fund launched in 2009 already amounted to €118.6m. This fund includes portions of loans acquired and managed by Credits. The fund, which was designed as the Depot A (A securities account) of the savings banks, purchased loans from Credits again in the past year. Like the similar product Deka Realkredit Klassik, this fund is managed in the AMI business division.

Treasury sub-division

In the Treasury sub-division, the gross volume decreased by 6.1% to €20.0bn (end of 2010: €21.3bn). The net volume of the non-structured capital market credit products in the core business that are held by the Treasury sub-division totalled €4.3bn at year-end 2011, which corresponds to a decline of 21.8% on the previous year's figure (€5.5bn). The development in activities related to funding and strategic liquidity management was pleasing.

Profit performance in the C&M business division

C&M's economic result declined as compared with the previous year (€245.4m) to €16.5m. While total income was down 40.2% on the comparable figure for 2010, expenses in the business division increased by 15.2%.

Net interest income fell to €173.7m (previous year: €250.9m). This was due in part to the conservative strategy in existing business in Treasury Investments and the lower volume in Credits. In addition, the margins in liquidity investment remained limited as a result of the extensive supply of liquidity in the market.

Provisions for loan losses in the previous year were positive at €12.2m, while the figure for financial year 2011 was €– 98.3m. This includes net additions to provisions for loan losses amounting to €–110.5m (previous year: €–5.9m). The risk provision for securities in the loans and receivables (lar) and held to maturity (htm) categories reported in net financial income in the amount of €–78.0m relates almost exclusively to the impairment of one Greek and three Portuguese bonds.

At €99.6m, net commission income was slightly up on the previous year's level (€96.3m). In addition to traditional commission business, the contribution from lending business also increased in the reporting year.

Net financial income rose by 9.0% to €127.5m (previous year: €117.0m). Significantly higher net financial income from our trading activities only partly compensated for the negative valuation result from securities portfolios recognised in net financial income (non-trading) and the valuation allowances on securities that were implemented.

Administrative expenses increased by 15.4% to €271.0m (previous year: €234.8m). The rise resulted to a large extent from higher project expenses related to measures taken within the scope of the IT mission and modernisation of business processes. There was a marginal increase in other operating expenses, while personnel expenses remained on a par with the previous year (Fig. 12).

C&M profit performance *(Fig. 12)*

€m	2011	2010	Change	
Net interest income	173.7	250.9	– 77.2	– 30.8%
Provisions for loan losses	– 98.3	12.2	– 110.5	(< – 300%)
Net commission income	99.6	96.3	3.3	3.4%
Net financial income[1]	127.5	117.0	10.5	9.0%
Other income	– 15.0	4.2	– 19.2	(< – 300%)
Total income	**287.5**	**480.6**	–193.1	– 40.2%
Administrative expenses (including depreciation)[2]	271.0	234.8	36.2	15.4%
Restructuring expenses	0.0	0.4	– 0.4	– 100.0%
Total expenses	**271.0**	**235.2**	35.8	15.2%
Economic result	**16.5**	**245.4**	– 228.9	– 93.3%

[1] Net financial income includes risk provisions for securities in the lar and htm categories of approximately €–78m.
[2] The previous year's figures have been adjusted due to reclassification with no impact on Group net income. For details, please refer to note [2].

Business development and profit performance in non-core business

In non-core business, we continued to pursue our strategy of reducing the portfolio while safeguarding assets at the same time. The gross loan volume of lending business and credit substitute transactions which do not represent core business amounted to €5.2bn as at the 2011 reporting date, which was 21.2% lower than a year ago (€6.6bn).

The largest decline was reported in the loan portfolio, which reduced from €3.8bn to €2.7bn during the year. In addition to the scheduled expiry of products, this was ascribed to selected sales as well as early repayments by counterparties. The portfolio of capital market credit products, predominantly securitisations, decreased by €0.4bn to €1.7bn. The volume attributable to the former Public Finance sub-division still amounts to €0.8bn (end of 2010: €0.8bn). As a result of the reduced volume, utilisation of the allocated risk capital was considerably lower than in the previous year.

The economic result totalled €15.6m, significantly exceeding our forecasts. As expected, this did not match the previous year's figure of €182.5m, which was particularly influenced by the revaluation of securitised products. The moderate downturn in net interest income reflects the intentional reduction in the volume of loan products and capital market credit products. Provisions for loan losses amounted to €5.2m (previous year: €54.2m). Net financial income, which was still positive in mid-2011, slid into negative territory by the end of the year due to renewed widening of credit spreads. At the end of 2011, it amounted to €–30.1m, compared with €78.0m in the previous year.

At €7.8m, administrative expenses were down on the already low level in 2010 (€10.9m). This was due to a decrease in personnel expenses and the reduced scope of services offered by other business divisions (Fig. 13).

Profit performance of non-core business *(Fig. 13)*

€m	**2011**	**2010**	Change	
Net interest income	48.0	59.3	–11.3	–19.1%
Provisions for loan losses	5.2	54.2	–49.0	–90.4%
Net commission income	0.4	2.1	–1.7	–81.0%
Net financial income	–30.1	78.0	–108.1	–138.6%
Other income	0.0	0.1	–0.1	–100.0%
Total income	**23.5**	**193.7**	–170.2	–87.9%
Administrative expenses (including depreciation)[1]	7.8	10.9	–3.1	–28.4%
Restructuring expenses	0.1	0.3	–0.2	–66.7%
Total expenses	**7.9**	**11.2**	–3.3	–29.5%
Economic result	**15.6**	**182.5**	–166.9	–91.5%

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

Financial position and assets and liabilities

Balance sheet changes

Compared with the previous year, the total assets of the DekaBank Group increased by approximately 3%, or €3.4bn, to €133.7bn (Fig. 14). The total amount due from banks and customers was around 53% of the total assets and rose by €4.5bn to €71.2bn. The increase was attributed to expanded money transactions, especially securities repurchase transactions. Financial assets valued at fair value through profit or loss dropped slightly to €56.5bn (previous year: €56.6bn), accounting for around 42% of the total assets.

Balance sheet changes in the DekaBank Group *(Fig. 14)*

€m	31.12.2011	31.12.2010	Change	
Balance sheet total	**133,738**	**130,304**	3,434	2.6%
Selected items on the assets side:				
Due from banks and customers	71,200	66,721	4,479	6.7%
Financial assets at fair value	56,540	56,555	–15	–0.0%
Financial investments	4,517	5,634	–1,117	–19.8%
Selected items on the liabilities side:				
Due to banks and customers	57,287	50,879	6,408	12.6%
Securitised liabilities	25,278	24,096	1,182	4.9%
Financial liabilities at fair value	44,519	47,877	–3,358	–7.0%

On the liabilities side, amounts due to banks and customers rose overall by €6.4bn to €57.3bn, and accounted for 43% of liabilities on the balance sheet. The determining factor here was a rise in the volume of money transactions, in particular money on call and time deposits. Financial liabilities valued at fair value fell by €3.4bn to €44.5bn, mainly due to reduced activities in securities trading business (€–1.7bn) and in issues in the designated at fair value category (€–2.2bn). The market values of derivative financial instruments included in this position were up on the previous year by €0.5bn to €30.2bn. On-balance sheet equity decreased by €0.7bn to €3.4bn during the reporting year. This figure does not include silent capital contributions which, in accordance with IFRS, are not reported under equity but instead under subordinated capital or atypical silent capital contributions.

Change in regulatory capital

The DekaBank Group's capital and reserves in accordance with the German Banking Act (KWG) amounted to approximately €3.9bn as at 31 December 2011, which represents a decline of €0.4bn on the previous year (Fig. 15). The decrease in the regulatory figures is essentially due to the repurchasing of the Bank's own shares, in the amount of approximately €1.0bn, in connection with the change in the shareholder structure. The regulatory capital and reserves are established on the basis of the individual financial statements of the companies included in the scope of consolidation, taking into account the relevant national accounting regulations, and therefore differ from equity under IFRS. Capital and reserves consist of core capital, supplementary capital and tier III capital. Core capital currently includes silent capital contributions (€552m), which essentially have a permanent character.

Breakdown of equity in the DekaBank Group *(Fig. 15)*

€m	31.12.2011	31.12.2010	Change
Core capital	2,908	3,317	–12.3%
Supplementary capital	1,015	1,041	–2.5%
Tier III capital	–	–	n/a
Capital and reserves	**3,923**	**4,358**	–10.0%
Default risks	16,988	18,500	–8.2%
Market risk positions	6,363	5,575	14.1%
Operational risks	1,788	1,650	8.4%
%			Change %-points
Core capital ratio (incl. market risk positions)	**11.6**	**12.9**	–1.3
Core tier 1 capital ratio (excl. silent capital contributions) [1]	**9.4**	**10.7**	–1.3
Total capital ratio	**15.6**	**16.9**	–1.3

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

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 requirements under banking supervisory law were complied with at all times throughout 2011, both at the Bank and Group level.

Silent capital contributions are no longer included when calculating the core tier 1 capital; these are not covered by the scope of the transitional arrangements under Basel III and as of the start of 2013 are no longer available as core tier 1 capital. In accordance with this new definition, the core tier 1 capital ratio amounted to 9.4% at year-end 2011.

Despite the reduction in core capital resulting from the acquisition of own shares, DekaBank easily passed the European Banking Authority (EBA) stress tests in the reporting year 2011. In the stress test results published in July 2011, with a core tier 1 capital ratio of 9.2% in the adverse scenario, DekaBank was significantly above the threshold level of 5% set by the EBA. The stress scenarios specified by the EBA comprised changes in macro-economic parameters such as gross domestic product and unemployment rates as well as their impact on risk-weighted assets and impairments. The significantly extended scope of the scenarios as compared to the previous year also included interest rate shifts and changes in other financial metrics.

In the ad-hoc stress tests for banks conducted by the EBA, BaFin and Deutsche Bundesbank, the results of which were published in December 2011, we achieved a core tier 1 capital ratio of 9.59%, thereby exceeding the 9% value required by the EU Council as of mid-2012. Unlike many other banks in the European Union, there is thus no recapitalisation requirement. In the test, all public financing activities were valued at current market prices as at 30 September 2011, which meant that intervening market value write-downs resulting from the national debt crisis were taken into account.

Liquidity and refinancing

Since the reporting year, DekaBank, as a capital market-oriented bank, has had to comply with the requirements for liquidity management under the MaRisk (Minimum Requirements for Risk Management), which was amended at the end of 2010. These stipulate that banks must have sufficient funds and highly liquid assets that are eligible as security for central bank borrowing, enabling them to bridge a short-term refinancing requirement in a stress scenario for a minimum of one week. For a period of at least one month, further components of the liquidity reserve may be used, provided that they can be turned into cash without significant loss in value and regulatory requirements are complied with. We have more than fulfilled both requirements.

The new MaRisk stipulations have been introduced in the context of the future liquidity and refinancing requirements under Basel III. We have been monitoring the corresponding ratios since financial year 2010. The liquidity coverage ratio (LCR) is aimed at ensuring that the highly liquid liquidity reserve corresponds, as a minimum, to the net outflow of cash in a stress period lasting 30 days. The time horizon for the net stable funding ratio (NSFR) is one year and is intended to lead to a balanced maturity structure for assets and liabilities. The ratios will be binding from the start of 2015 (LCR) and 2018 (NSFR) respectively.

DekaBank's liquidity ratio in accordance with the Liquidity Directive that is still mandatory in Germany stood at between 1.5 and 1.7 in the reporting year and exceeded the minimum requirement of 1.0 at all times.

Employees

Changes in the staff complement

The Group-wide optimisation process is reflected in the change in the number of employees, as is the inclusion of DekaBank in the strategic initiatives of the *Sparkassen-Finanzgruppe*. At year-end 2011, we had a staff complement of 3,957 employees, which corresponds to an increase of 7.4% as compared to year-end 2010 (3,683). The average number of positions filled, which was still falling in the previous year due to the Group-wide quality and process campaign (QPO), also rose and totalled 3,431 at the year-end (end of 2010: 3,174). We ended the QPO campaign ahead of schedule in mid-2011, as nearly all of the defined milestones had been achieved in full.

The takeover of the private customer business of LBBW Luxembourg and VM Bank had the biggest impact, with 125 employees transferring to our Luxembourg subsidiary at the start of the year as a result. The integration process following the takeover was successfully completed. We also employed additional staff in connection with the DekaBank IT mission and Lean Transformation programmes.

On average for the year, 84.5% (previous year: 85.3%) of the staff employed were in full-time posts. The average employee age was 40.6 years (previous year: 40.2 years).

Management culture and Lean Transformation

We continued the initiative launched in 2010 for the development, introduction and binding implementation of a uniform concept and understanding of management responsibility within DekaBank. Among other things, the aim is to describe management roles and tasks in detail, define the appropriate priorities in day-to-day business and make the measurement of leadership quality more precise using suitable instruments, indicators and ratios. The process, which is to be implemented in 2012, is set to result in a consistent yet flexible management system as well as a forward-looking management culture.

The continuous and sustained improvement and optimisation process (Lean Transformation) begun in the previous year was established even more firmly at the management level during the reporting year and interlinked with the management initiative. The overriding objective is to align DekaBank's entire value-creation chain even more closely with the benefits for the savings banks and their end customers.

Performance-related remuneration

We completed the revision of our remuneration system in response to the introduction of the Remuneration Ordinance for Institutions. A new employee and works agreement governing performance-related remuneration and the annual performance review took effect at the beginning of 2011. In addition to responding to the various regulatory requirements, the key objective was to develop the most uniform remuneration system possible for all companies within the DekaBank Group, so that the revised system can also be used by the subsidiaries. The new system is also flexible with regard to future adjustments and facilitates success and performance-based remuneration in line with market conditions. As part of the revision, we simplified the performance assessments and linked them more closely with the targeted development plans.

Since financial year 2009, we have been providing annual information regarding the remuneration structure on DekaBank's website. The remuneration report for 2011 is scheduled to be published in July 2012.

Training and personnel marketing

DekaBank meets the challenges posed by demographic change by implementing the concept of a life stage-based human resources (HR) policy, which also encompasses recruitment, training and personnel marketing.

Through our 12 to 18-month trainee programme, we are preparing 20 university graduates, who joined the Group in the reporting year, for their assignments in the different organisational units. From the outset, they work on demanding tasks and are able to network with each other and their mentors.

In addition to university marketing and recruiting, professional training is a key tool for attracting young talents. Along with investment fund sales staff and commercial staff for office communications, DekaBank trains students enrolled in the Applied Information Technology (BSc) dual study course in cooperation with the Baden-Wuerttemberg Cooperative State University. In 2011, 14 junior employees successfully completed their training in the DekaBank Group. Two students also graduated from the dual study course. In addition, we offer employees the opportunity to study for bachelor degrees alongside their job and support employees who are studying to earn a degree in investment management (*Investmentfachwirt/Investmentfachwirtin*) at the Frankfurt School of Finance & Management.

In the reporting year, DekaBank used its new personnel marketing campaign to position itself as an attractive employer, thereby raising its profile among new entrants of all ages and at different hierarchy levels: school pupils, secondary school and college students, university graduates, experienced professionals and executives. In advertisements, brochures, an image film and the redesigned career portal on the internet, DekaBank and its employees present the Bank as an attractive employer, thus emphasising the staff members' high degree of identification with the bank.

Life stage-based HR policy

Our concept of a life stage-based HR policy, which covers all phases, from career choice to retirement from professional life, once again served as a guideline for many measures related to health management, equal opportunities and family-friendly policy in the reporting year 2011. The concept is explained in detail in the annual sustainability report.

Our comprehensive health management system, which is integrated in the processes of the Bank, was summarised for the first time in a health report. The report documents targets, offerings and measures related to the four central pillars – movement, nutrition, mental health as well as medicine and prevention. These are supplemented by events, such as health days, at various locations.

DekaBank is committed to equal career opportunities for men and women and continually enhances the general conditions which enable employees to further improve their work-life balance. In the reporting year, for example, we supplemented our offering of crèche and daycare spaces with holiday childcare for school children. One of the objectives of the equal opportunities plan is to increase the proportion of women in management positions on a sustained basis. At the end of 2011, this proportion was 15.5% (previous year: 14.1%).

DekaBank's HR policy has been certified by "*audit berufundfamilie*" since 2005. The second re-audit was conducted in autumn 2011 in accordance with the new consolidation process, whereby a comprehensive evaluation of the family-friendly framework conditions and their establishment as part of the Bank's corporate culture is conducted, and then new targets are agreed on the basis of this evaluation. The "*berufundfamilie*" quality seal is under the auspices of the German Federal Minister of Family Affairs and the German Federal Minister of Economics and will be presented in spring 2012.

Post balance sheet events

No major developments of particular significance occurred after the 2011 balance sheet date.

Forecast report

Overall bank strategy

DekaBank continually develops its business strategy in close cooperation with its shareholders. The overriding aim is to add value for the savings banks on a sustained basis. We are confident that our current strategy (see pages 46 to 49) is ideally suited to achieving this goal in the next few years. Nevertheless, changes in the market situation and the requirements of the savings banks may entail new strategic campaigns, which in turn may result in adjustments to the existing, proven business model and the further development of our mission.

The strategic campaigns launched at DSGV level are of particular significance, with DekaBank involved in a central role. We expect the nationwide roll-out of the DSGV securities project to ensure the future-oriented repositioning of Asset Management within the *Sparkassen-Finanzgruppe* and, combined with this, firmer establishment, across the board, of DekaBank as the central asset manager.

The strategies of the various business divisions must be seen in the context of Group-wide measures. They are primarily aimed at the following:

- A differentiated approach to private customers of the savings banks based on a customised range of products and services for each income and wealth segment, including a comprehensive advisory and product concept for private banking.
- The ongoing development of specific solutions for investments by the savings banks for their own account, for example in the form of new Basel III compliant special fund concepts and DekaBank's own structured issues.
- The expansion of the range of products and services for institutional customers of the savings banks and other institutional clients, for example with the addition of solutions for fund-based company savings plans.
- The sustained improvement of our market position on the strength of prudent, performance-oriented management of funds in a volatile market environment.

The strategies are supplemented by cross-divisional measures to increase efficiency and modernise our technological banking platform.

With these measures, we are achieving our objective of comprehensively covering the investment banking requirements of the savings banks and their customers in an optimal and cost-efficient manner.

Forward-looking statements

We plan our future business development on the basis of assumptions that seem the most probable from today's standpoint. In spite of this, our plans and statements about future growth are fraught with uncertainties, more so than ever in the current market environment.

The actual trends in the international capital, money and property markets, or in the DekaBank business divisions, may diverge markedly from our assumptions. For the purpose of providing a balanced presentation of the major opportunities and risks, these are broken down according to business division. In addition, the risk report included in the Group management report (see page 80 et seq.) contains a summarised presentation of the DekaBank Group's risk position.

Anticipated external conditions

The western industrialised nations are continuing to pursue a consolidation course. This has also had an impact on the emerging economies, where growth slowed down perceptibly in the second half of 2011. In 2012, negative growth in the eurozone may push the global economy to the brink of recession.

Provided that the European financial system does not collapse, the situation should ease again in 2013. The medium-term outlook is also supported by the available leeway with regard to monetary and fiscal policy.

However, the European Monetary Union faces a stony path. The European Union will only continue to work in the future and overcome the current recession if it succeeds in implementing sweeping reforms in the EU crisis-ridden countries and at the Union level.

Perspectives on the European national debt crisis

Europe is only at the beginning in terms of dealing with the debt crisis. Although continuously new credit programmes provide assistance in the short term, the countries affected will need to find their own way back to a sustained growth course through their own reforms and further consolidation efforts. However, supporting and rescuing distressed countries requires long-term solutions instead of just interim financing.

The European Central Bank is unlikely to play a decisive role in permanent financing strategies. However, it is probable that it will continue to contribute to emergency financing during the crisis. By the end of 2012, the European Central Bank's government bond holdings are expected to increase to approximately €500bn.

There is a political will to preserve the monetary union. We therefore believe it is unlikely that the eurozone will disintegrate. The precarious situation with regard to financing European national budgets on the basis of bonds should stabilise in 2012. However, it will take longer to restore the markets' confidence in the European Monetary Union.

In the financial sector, a liquidity problem is emerging in the southern eurozone countries. For example, loan terms and conditions in Italy and Portugal have already risen to alarming levels, whereas they have remained within the normal range in countries such as Germany. If the debt crisis leads to another financial market crisis, highly indebted countries may no longer be able to support their banks.

Expected macro-economic trends

In view of the uncertainty in the financial markets and the recession we expect in Europe, our forecast for 2012 is weak global economic growth of 3.1%. However, we anticipate that the emerging markets will already be returning to a growth rate in line with their trend potential by mid-2012. In 2013, the continuing recovery in Europe is likely to boost global economic growth to 3.8%.

Overall, we expect 5.6% growth in GDP in the emerging markets for 2012 and an increase to 6.3% for 2013. Reduced price pressure provides the central banks with greater leeway in terms of monetary policy. This is likely to result in key interest rate cuts in Latin America and Asia, in particular, although these will probably be on a modest scale.

The US economy is already ahead of the eurozone countries with respect to necessary structural adjustments. In the course of this year, the banking and mortgage crisis has become less threatening, so that lending will have a chance of improving further in the coming two years. This reinforces the impact of expansionary monetary policy and therefore the cyclical forces driving an upturn. However, the end of the economic stimulus package resolved in 2009 has already been affecting dynamic growth since mid-2010. The existing imbalance in the national budget will necessitate further austerity measures over the next two years. Based on current legislation, the temporary tax cuts for private households will end in 2013. The extent of the resultant tax increases will depend on the outcome of the presidential elections at the end of 2012. All in all, we expect an increase in GDP of 2.1% for 2012 and 2.5% for 2013.

The European countries are facing a difficult year. Following considerable growth in the gross domestic product of 1.5% in 2011, the GDP is expected to contract by 0.4% in 2012. On the one hand, the current slowdown in world trade is adversely affecting the economy and on the other, the debt crisis will force the eurozone countries to implement austerity measures beyond 2012. This not only applies to the peripheral countries, but to the core eurozone countries as well. The labour market is also expected to have a dampening effect on private consumption. Already at a high level of approximately 10%, the unemployment rate is likely to increase further this year and only drop gradually again in 2013. Export-oriented countries in general and Germany in particular will probably benefit from an upturn in world trade in 2013, which will also provide a boost for the eurozone. However, at 0.8%, economic growth will remain below average in 2013 as well. On the whole, we expect northern Europe to record higher growth rates than southern Europe in the coming years.

Although Germany, which has been a major growth driver to date, will be able to dampen the European recession in the eurozone, the country will no longer be able to prevent it. Political uncertainty as a result of the debt crisis and poorer export prospects in the eurozone, the main sales region, are making German companies cautious with regard to any planned investments in 2012. However, on the back of wage and salary increases, the positive consumption trend is set to continue. Employment is also likely to remain at a high level, provided that the expected recession remains short-term and on a moderate level. The economic slowdown will probably continue to have a negative impact on exports in 2012, especially in the European market. In 2013, we expect improved general conditions, which are also likely to boost export activity. After marginal 0.1% growth in GDP for 2012, we assume a sharper rise in 2013 of 1.6%.

Europe still has inflation under control. Some eurozone countries are more likely to be at a risk for deflation. For 2012, we expect a decrease in the inflation rate to 2% for the eurozone, with rates only beginning to rise in 2013. We anticipate a drop in the inflation rate in Greece, Ireland, Spain and Portugal, and figures of around 2% in Germany. The ECB looks set to continue its very expansionary monetary policy over the next two years. In view of the current weakness of the economy and foreseeable decrease in the rate of inflation to well below 2% by the end of 2012, we assume that the ECB will continue to keep the key interest rate at the low level of 1.0% in spring.

Expected trends in the capital markets

The capital markets are subject to two major influencing factors. First, the financial markets are still experiencing the consequences of the 2008 financial market crisis, which means that interest rate levels have remained very low, as is the case with central bank rates, for example. Secondly, some extreme and severely fluctuating risk premiums are affecting prices in almost all securities segments. At the same time, political decisions and events have played an unusually significant role in the past two years and are set to remain important factors.

Only a few types of bonds can still be considered risk-free today. They include US government bonds (due to their reserve currency function) and German government bonds (since the assumption of debt within Europe will remain limited). The yields on these bonds will remain historically low, because this type of investment is expected to be particularly popular in view of the new liquidity requirements that apply to financial institutions. However, depending on the political situation, we expect an easing in the coming twelve months, during which yields on 10-year Bunds may climb back up to 2.4%.

For savers in Germany, money invested in safe investments will result in a negative outcome in this interest rate environment after tax deductions and given the rate of inflation. Accordingly, the dividend yield of shares remains superior to bonds. However, the bonds of the major countries will continue to be sought after as a safe haven. The dividend yield of the DAX amounted to almost 4% in 2011 and that of the EuroStoxx 50 was just shy of 5%, compared with a yield on 10-year Bunds of 2% to 3%. We do not expect this ratio to be reversed in the coming year. Volatility, which increased substantially in 2011, is likely to ease again to some extent. We expect the DAX to fluctuate between 6,500 and 7,500 points and the EuroStoxx 50 between 2,400 and 2,700.

Expected trends in the property markets

Lower demand for rented property, a rise in net initial yields and tighter financing conditions – these three factors will limit demand and the volume of activity in the European property markets over the coming year. In terms of a trend, property markets outside Europe will become more attractive.

At present, the markets are dominated by widespread uncertainty regarding economic and political developments in Europe. However, individual markets are affected in different ways by the effects of the financial and economic crisis. While Germany, France, the Benelux countries and Scandinavia will only face minor losses, we expect the peripheral eurozone countries and markets in southern Europe to experience an extended lean period. Nevertheless, there is no indication of a sharp fall in the rental markets, as seen in 2008 and 2009 after the collapse of Lehman Brothers.

The office rental market in Europe will see two different developments in 2012/2013. Vacancy rates are expected to rise slightly in the peripheral countries, with rents decreasing, whereas they will stagnate in the core countries. However, with the completion volume at a low level and the economy picking up again in subsequent years, this weakness is unlikely to represent a trend reversal, but is rather a dip triggered by the financial market crisis.

In view of the fact that financing options have become more difficult as a result of the worsening debt crisis and emerging economic concerns, developers are likely to continue to hold back on any speculative plans. Recently, new projects have predominantly been started in London.

This development has also impacted on the German office market. Due to the robust labour market and low volume of new construction in many markets, the office market will stabilise further in the coming year. At the same time, we expect a decline in demand. For 2012, we therefore anticipate stagnating office rents in Germany, and stagnating or slightly rising vacancy rates in some cases. For the forecast period from 2012 to 2013, German locations, with the exception of Frankfurt/Main, are in the upper mid-range in terms of earnings prospects as compared with other European countries.

Based on a historical comparison, growth in rents in the European retail markets is likely to be very moderate in the coming years. Growth potential is also very limited for the majority of the European logistics markets, given the expected economic trend in 2012.

The European investment markets will respond more extremely to the economic slowdown than the rental markets. From 2012 onwards, subdued rental expectations and the difficult financing conditions are set to result in a renewed rise in net initial yields. However, investors' marked risk aversion, the low interest rates and the confusing situation in the other investment classes will keep demand at a high level in the core area, thereby limiting the decline in prices in this segment. The flight into safety will remain a key investment motive.

Although we forecast a dip rather than slump in total income for 2012, we only expect a result above 1% in two of the 25 European markets we cover, namely in Warsaw and the City of London. Based on our calculations, Portuguese, Spanish and Italian locations will be faced with the most significant losses in terms of total income.

In the USA, the recovery of the office markets continues to be slow and varies by region. The labour market there is considered to be the main sore spot. New York and San Francisco as forerunners, followed by Boston, Dallas and Seattle, have good chances for sustained growth in rents due to their economic structure. It is likely that the recovery in the US investment market will remain well ahead of that in the US rental markets. The limited supply of class A office buildings may result in further price increases in this market segment.

In the other markets outside of Europe, we predict that locations in Latin America and Australia, including Santiago de Chile, Mexico City, Sydney and Perth, will have the best earnings prospects.

Expected business development and profit performance

In the scenario described above regarding the developments in the economic environment, we assume that the sales and market situation in Asset Management will remain weak. Due to the fact that market risks remain significant, a considerable increase in the level of interest in investment funds is not to be expected on the part of safety-oriented private investors. Consequently, DekaBank and the savings banks will need to join forces in their efforts on the product and sales side as well as in communications, in order to strengthen the role of investment funds in the formation of financial assets and pension provisions. On this basis and after recording a negative net sales performance in active asset management for three consecutive years, our target for the coming years is to expand assets under management and our market position on the strength of positive net sales. The minimum target for 2012 is to maintain the existing volume in Asset Management at a steady level, with growth in payments to the alliance partners.

We intend to increase the added value contribution of DekaBank to the savings banks over the next three years as compared to 2011 by using both levers – payments to alliance partners and the economic result. According to our forecast, income growth will be moderate due to various adverse factors. Growth in net commission income, which remains unchanged our most important income component, is likely to be heavily restricted in the current market environment. With regard to net interest income, it should be noted that in view of the challenging requirements in terms of its core capital ratio, DekaBank will pursue the stringent management of its lending business with the aim of limiting risk-weighted assets. As before, any new transactions in core business are only accepted subject to third party usability in the respective credit segment. In non-core business, we continue to adhere to our strategy of reducing the portfolio while safeguarding assets at the same time. The restricted loan volume coupled with the expectation of low market interest rates suggests that a decrease in net interest income is to be expected.

In response to the factors which are adversely affecting income, DekaBank is applying strict operating cost management while consistently implementing its IT mission. In addition, we aim to further expand customer trading activities with the associated positive impact on net financial income. However, economic instability and the capital market situation do not allow a reliable forecast with regard to either the trend in risk provisions or the valuation result from capital market credit products. Additional adverse factors may also result from the valuation of government bonds.

AMK business division

As part of the strategy for the business divisions (see pages 46 to 47), AMK will strengthen its market position in cooperation with the savings banks. In the retail segment, the focus will be on solutions for a customer-specific approach to advisory services within the scope of the savings banks financing concept. On the product side, AMK is responding to investors' heightened need for safety during volatile market phases. Following the expansion of the product range of mixed funds and capital protected funds in 2011, plans are in place to launch a new fund of funds concept for basic investments, which will be based on different share ratios to reflect differentiated safety requirements and will also be suitable for saving capital-forming payments. Attractive models for fund-based savings plans will also promote the long-term formation of financial assets on the part of the savings banks' retail customers. At the same time, the sustainable funds launched at the end of 2011 respond to the stronger trend towards ethical investments. For affluent customers, in particular, the focus will be on Deka-Vermögenskonzept.

In alignment with the planning, institutional business will account for a considerable share of net sales. It will primarily centre on customised solutions for investments by the savings banks for own account, which will be developed together with the C&M business division.

Despite the difficult sales and market situation, AMK will once again make a significant contribution to the DekaBank Group's economic result. However, in view of the reduced assets under management in financial year 2011, a slight decrease in portfolio commission is to be expected. Substantial risks will arise if market developments differ from our forecast and net sales fall short of the forecast targets.

AMI business division

In financial year 2012 and beyond, AMI will continue to leverage the opportunities arising from the combination of property fund business and property financing, which is rare in the market. With regard to retail funds, AMI will proceed with its liquidity and yield based management and, as before, plans to continue selling fund units on the basis of limited sales quotas. It is as yet unclear whether the new regulations that will apply to open-ended property funds starting in early 2013 will influence investor behaviour. At present, we expect those fund regulations to have a stabilising effect. However, short-term irritation and confusion among investors cannot be ruled out.

The forthcoming regulation represents a particular challenge in institutional business in terms of sales terms and conditions.

As in previous years, Real Estate Lending will focus on generating risk-adequate income as an active provider in the market. The gross loan volume is expected to only change to a relatively limited extent. At the same time, syndication activities will remain as brisk as before. According to our expectations, market conditions will vary substantially, which will provide opportunities in terms of buying, selling and financing.

AMI anticipates a largely steady development of the economic result. Potential risks arise in connection with the fact that investor behaviour cannot be reliably predicted against the backdrop of new regulations and the uncertain sector situation, as well as with possible, but not expected, sudden fluctuations in the value of fund properties and properties that serve as loan collateral.

C&M business division

Under demanding regulatory conditions, C&M will continue to focus on offering competitive services in the future alongside innovative capital market and credit products for the Group's investment fund companies and the savings banks.

In view of the demand from saving banks, we expect a volume increase in the trading units of the Markets sub-division, partly owing to the persistent high level of demand for securities lending transactions. At the same time, plans are in place to increase the Bank's own issuing activities and other structured transactions in cooperation with AMK. In ETF business, all signs point to continued growth in the future. The aim is to continually increase assets under management. To this end, plans are in place to implement suitable measures for promoting sales outside of the *Sparkassen-Finanzgruppe* as well. The medium to long-term objective remains unchanged: to increase the total volume to €10bn.

In the Credits sub-division, we only make selected new commitments in the various credit segments where external placement is an option. Only a relatively limited amount of capital is committed, which in turn restricts income growth.

The Treasury sub-division centres on strategic liquidity management. Regulatory requirements also play an important role and are successively integrated into business processes as they come into force. The challenge lies in providing efficient liquidity management while ensuring a high level of fungibility of the investments at the same time, in order to be able to supply the Group's own funds and/or the savings banks organisation with liquidity at very short notice.

Once again, C&M plans to significantly increase its overall contribution to DekaBank's economic result. Risks in terms of future developments mainly include the conceivable escalation of the national debt crisis, as a result of which the European economy may slide into a prolonged recession. This would have a negative impact on both trading activities and the valuation of the portfolios in Credits and Treasury.

Non-core business

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

Risk report

Risk policy and strategy

DekaBank has a focussed business model with strictly limited risks. In the scope of the long-term business strategy defined by the Board of Management as well as the risk strategies consistent with it, risk positions are principally only entered into if they arise in connection with customer transactions and can be hedged in the market, or if they are accepted in order to leverage synergies in Asset Management. Based on this, DekaBank implements an appropriate risk/reward ratio in the long term, with the aim of achieving a sustained increase in corporate value.

The Bank uses a systematic strategic process to regularly review its group-wide business strategy, management and structure, as well as the divisional and sales strategies in accordance with the Minimum Requirements for Risk Management (MaRisk), and to ensure that they are consistent, complete, sustainable and up-to-date. The process covers planning, implementation, evaluation and any adjustments to the strategies. Use of an appropriate design for the group management and structure guarantees the translation of the business strategy into the business divisions.

The strategies defined for all material types of risk are derived from the corporate strategy for the Group and the strategies for the business divisions and provide specific details regarding risk monitoring and management. They are reviewed at least once a year, adjusted if necessary and discussed with the Administrative Board. This takes into account both external as well as internal factors, the underlying assumptions of which are reviewed regularly and as necessary. In addition, the Administrative Board has established an Audit Committee, which periodically obtains a comprehensive overview of the risk management systems in the DekaBank Group and receives reports on the audit findings from Internal Audit. The Credit Committee also established by the Administrative Board with effect from 1 January 2011 acts as a committee for loan and credit approvals and, together with the Board of Management, provides advice on the business policy direction in the Group's lending business.

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

Organisation of risk management and control

Risk management

DekaBank perceives risk management as the active management of its risk positions (Fig. 16). The full Board of Management of the DekaBank Group plays a central role here: the Board is responsible for establishing, further developing and monitoring the efficiency of the risk management system. The full Board of Management approves the permissible overall risk at the Group level and stipulates what proportion of the reserved risk capital should be attributed to the respective risk types on the one hand and the business divisions on the other (top down view). In addition, the business divisions determine their budgeted capital requirement (bottom up view). Combining the two approaches ensures the most efficient allocation of the risk capital to the business divisions on an annual basis.

In due consideration of risk concentrations, DekaBank has specified limits (risk tolerances) for all material risks and has implemented consistent risk management. As part of a risk inventory, we review, on an annual basis and as required, which risks could have a significant negative impact on assets, including capital resources, earnings situation or liquidity. In this regard, we take all material risks as well as risk concentrations into account. In the course of implementing the requirements of the Minimum Requirements for Risk Management (MaRisk), in the past year we restructured the risk inventory process and developed the associated documentation. This ensures that we have an overview of the overall risk profile of the DekaBank Group at all times.

In accordance with the limits prescribed by the Board of Management, the Asset Liability Management Committee (ALMC) specifies the framework for the management of strategic market risk positions. The ALMC includes the managers of the Markets and Treasury sub-divisions in the C&M business division, the head of the Corporate Centre Group Risk, the head of the Corporate Centre Finance as well as the members of the full Board of Management responsible for those units. The Committee also includes a representative from both the Macro Research unit of the AMK business division and from the Compliance unit in the Corporate Centre Legal. The C&M business division is then solely responsible for implementing the strategic guidelines.

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

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

Risk control

In organisational terms, Risk Control is part of the Corporate Centre Group Risk. This unit, which is independent of the business divisions, is tasked in particular with developing a standard and self-contained system that quantifies and monitors all risks associated with the Group's business activities. The risk measurement

Organisational structure of risk management in the DekaBank Group *(Fig. 16)*

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

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

procedures are continually updated in line with economic and regulatory requirements. Risk Control also monitors compliance with the limits approved by the authorised persons. Limit overruns are immediately reported to the full Board of Management as well as to the respective key decision-makers.

Risk reporting

Each quarter, the Board of Management and Administrative Board receive a risk report in accordance with the MaRisk. The risk report provides a comprehensive overview of the main risk types as well as the risk-bearing capacity. In addition, the Board of Management and the main decision-makers are provided with report extracts containing key information on the current risk situation as well as on the corresponding utilisation of the risk-bearing capacity on a daily or at least monthly basis, depending on the type of risk.

Internal Audit

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

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

New regulatory provisions

In this reporting year, we fully implemented the MaRisk amendments that took effect towards the end of last year. The new system for performing cross-risk type (macro-economic) stress tests was already put into operation at the start of 2011. As part of the risk-bearing capacity analysis, the stress tests now provide the opportunity to conduct even more comprehensive alternative analyses of the risk and result development, which supplement the value-at-risk approach. The macro-economic stress scenarios were incorporated into the Committee reporting and are examined on a quarterly basis.

We responded to the requirements for the liquidity management of capital market oriented institutes contained in the new MaRisk by further developing our mechanisms. The MaRisk require there to be sufficient additional funds in place as well as highly liquid assets that are eligible as security for central bank borrowing, to bridge a short-term refinancing requirement in a stress scenario for a minimum of one week. For a period of at least one month, further components of the liquidity reserve may be used, provided that they can be turned into cash without significant loss in value and regulatory requirements are complied with.

Against this background, the funding matrix (FM) which has been relevant for management since December 2011 now provides a stress oriented illustration of the liquidity position of DekaBank (see page 104). This takes into account a combined scenario of institution-specific and market-wide stress factors. Free (uncommitted) securities shall only be taken into account in the first week if they are highly liquid and unencumbered.

The expanded requirements of the new MaRisk for the risk-bearing capacity concepts of banks were specified in the fourth quarter of 2011 by the BaFin guidelines on the supervisory assessment of internal bank risk-bearing capacity concepts. Based on this, DekaBank already made relevant adjustments in determining the risk-bearing capacity at the end of November 2011. These relate to defining the risk cover potential as well as to determining the Group risk (see page 85 to 86).

Overall risk position of DekaBank

Risk types and definitions

DekaBank classifies risks in line with the German Accounting Standard DRS 5-10 and therefore presents its risk position differentiated by market price risk, credit risk, liquidity risk and operational risk. In addition, there are further specific risks which are taken into account when determining Group risk: shareholding risk, property/property fund risk and business risk.

Market price risks

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

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

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

Credit risks

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

In principle, with regard to credit risk, DekaBank distinguishes between position risk and advance performance risk. The position risk comprises the borrower and issuer risk, which is assessed in particular by the creditworthiness of the respective contracting partner, as well as replacement risk and open positions. Advance performance risk represents the threat that a business partner will not pay the contractually agreed-upon consideration after advance performance rendered by DekaBank.

Losses which could arise for the Bank as a result of negative rating migrations of individual business partners or issuers are also part of the credit risk. These are predominantly taken into account within the scope of our credit portfolio model and also considered when determining the risk-bearing capacity.

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

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

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

Operational risk

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

Liquidity risk

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

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

The liquidity maturity transformation risk describes the risk that arises from a change in DekaBank's own refinancing curve in the event of mismatches in the liquidity-related maturity structure. DekaBank observes and manages both risk definitions using the funding matrix. Limiting maturity bands ensures liquidity and refinancing forecasts and therefore minimises the liquidity maturity transformation risk.

Business risk

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

Shareholding risk

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

Property risk

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

Property fund risk

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

Risk measurement concepts

Risk-bearing capacity

With regard to the system of bank-internal risk-bearing capacity concepts recently introduced by the BaFin as part of the revised regulations, DekaBank pursues an approach which is focussed on the liquidity perspective, whereby the constant protection of the creditors is at the forefront, even in extremely rare risk situations.

To this end, we determine our Group risk as a total across all significant risk types that have an effect on income. Group risk is measured as the amount of capital that with a high level of probability will suffice to cover 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. The calculation of the VaR with a holding period of one year is carried out for various confidence levels. Key for the internal management is currently a confidence level of 99.9%, which is accordingly derived from the target rating or the business model of the DekaBank.

When determining market price risk contained in the Group risk, in accordance with the new regulatory requirements, we now also consider the spread risks arising from securities in the lar and htm IFRS balance sheet categories, which are reported at amortised cost, in the scope of risk-bearing capacity. We have also revised the system for determining credit risk. The adjustments here are primarily related to the improved accounting of collateral in the case of project financing as well as further differentiation of the migration matrices, with which we record the effects of rating changes on the credit value-at-risk (CVaR).

The Group risk determined from the individual risk categories is matched by the risk cover potential. If this is consistently higher than the Group risk, i.e. the utilisation level stands at less than 100%, the risk-bearing capacity of DekaBank is guaranteed at all times.

Corresponding to the liquidation approach pursued here, all capital components which in the hypothetical event of liquidation do not put strain on the senior creditor can be used. To assess the risk-bearing capacity on an additionally 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 consists of equity capital according to IFRS and the net income contribution for the year. Pursuant to the adjustments recently made to our methodology, the expected portfolio-related income components from Asset Management for the next twelve months as well as the accumulated net income for the year are now taken into account during the year. Furthermore, the capital components according to IFRS are adjusted for corresponding corrections, such as for hidden charges arising from securities in the investment book or positions such as goodwill.

The secondary cover potential also 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.

The primary cover potential essentially forms the basis for internal management, whereas the secondary cover potential remains for potential stress situations.

The risk-bearing capacity analysis is conducted monthly and the results are reported to the Board of Management in a timely manner. The Administrative Board is informed quarterly.

Stress tests

In addition to the risk-bearing capacity analysis, regular stress tests and scenario analyses are performed for all key market parameters, in order to assess the impact of extreme market developments. This ensures that the risk consideration and risk-bearing capacity are also guaranteed in situations which cannot be derived directly from statistical data. The analysis covers all individual material risk types such as market price risk positions (interest rate, credit spreads, share prices and exchange rates) as well as liquidity risk and credit risk positions. In the course of macro-economic scenarios, numerous combinations relevant for the Bank are regularly reviewed across all risk types with regard to their effect on the income and risk situation.

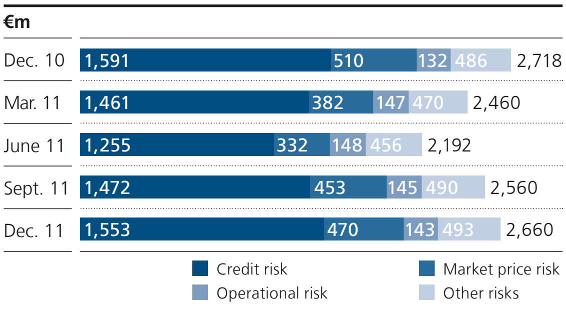
The macro-economic stress tests quantified since the beginning of the reporting year cover both historical scenarios (for example for financial market crisis or terrorism risks) as well as hypothetical stress situations, for instance the default of a specific counterparty that is important for the bank. Furthermore, "inverse" stress tests, in which specific manifestations are examined for certain scenarios that would lead to the risk-bearing capacity limit being reached, are also considered on an annual basis. All scenarios are regularly assessed in terms of their suitability and can be supplemented by corresponding ad-hoc analyses upon request. The scenario results are approved quarterly by the Bank's Stress Testing Committee, against the background of the risk-bearing capacity as well. This allows fields of action to be identified as early as possible in the event of emerging crisis situations.

Overall risk position in financial year 2011

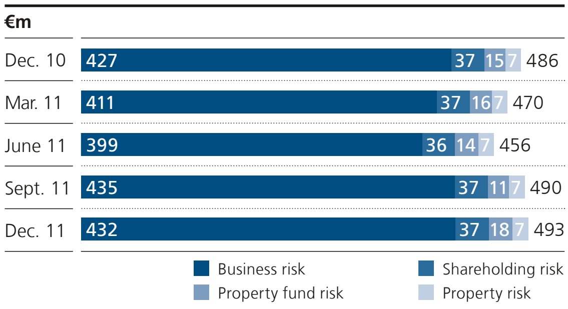
For 2011, the development of the DekaBank Group risk again shows that the risk models of the DekaBank adequately and promptly reflect the market trends. After a decrease in the first half of the year, market and counterparty risks increased again significantly starting in mid-year. In particular, decisive factors here were the considerable increase in spread volatilities in the public sector as well as the overall heterogeneous development of risk premiums in various rating classes and the associated increase in migration risks. The European national debt crisis especially had an impact on our positions in Treasury.

At the end of 2011, the value-at-risk (VaR) amounted to €2,660m with a confidence level of 99.9% and a time horizon of one year. Despite the greater accumulation of spread risks in the course of the risk-bearing capacity analysis, the Group risk remained below the corresponding previous year's figure (end of 2010: €2,718m); (Figs. 17 and 18).

Change in Group risk over the course of the year *(Fig. 17)*



Change in Group risk over the course of the year – other risks *(Fig. 18)*



The methodology adjustments in the market price risk, which also include the increased consideration of spread risks for securities in the investment book as well as use of credit spread curves more strongly differentiated according to segments, themselves lead to a slight rise of approximately €50m. However, despite this effect and the intensification of the European national debt crisis, the market price risk decreased over the year as a whole. The increase in spread volatilities in the second half of the year was also partly compensated by the reduction in risk positions.

The development of the counterparty risk reflected a favourable development in creditworthiness risk in the first half of the year; subsequently, however, there was an increasing heterogeneous development in risk premiums in some rating classes. As a result of the continued further portfolio reduction in non-core business, the counterparty risk was also slightly below the previous year's figure. In addition, the methodology was adjusted, and migration risks are now assessed more strongly differentiated according to individual segments.

The remaining risks included in the risk-bearing capacity analysis only experienced slight changes in comparison to the previous year.

The proportion of the core business in the overall risk increased further during the course of the year. The overall risk at year-end was €2,372m (previous year: €2,057m). In comparison, a disproportionate decrease to now €434m was recorded in non-core business (end 2010: €662m). In this regard, the continued and planned reduction in volume had a risk-reducing effect.

In line with the Group risk, the available cover funds also decreased in the reporting year. The primary risk cover potential declined to €3.421m as at the 2011 reporting date (previous year: €4,431m). In addition to the impact of purchasing the Bank's own shares as part of the complete takeover of DekaBank by the savings banks, various effects arising from the afore-mentioned changes in methods for determining the cover potential came into play as well.

The utilisation rate of the primary cover potential accordingly increased to 77.8% year-on-year (end of 2010: 61.3%). The risk-bearing capacity was ensured at all times. Despite the observed increase, we continue to assess the utilisation in both the overall context as well as for specific risks as non-critical. Nevertheless, the tighter regulatory requirements for risk-bearing capacity still necessitate prudent management of DekaBank's overall risk position. The overall risk-bearing capacity of the DekaBank Group (including the secondary cover potential) totalled €4,694m at year-end 2011 (end of 2010: €5,840m). The utilisation rate of the overall risk-bearing capacity was 57.0% as at year-end and also increased from 47.0% compared with the value at the close of the previous year. The overall risk-bearing capacity was also clearly indicated in all macro-economic stress scenarios that were analysed.

Market price risks

Risk management and monitoring

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

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

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

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

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

Quantifying market price risks

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

The value-at-risk ratios are determined daily, using a sensitivity-based Monte Carlo simulation. The input parameters for this risk model are the sensitivity variables delta, gamma and vega (the Greeks). These first and second-ranking sensitivities express the price sensitivity of financial instruments to changes to the underlying risk factors and facilitate the assessment of the overall risk of linear and non-linear products. They are available as additional management parameters for risk estimation beyond the limitation.

The model ensures the mapping of all risk factors, which is closely aligned with the trading strategy, including non-linear and credit spread risks. Daily risk measurement is integrated for all risk types related to market price risk, both in the trading book and investment book. This guarantees a comprehensive view of all market price risks, while adequately taking into account concentration and 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, we calculate the VaR for a holding period of ten days (for trading one day) and a confidence level of 95%. The operating VaR therefore corresponds with a probability of 95% to the maximum loss on a position held over a period of ten or one trading days.

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

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

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

Sensitivities

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

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

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

Scenario analysis

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

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

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

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

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

Backtesting of VaR risk ratios and validation

In addition to detailed validation of the individual assumptions used in the model, we regularly conduct backtesting for various portfolio levels in order to test the validity of our VaR forecast. In this process, the daily results, which are theoretically achieved assuming unchanged positions on the basis of the market developments observed on the following day, are compared with the forecast value-at-risk figures for the previous day. We also use the backtesting results to further develop the risk model. A report with the results is submitted to the ALMC on a quarterly basis. The backtesting results verify the general suitability of the market risk measurement on both the institute level and the level of subordinate organisational units.

Reporting of market price risks

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

Current risk situation

The overall market price risk (holding period of 10 days and confidence level of 95%) amounted to €51.7m at year-end 2011 (end of 2010: €44.8m); (Fig. 19).

Value-at-risk at the DekaBank Group[1] (Confidence level 95%, holding period 10 days) *(Fig. 19)*

€m Category	Core business	Non-core business	31.12.2011 Group	Core business	Non-core business	31.12.2010 Group	Change in risk
Interest rate risk	47.6	16.1	51.2	31.2	25.5	43.3	18.4%
Interest rate – general	4.2	4.6	7.7	2.1	2.1	2.4	226.0%
Spread	47.9	15.3	52.0	30.8	25.7	43.2	20.4%
of which in capital market credit business	24.2	14.8	28.8	14.1	25.1	28.0	2.8%
Share price risk	6.3		6.3	8.9		8.9	–28.4%
Currency risk	4.7	3.8	1.1	2.0	2.5	4.2	–73.7%
Total risk	**48.7**	**16.8**	**51.7**	**32.9**	**26.0**	**44.8**	15.4%

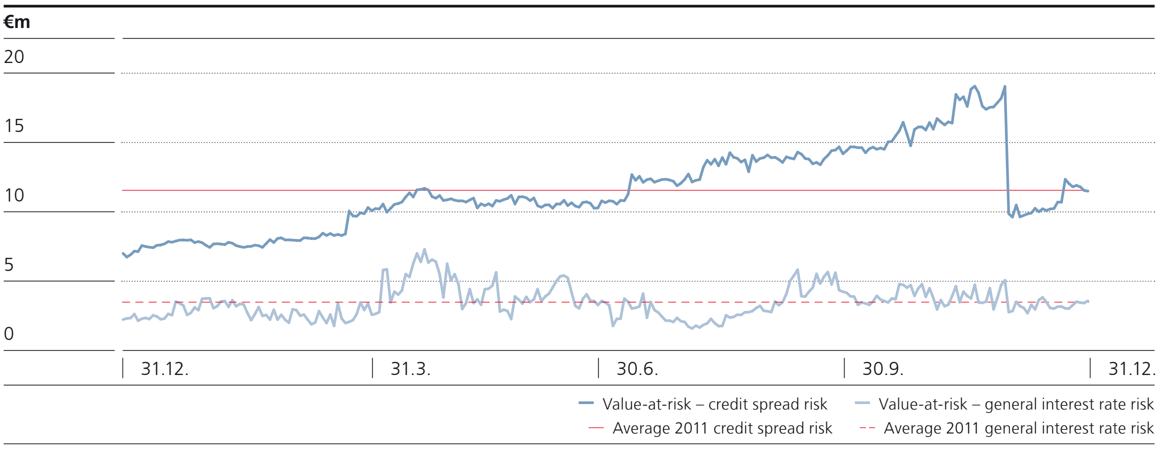
[1] Risk ratios interest rate risk and total risk take account of diversification. Including issuance specific credit spread risk.

The increase in the spread risks included in the interest rate risk was the decisive factor in the higher figure as compared to the previous year. The credit spread risk rose to €52.0m (end of 2010: €43.2m). After a negative development in the first half of the year, which was particularly attributed to lower volatilities in securitisation transactions in non-core business, the positions held in Treasury primarily experienced extended spread curves and greater market price fluctuations starting in mid-year. In the trading book (Markets) the credit spread risk was €10.2m (end of 2010: €6.7m), whereas it totalled €39.5m in the Treasury banking book (end of 2010: €39.2m).

The general interest risk rose throughout 2011 to €7.7m after the very low figure at year-end 2010 (€2.4m). This was essentially attributed to the development of money market positions as well as the generally higher market volatility. As in the previous year, the general interest risk largely resulted from euro-denominated positions. In the trading book (Markets) the general interest risk totalled €3.2m at year-end 2011 (end of 2010: €2.2m), in the Treasury banking book it was €5.0m (previous year: €1.9m). The general interest risk in the banking book portfolio of the Markets unit stood at €0.6m as at the reporting date on 31 December 2011.

The graph below illustrates the course of the credit spread and general interest risk VaR for Markets trading. At year-end, the effects of methodological refinements which contained an expanded use of credit spread interest curves are shown (Fig. 20).

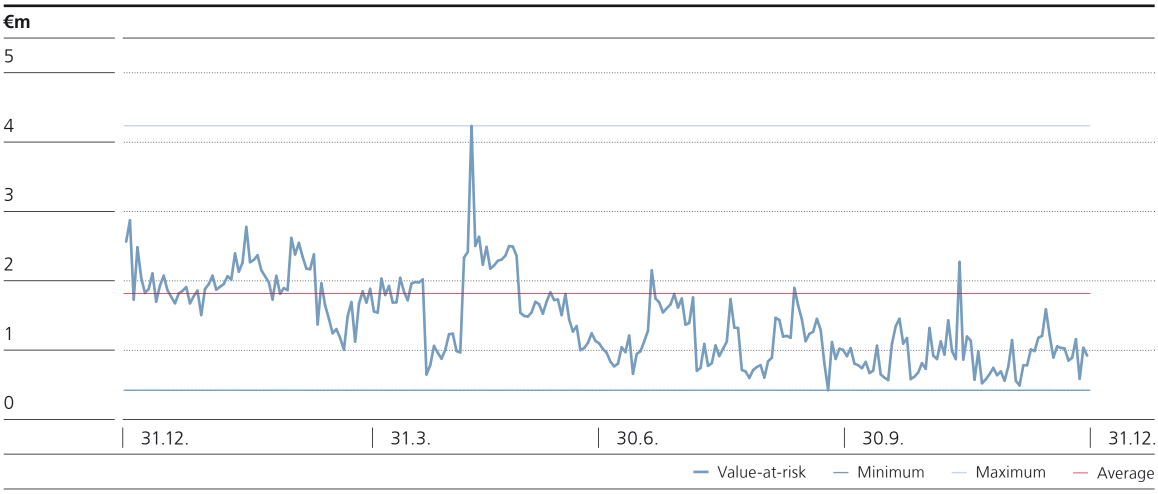
Value-at-risk – General interest rate risk and credit spread risk in Markets trading over the course of the year 2011 *(Fig. 20)*



The share price risk which exclusively arises in the core business was €6.3m as at the 2011 reporting date and thus below the previous year's figure (€8.9m). The background for this is a reduction in positions in equity derivatives as well as hedge adjustments in the start-up financing of funds. In the trading book (Markets), the share price risks totalled €0.9m (end of 2010: €2.6m), in the Treasury banking book €6.2m (end of 2010: €8.3m).

Figure 21 shows the development of the share price risk for Markets trading over the course of the year.

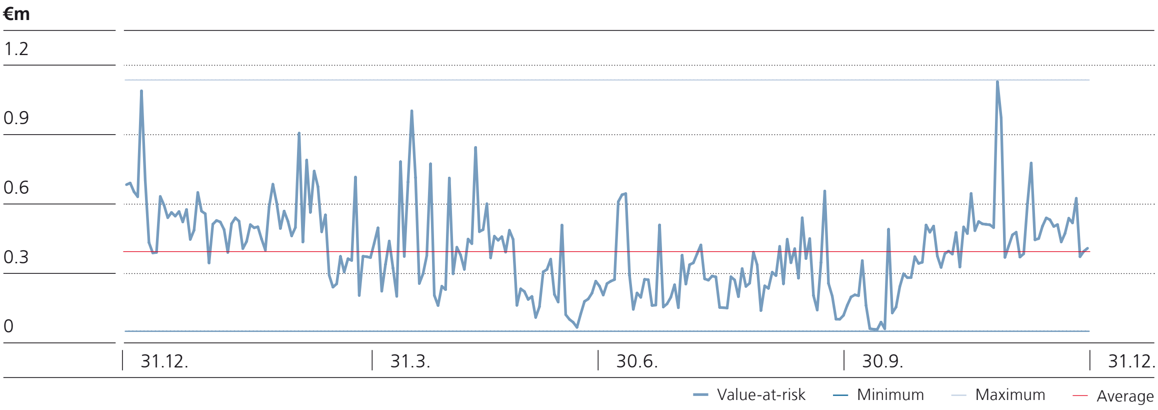
Value-at-risk – Share price risk in Markets trading over the course of the year 2011 *(Fig. 21)*



The currency risk also decreased further as compared with the previous year, totalling €1.1m (end of 2010: €4.2m). This is attributed to market value changes of existing transactions. The contrary development due to higher market volatilities was overcompensated. The currency positions were mainly held in US dollars and pounds sterling. At year-end 2011, currency risks in the trading book (Markets) amounted to €0.3m (previous year: €0.6m), as well as €4.6m in the Treasury banking book (previous year: €3.7m). The banking book of the Markets unit contained a currency risk of only €0.1m as at the reporting date.

The development of the currency risk is illustrated in the graph for Markets trading (Fig. 22).

Value-at-risk – Currency risk in Markets trading over the course of the year 2011 *(Fig. 22)*



Credit risks

Risk management and monitoring

Organisation of credit risk management

The credit risk strategy is the foundation for handling counterparty default risks in the DekaBank Group with regard to the structure of the credit processes, the independent risk assessment and the responsible management of risks in due consideration of collateral. It provides the parameters for the business activities of the DekaBank Group with respect to borrower risks, issuer risks, advance performance risks and replacement risks, and forms the basis for a comprehensive credit risk structure analysis. Moreover, the strategy outlines the counterparty default risk principles for loans as defined by Section 19 (1) of the German Banking Act (KWG) and describes the segments which represent the focus of lending activities, including the specific risk determinants and minimum standards. The credit risk strategy applies to all organisational units in the Group. The strategy is specified by the Board of Management, reviewed at least once a year and discussed with the Administrative Board. Credit risks are monitored and managed in accordance with standard principles, regardless of whether the risks stem from trading or non-trading transactions. The associated tasks are carried out by the Board of Management, the C&M, AMI (Real Estate Lending) and AMK (sales direct customer business and private banking) divisions, by the Corporate Centre Credit Risk Office as well as the Credit Risk Control and Risk Models units in the Corporate Centre Group Risk.

In line with the MaRisk, certain tasks in the credit process have to be carried out by departments other than the front office. Consequently, the Corporate Centre Credit Risk Office is the administration office for early risk identification and responsible for the market-independent second recommendation for loan decisions as well as for preparing and approving creditworthiness analyses and ratings. Moreover, the Corporate Centre Credit Risk Office ensures the quality of the credit processes, develops them further if required and monitors the transaction management of non-performing and troubled loans as a permanent member of the Monitoring Committee. In addition to the head of the Corporate Centre Credit Risk Office, the members of this committee, which is responsible for managing and monitoring the processing of troubled exposures, include the heads of the Credits, Markets and Treasury sub-divisions from the C&M division, the head of the Real Estate Lending sub-division in AMI and the head of the Corporate Centre Legal Affairs. The Corporate Centre Credit Risk Office has a right of veto in the Monitoring Committee.

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

Independent risk assessment and monitoring is guaranteed by the functional and organisational separation of the Corporate Centres Credit Risk Office and Group Risk from the C&M division as well as the Real Estate Lending sub-division in AMI and the AMK division (sales direct customer transactions and private banking).

Management, monitoring and limiting of credit risks

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

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

Special risk-limiting standards apply in the Credits sub-division, depending on the type of financing. In project financing, for example, care is taken to ensure technological security as well as suitable price risk and cost reserves; appropriate equity capital participation of the financing recipient and access to cash flows which secure debt service are also pertinent in this respect. In public infrastructure finance, the assessment of the financed property and of the operator plays a key role, while country and supplier risks are particularly relevant in ECA-covered export and trade financing.

In the segment of structured capital market products and the other segments which are 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, on the market or fair value or lending value of the financed property. In principle, the valuation of the collateral is checked annually. In trading business, we minimise credit risk by using offsetting agreements via derivatives and repo transactions. The main types of collateral are cash and securities, special framework agreements in repo/lending transactions and collateral management agreements.

The AMK private customer lending business largely comprises Lombard loans, futures and options as well as forward exchange transactions within the scope of servicing affluent private customers. Credit is only granted upon provision of valuable collateral.

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

Assessing creditworthiness

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

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

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

In addition, as part of a cooperative project, tasks relating to the ongoing updating and further development of the rating modules as well as their technical operation have been outsourced to RSU Rating Service Unit GmbH & Co. KG in Munich, a joint venture company of the *Landesbanken* involved. One rating module is managed in cooperation with the central service provider of the savings banks, S Rating und Risikosysteme GmbH in Berlin.

The responsibility for internal Bank acceptance or decisions regarding the further development of methodology and the updating of the rating systems lies with the Rating Committee, which is predominantly made up of representatives from the Corporate Centres Credit Risk Office and Group Risk. In addition, the Rating Committee is responsible for the fundamental specification of the rating processes. The first-time introduction of new rating procedures requires the approval of the full Board of Management.

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

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

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

The three default classes reflect the need to facilitate the recording of default events on a differentiated basis. Regulatory default definitions in connection with Basel II encompass a wide range of default events, which can range from temporary payment problems up to insolvency of the borrower.

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

Quantifying credit risks

Limit monitoring

In general, counterparty-related credit risks are monitored at the economic borrower and economic borrower unit level. To this end, the main exposures from the lending and trading business count towards the utilisation of the limits for advance performance risk, position risk and overall risk, which are managed centrally by Credit Risk Control. Off-balance sheet items such as irrevocable lending commitments or guarantees granted are also included. In principle, the market value of the respective transaction is used. Where this is not directly evident in the market, we use the present value or the maximum current or future drawdown.

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

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

Default monitoring

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

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

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

Credit portfolio model

In addition to the structural analysis of the credit portfolio, credit risks are mapped using a portfolio model. This is aimed in particular at providing suitable risk ratios and risk premiums for portfolio and bank management, determining the capital required or the economic pressure on equity resulting from credit risks and integrating these in the risk-bearing capacity analysis and quantifying concentration and diversification effects.

The portfolio model is largely based on a credit metrics approach. Along with the default risks in the narrower sense, the risks arising from a change in creditworthiness are also taken into consideration in the form of rating migrations. The probability allocation for credit risk induced changes in the value of the portfolio is generated using a Monte Carlo simulation. In the reporting year, the migration matrices were more strongly differentiated according to regional considerations as well as risk segments. Moreover, the collateral recognised when determining the loss ratio was taken into account based on individual cases from rating modules for project financing. Overall, this had a slight risk-educing effect.

A key result of the portfolio model is that it determines a credit-value-at-risk (CVaR) with a confidence level of 99.9% and an assumed holding period of one year. The CVaR is currently determined each month on a Group-wide basis and incorporated in the processes and reports relevant to the management and monitoring of credit risks. It is included in the risk-bearing capacity analysis, taking into account the provisions for loan losses.

Credit risk reporting

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

Moreover, Credit Risk Control prepares a credit risk report 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 at the end of every quarter and submitted to the Board of Management and in condensed form to the Administrative Board.

Current risk situation

In alignment with the clearly defined focus of its lending business on asset management, DekaBank generally only takes on new exposures on a strictly selective basis. This business policy was consistently pursued in the reporting year as well. In this respect, we have also taken the increasingly tighter regulatory requirements for the core capital ratio into account. Furthermore, against the background of the temporarily reduced risk cover potential, we manage our risk assets and the resultant counterparty default risks restrictively within the scope of the predefined limits.

As a result of the new presentation form introduced in the past financial year, which is more closely aligned with the standards of internal risk monitoring and management, the volume-related indicators of this current credit risk report can only be compared with the published figures of the previous year to a limited extent. Since underlying risks from equity derivatives transactions as well as transactions are now also included for the purpose of mapping the guarantees of guaranteed funds, the gross loan volume tended to appear larger in the new presentation form. In addition to the newly recognised positions, the volume also contains other off-balance sheet counterparty risks as well as claims from lending transactions and therefore exceeded the Group assets shown in the IFRS statement by a total of €26.6bn.

Conversely, as compared to the previous presentation form, the net loan volume has decreased steadily as a result of the higher granularity of the collateral inclusion. To facilitate better comparison, the volume-related previous year's figures in this report were adjusted in line with the new inclusion method and can therefore no longer be directly compared with the figures published last year.

The gross loan volume increased by €6.5bn to €160.4bn as compared with the adjusted previous year's figure (€153.9bn); (Fig. 23).

Gross loan volume *(Fig. 23)*

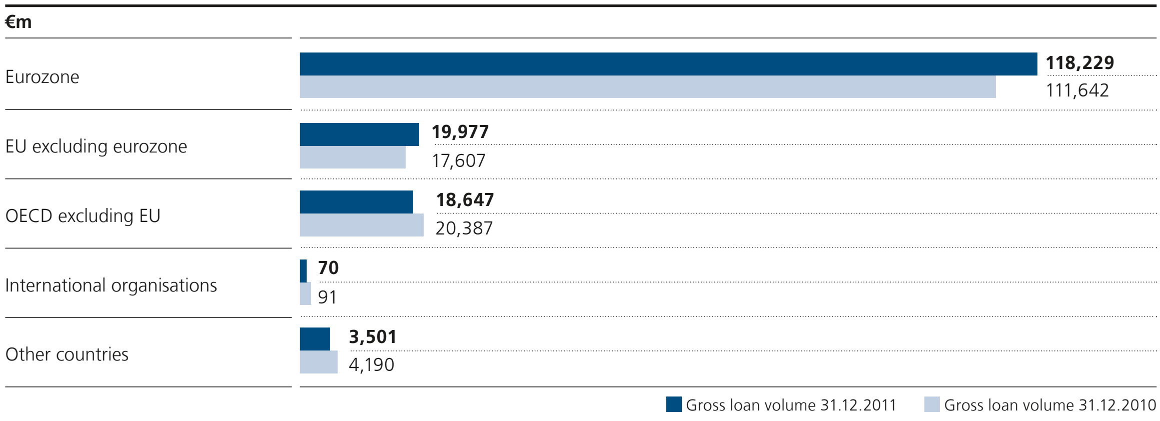
€m	31.12.2011	31.12.2010
Financial institutions	92,688	80,046
Corporates	16,867	20,900
Public sector finance Germany	16,324	15,809
Funds (transactions and units)	12,153	14,764
Property risk	8,229	8,046
Transport & trade finance	5,964	6,191
Utility & project finance	3,085	3,122
Other	5,115	5,037
Total	**160,425**	**153,916**

The weightings of the individual risk segments shifted in the reporting year. The gross loan volume ascribed to financial institutions, including the savings banks, increased by €12.6bn to €92.7bn. The main driving force of this was the higher gross loan volume in repo/lending business in the second half of the year and, to a lesser extent, the derivatives business. The proportion of loan volume with other financial institutions therefore rose from 52.0% to 57.8% of the gross loan volume.

In the corporates risk segment, the reduction in the gross loan volume by €4.0bn was primarily due to the downturn in business with secured equity positions. The volume in the funds risk segment, which reflects our shares and businesses with securities, also decreased. Only minor shifts took place in the other risk segments. The changes in the gross loan volume in the individual risk segments only had a moderate impact on the net loan volume on the whole.

As was the case in previous years, the majority of the gross loan volume was attributed to the eurozone (€118.2bn). Its weight in the regional distribution increased slightly from 72.5% last year to 73.7%. Almost three-quarters of the gross loan volume in the eurozone related to borrowers in Germany. Gross loan volume attributed to EU countries outside the eurozone rose by 13.5% to €20.0bn. The share of the OECD countries outside of the EU was €18.6bn and therefore only slightly decreased by €1.7bn as compared to last year. However, the gross loan volume in the other regions changed only marginally (Fig. 24).

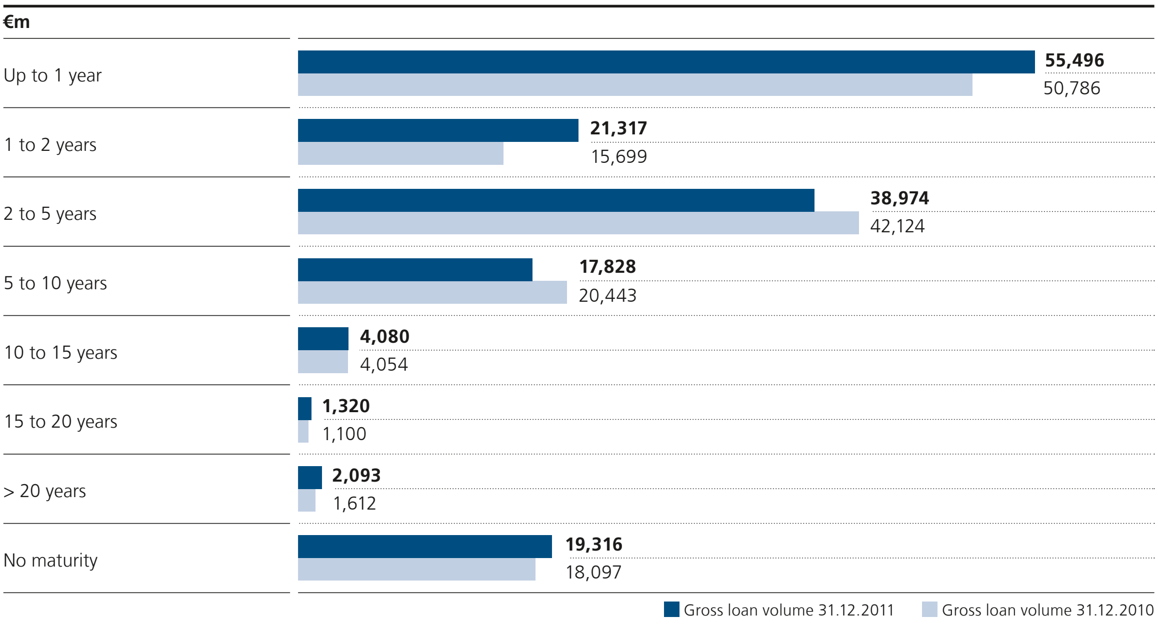
Gross loan volume by region *(Fig. 24)*



Countries with a rating of 6 or poorer in accordance with the DSGV master scale or with a probability of default of 48 basis points or more are monitored using a global country limit. As in the previous year, its utilisation was below 20%. The gross loan volumes in the Euro countries with downgraded credit ratings, Portugal, Italy, Ireland, Greece and Spain, decreased to €5.9bn in the reporting year (end of 2010: €6.2bn). This decline is, amongst other things, attributed to the reduction in volume in the countries concerned as compared with the Euro core countries (€–326m). With a share of 3.7% in the overall gross loan volume, the exposure in the countries currently under discussion is generally very limited.

The average remaining maturity of the gross loan volume decreased slightly from 3.2 years to 3.1 years as compared with the previous year's figure. For 34.6% of the gross loan volume, the maturity was less than one year, with only 4.7% of the gross loan volume featuring a remaining maturity of ten years or more (Fig. 25).

Gross loan volume by remaining maturity *(Fig. 25)*



The extent of the corresponding deductions from the gross loan volume to the net loan volume rose slightly once again in the reporting year, amounting to €108.0bn as at the reporting date (end of 2010: €102.4bn). This remained at approximately two-thirds of the gross loan volume. Compared with the previous year, it was particularly the hedged volumes in the financial institutions risk segment which increased; the significant rise reflected the fact that almost all of the new business of DekaBank was comprehensively collateralised with other credit institutions. For example, the volume of offsetting agreements on reverse repo transactions in the financial year grew, as did lending and round tripping and futures.

The resultant net loan volume totalled €52.4bn as at the reporting date on 31 December 2011, which corresponds to a slight increase of 1.7% in comparison to the previous year. The financial institutions risk segment accounted for the largest share of the net loan volume, followed by a wide margin by corporates and funds (Fig. 26). The net loan volume in PIIGS countries fell by €350m, its share therefore decreased from 6.8% in the previous year to now 6.0%.

Net loan volume *(Fig. 26)*

€m	31.12.2011	31.12.2010
Financial institutions	31,756	31,515
Corporates	6,262	6,573
Funds (transactions and units)	4,090	2,753
Property risk	3,064	3,240
Transport & trade finance	840	1,079
Utility & project finance	3,024	3,058
Other	3,374	3,323
Total	**52,408**	**51,541**

The concentration of the loan portfolio only slightly increased in the reporting year. At year-end, the ten largest borrowers accounted for 25.6% of the net loan volume (end of 2010: 25.2%). 5.4% of the credit borrower units therefore made up 80% of the net loan volume.

The average rating of the net loan volume calculated on the basis of the DSGV master scale remained unchanged at 4, while it was able to improve one notch to 3 in gross terms. By far, the largest proportion of the net volume (89.5%) was not affected by changes in ratings in the reporting year. As for the remaining volumes, positive and negative migrations were balanced, whereby in most cases the change was restricted to a rating class. The average default probability of the portfolio therefore only changed insignificantly as compared with the previous year and stood at 24 basis points. As at the reporting date, 88.2% of the net loan volume (previous year: 86.4%) had a DSGV rating of 3 or better. In the most important risk segment, financial institutions, the average rating improved slightly by one notch from AA- to AA and thus had an average default probability of 3 basis points (Fig. 27).

Net loan volume by risk segment and rating *(Fig. 27)*

€m	Average PD in bps [1]	Average rating 31.12.2011	31.12.2011	Average PD in bps [1]	Average rating 31.12.2010	31.12.2010
Financial institutions	3	AA	31,756	4	AA–	31,515
Corporates	57	6	6,262	44	5	6,573
Public sector finance international	8	A	1,590	7	A	1,414
Public sector finance Germany	1	AAA	35	1	AAA	160
Public infrastructure	179	9	1,078	308	10	1,070
Transport & trade finance	129	8	840	118	8	1,079
Utility & project finance	96	7	3,024	95	7	3,058
Property risk	56	6	3,064	65	6	3,240
Retail portfolio	17	3	539	6	A	575
Funds (transaction and units)	14	2	4,090	11	2	2,753
Equity investments	125	8	133	86	7	105
Total result	**24**	**4**	**52,408**	**27**	**4**	**51,541**

[1] Positions with a default rating in classes 16 to 18 (as at 31.12.2011: €1,129m) are not taken into account when calculating the average probability of default.

The CVaR in the Group risk (confidence level 99.9%, risk horizon one year) was €1.55bn at year-end 2011 (end of 2010: €1.59bn). 40.1% of this amount (previous year: 31.6%) related to banks and other financial service providers. The CVaR attributed to German counterparties increased disproportionately; its share rose to 55.8% (end of 2010: 41.2%). However, the counterparty default risk for foreign counterparties and particularly for borrowers outside of Europe, decreased overall.

The provisions for loan losses reported in the balance sheet increased to €773.1m (previous year: €617.6m), largely as a result of higher specific valuation allowances for loans and securities. €694.1m was attributed to specific valuation allowances (previous year: €532.5m). Of this amount, €37.9m was related to Greece and €42.8m to exposures in Portugal. The portfolio valuation allowances for country risks (€13.7m) as well as portfolio valuation allowances for creditworthiness risks and provisions for portfolio risks (€63.1m) were only slightly different from the previous year's levels, while provisions for specific risks in off-balance sheet lending were, as in the previous year, negligible at €2.2m. The allocation of provisions for loan losses and securities to the segments is shown in figure 28.

Provisions for loan losses by risk segment *(Fig. 28)*

€m	Financial Institutions	Fonds	Transport & trade Finance	Utility & project Finance	Property risk	Public infrastructure	Public Finance	Equity investments	Corporates	Other	31.12. 2011	31.12. 2010
Impaired gross loan volume[1]	**631.6**	**0.0**	**301.1**	**36.9**	**194.2**	**195.7**	**49.4**	**0.0**	**27.0**	**0.3**	**1,436.2**	**987.2**
Collateral at fair value	**0.3**	**0.0**	**183.5**	**0.0**	**99.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**283.0**	**231.8**
Impaired net loan volume[1]	**631.3**	**0.0**	**117.6**	**36.9**	**95.2**	**195.7**	**49.4**	**0.0**	**27.0**	**0.0**	**1,153.1**	**755.4**
Provisions for loan losses[2]	**421.6**	**0.0**	**82.6**	**45.5**	**120.7**	**27.8**	**38.3**	**0.0**	**36.5**	**0.1**	**773.1**	**617.6**
Specific valuation allowances	419.6	0.0	57.7	29.8	105.1	21.1	37.9	0.0	22.8	0.1	694.1	523.5
Provisions	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.3	0.0	2.2	7.0
Portfolio valuation allowances for country risks	0.0	0.0	13.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.7	15.1
Portfolio valuation allowances for creditworthiness risks	2.0	0.0	9.3	15.7	15.6	6.7	0.4	0.0	13.4	0.0	63.1	72.0

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

As collateral for the impaired individual exposures, securities were taken into account in the financial institutions risk segment; in the property risk segment, charges on property were essentially accounted for, and aircraft and ship mortgages as well as sureties were included for the transport & trade finance risk segment. Sureties were taken into account when determining portfolio valuation allowances for country risks. Collateral of sustainable value were included when determining portfolio valuation allowances for creditworthiness risks. The assets resulting from the utilisation of held collateral in the past financial year are recognised in the balance sheet in the amount of €32.3m and relate to a real estate property.

Operational risk

Roles and responsibilities of the management of operational risks

Due to the process-specific nature of operational risks (OR), DekaBank pursues a decentralised approach to identifying, assessing and managing them. This is based on the coordinated cooperation of the following units.

Board of Management

The Board of Management has the overall responsibility for the appropriate handling of operational risks in the DekaBank Group. In this respect, it is specifically responsible for defining the OR strategy, ensuring the required framework conditions for its Group-wide implementation and taking measures for OR management on the Group level.

Operational Risk Control unit

The Operational Risk Control unit is responsible for the key components of controlling operational risk in the Group. In particular, it has the decision-making authority with regard to the methodology applied to operational risks (conception and further development as well as monitoring the implementation and continuous utilisation of methods and procedures), the independent OR reporting (conception and further development of the reporting system; preparation of evaluations and analyses; providing the results to the Board of Management and the heads of the Group units) and the professional support of the infrastructure required for this.

Group units

The decentralised risk identification, measuring and management is carried out by the following functions within the individual Group units:

- Heads of the M1 units: implementation of the requirements specified in the OR strategy (in particular, provision of the budget and assignment of qualified employees); management of operational risks in the Group unit
- OR Manager: decentralised OR controlling (especially decentralised application of developed methods; ensuring consistent risk assessments and implementation of risk-reducing measures within the Group unit)
- Assessors: identification of OR loss scenarios within the scope of self assessments and estimation of potential loss amounts and frequency of losses
- Loss documenter: records OR loss cases which have actually occurred in the Group unit

Cross-divisional functions

In addition to the methods for which the Operational Risk Control unit is responsible in the Group, the following cross-divisional functions at DekaBank play an important role in identifying, assessing and managing operational risks:

- Group Audit
- Compliance
- Data Protection
- Data Security Management
- Corporate Security Management
- Complaint Management

For all of the above-mentioned functions, the interaction with the methods under the responsibility of the Operational Risk Control unit is regulated by means of ongoing comparison in a way that ensures consistency and the absence of overlaps of the results even in specific cases.

Instruments used for the management of operational risks

DekaBank uses the following methods and tools to manage operational risks:

Self-assessment

Self-assessment is conducted annually and is based on detailed OR loss scenarios. In addition to describing and assessing the risks in terms of the loss amount involved and frequency of occurrence, appropriate risk-reducing measures are also identified in this context. DekaBank currently has approximately 1,200 individual scenarios.

Scenario analysis

The scenario analysis is used for the detailed examination and assessment of loss events arising from operational risks which cannot be adequately covered by the self-assessment process due to their comprehensive nature or their potentially high maximum loss. During this process, major risk drivers and influences on the course of the scenarios are identified, which can, in turn, also be used to monitor the risks as well as derive management-relevant impetuses. The assessment of the, at present, approximately 50 scenario analyses is reviewed on a quarterly basis.

Risk indicators

Factors which describe the state of the business environment or the internal control system are not monitored using an isolated method. Instead, such risk indicators are integrated into the assessment of the scenario analyses as regularly updated variables and therefore increase their risk sensitivity and facilitate the prompt identification of developments as well as the derivation of management measures.

Loss documentation

At DekaBank, all losses incurred throughout all of the Group units from operational risks that are above a minimum limit of €5,000 are ongoing recorded in a central loss database. Besides describing the loss, this also includes documentation of the causes and suitable measures to prevent future losses. Furthermore, the findings of the loss documentation are used to validate risk estimations within the scope of self assessments.

Quantification

DekaBank uses an advanced measurement approach (AMA) recognised by regulatory bodies to determine the economic capital for the operational risk. In doing so, the operational risk of the Bank is quantified based on a combination of self assessments, scenario analyses and internal as well as external loss data. The value-at-risk figures identified are incorporated into both the regulatory capital requirement as well as in the internal risk-bearing capacity analysis of the Group.

Stress tests for operational risks

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

The effects of the newly defined macro-economic stress tests are also assessed with regard to operational risks.

Reporting of operational risks

The quarterly risk report informs the heads of the Group units about all key operational risks, thereby facilitating effective management. In addition, an aggregate report is submitted to the Board of Management. Alongside summarised information on operational risks in the Group, the report includes detailed information on the implemented and planned measures for major individual risks in the Group units. Moreover, the value-at-risk ratio is incorporated in the analysis of the Group's risk-bearing capacity. Reporting obligations apply to losses that have occurred; these are graded in accordance with the loss involved and ensure that the Board of Management and Internal Audit are informed in a timely manner.

Major developments in 2011

Methodology developments

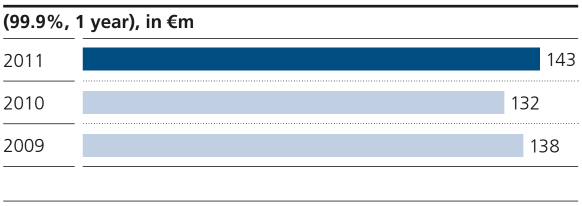
In the past financial year, particular efforts were made to improve the cooperation of central OR methods and various cross-divisional functions on a methodology level. A comprehensive process to standardise the documentation and quantify fraud risks was established in cooperation with the newly introduced Fraud Prevention Forum. Furthermore, the process risks and related controls identified as part of the internal control system reporting were interlinked with the assessment of the OR loss scenarios. Finally, additional risk indicator reporting was implemented and rolled out across the Group, which helps the decentralised units identify the development of loss potentials of the scenario analyses at an early stage based on indicator changes.

Furthermore, loss events at other institutes which have become public are used to review existing processes in terms of their suitability and appropriateness. By intensifying various control functions and expanding the reporting system, effective measures were taken to minimise the risk of similar cases occurring at DekaBank.

Current risk situation

The value-at-risk determined in accordance with the advanced measurement approach for operational risks (confidence level 99.9%, risk horizon one year) rose by 8% over the course of the financial year to €143m (end of 2010: €132m); (Fig. 29). The increase is largely due to the development of internal and external loss event data as well as the initial integration of the new business activities in Luxembourg.

Value-at-risk *(Fig. 29)*



The potential losses from operational risks determined as part of the Group-wide risk inventory decreased slightly by 3.0% to €52.1m (end of 2010: €53.7m). As a result of the indicator effect of business environment factors, such as the higher equity market volatility and declining economic indicators, which are directly incorporated into the risk assessments, there was an initial considerable increase in the indicator over the course of the year. However, this development was balanced by the reduction in potential loss estimations for various successfully reduced risks as well as more precise mapping of specific risks using the more in-depth scenario analysis methodology.

Compliance

The DekaBank Group has a separate unit which ensures the stability, effectiveness and independence of the compliance function.

Its responsibilities comprise the prevention of money laundering and financing of terrorism as well as fraud and corruption. In addition, the unit ensures the Bank's compliance with duties and requirements for our capital market and real estate activities in accordance with securities trading legislation as well as with financial sanctions and embargoes. The Compliance unit provides ongoing advice to the specialist units in this regard and conducts audits related to compliance with statutory and regulatory requirements concerning compliance as well as the comprehensive compliance instructions.

The Compliance Officer submits a report to the Board of Management and Administrative Board at least once a year and is also the point of contact for supervisory authorities and other government offices.

The ongoing implementation and integration of the compliance requirements in general day-to-day business is intended to contribute to the transparent adherence with the compliance standards as well as to reinforcing trust amongst investors and the public and safeguarding customer interests. Furthermore, the compliance regulations also protect the employees and help maintain the DekaBank Group's good reputation in the market. The DekaBank Group's compliance concept is designed in a way that ensures efficient management of conflicts of interest.

Accounting-related internal control and risk management system

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

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

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

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

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

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

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

Liquidity risk

Risk management and monitoring

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

In principle, liquidity risk is managed on a cross-portfolio and Group-wide basis by the Funding & Liquidity unit in the Treasury division. All product types are included. The central aims are to avoid liquidity bottlenecks even under stress conditions at the Group level, comprehensively ensure solvency at all times and generate positive profit contributions from liquidity management.

In accordance with the MaRisk requirements, it must be ensured that if the institute's own (idiosyncratic) as well as market-wide (macro-economic) stress factors occur simultaneously, the liquidity is at least equally as high as the expected cash outflows. Over the short-term period of one week, only unused highly liquid securities are assigned to the liquidity potential. Over a period of one month, further unused and short-term assets which can be readily converted into cash can be included.

The planning, managing and monitoring liquidity is based on the liquidity status, various funding matrices under normal and stress conditions, the liquidity key ratios in line with the liquidity regulation, fund monitoring during the year as well as sufficient security liquidity reserves.

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

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

Quantifying liquidity risk

Liquidity status

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

Funding matrices

In addition, the liquidity position is analysed and monitored by the unit Risk Management Funding, Liquidity & ALM in the Corporate Centre Group Risk. To this end, we primarily examine the "Combined stress scenario" funding matrix (FM), which reproduces the simultaneous occurrence of both institute's own and market-wide stress factors. In this connection, the previously carried out management-relevant "Intended Holding Period" FM was replaced in this reporting year by the new "Combined stress scenario" FM, which accounts for the new requirements of the 3rd amended version of the MaRisk.

The purpose of the funding matrix is to show the undiscounted expected future cash flows across the portfolio as at the reporting date. In addition to these cash flows, the liquidity potential, which consists of highly liquid and liquid securities, is also considered. The liquidity balance for each maturity band is determined from the cash flows accumulated over time and the liquidity potential. Based on this, the liquidity requirement or surplus is determined under stress conditions for each maturity band in accordance with MaRisk.

The foundation of the model are cash flows based on legal maturities. This approach is based on the total sum of the legal net cash flows per maturity band. The gap between the legal perspective and the expected cash flows is bridged using modelling assumptions. The securities which can be used as a source for liquidity are taken into consideration in the liquidity potential. A difference is made between

- highly liquid securities which can be used as a source of liquidity from the very first day,
- liquid securities which can serve as a source of liquidity as of the second week and
- other securities which are available as a source of liquidity as of the second month.

The liquidity balance calculated from the accumulated liquidity potential and accumulated cash flows is managed using an early warning limit traffic light system and liquidity limits. This allows the investment potential available for each maturity band to be explicitly determined. The liquidity balance must be positive in all monitored maturities; the early warning limit is currently €1.5bn.

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

The unit Risk Management Funding, Liquidity & ALM in the Corporate Centre Group Risk is responsible for monitoring the liquidity risks based on the funding matrices as well as the methodical development and quality assurance of the procedures used in the scope of the funding matrices.

Stress scenarios

The "Combined stress scenario" funding matrix maps the liquidity situation of DekaBank under extreme stress conditions. In addition, we also consider specific stress scenarios separately as part of special funding matrices. We divide the underlying models into idiosyncratic and market-related scenarios.

Idiosyncratic scenarios affect DekaBank directly (for example downgrading of DekaBank's creditworthiness by rating agencies). With market-related scenarios, we focus on the impact of a funding or banking crisis. Depending on the stress scenario, various modelling assumptions are made.

Liquidity ratio under the Liquidity Directive

At DekaBank, liquidity risk mitigation measures are also guided by the liquidity requirements of the Liquidity Directive. The Liquidity Directive specifies the requirements of Section 11 (1), clause 1 of the German Banking Act (KWG), according to which financial institutes must be sufficiently liquid at all times. 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, for example 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, such as derivatives, are not included.

Reporting of liquidity risk

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

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

Current risk situation

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

As at year-end, the accumulated liquidity balance of the DekaBank Group's "Combined stress scenario" funding matrix in the short term range (up to one week) amounted to €1.6bn. In the maturity band of up to one month, the surplus totalled €5.3bn and in the medium-to-long term range at three months it was €13.4bn. In all maturity bands of up to 20 years, the liquidity balances were clearly positive (Fig. 30).

Combined stress scenario fundig matrix of DekaBank Group as at 31 December 2011 [1)] *(Fig. 30)*

€m	D1	> D1-1M	> 1M-12M	> 12M-5J	> 5J-20J	> 20J
Liquidity potential (accumulated)	17,743	22,510	2,594	– 112	– 16	– 16
Net cash flows (accumulated)	– 12,260	– 17,200	14,657	5,626	5,897	1,529
Liquidity balance	**5,484**	**5,310**	**17,251**	**5,514**	**5,881**	**1,512**
For information purposes:						
Net cash flows by legal maturity	– 7,556	– 17,195	– 9,188	– 2,457	3,617	1,274

1) The previous year's figures are not available due to switch to new funding matrix in the reporting year.

Overall, we have significantly exceeded the requirements of MaRisk. In accordance with the new regulatory definition, our highly liquid securities cover a potential cash outflow in the combined stress scenario across all maturity bands, instead of the specified month. DekaBank's liquidity position remains very strong even under the specific stress conditions. In the short term maturity band of up to one month, liquidity surpluses were shown in all stress scenarios considered.

The regulatory requirements of the Liquidity Directive were again clearly surpassed at all times during the reporting period. The annual average for the liquidity ratio of the first maturity band, determined on a daily basis, was 1.59 (previous year: 1.57). It was always within a range of 1.47 to 1.72. The figure at the close of the year was 1.59 (end 2010: 1.56).

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

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

With a VaR of €432m (end of 2010: €427m), the business risk is only slightly above the previous year's level.

Shareholding risk

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

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

At €37m, the VaR related to the shareholding risk remained at the previous year's level (end of 2010: €37m). Equity investment book values and volatility also remained at a stable level.

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 the relative changes in value of the property in the respective location. With a VaR of €7m, the property risk was of secondary importance, as was the case in the previous year.

Property fund risk

The property fund risk primarily results from property fund units held in the Bank's own portfolio and here, especially from start-up finance. With a VaR of €18m (previous year: €15m), the property fund risk remained at a low level and did not represent any significant risk for DekaBank.

Capital market credit products

The capital market credit products section summarises the remaining positions of our former Liquid Credits portfolio. The portfolio is divided into two parts: the single name & index (SNI) sub-portfolio, which is invested in corporate bonds and CDS, and the securitisations sub-portfolio, which comprises the structured capital market credit securities of the former Liquid Credits portfolio. The SNI portfolio was allocated to the core business of DekaBank in the first quarter of 2009. Since then it has been part of the Treasury portfolio. The securitisations portfolio, however, was assigned to non-core business based on the fact that its position was no longer considered strategic. The strategy in relation to securitisation positions is therefore a managed reduction, while the SNI portfolio continues to be actively managed.

As the financial market crisis had a particular impact on the former Liquid Credits portfolio, we are presenting the development separately again in the following.

Volume development

The SNI portfolio essentially comprises single name and index CDS transactions, corporate bonds as well as transactions as part of long-term liquidity investment.

The nominal volumes of the SNI portfolio in the core business slightly decreased on the whole in the reporting year. The net nominal value fell by €200m to €6.3bn (end of 2010: €6.5bn). While the changes in the first 7 months were influenced by sales and maturities primarily in bonds (in total €791m gross nominal value), the last 5 months were marked by a selective portfolio reduction in CDS transactions (in total €410m). In these CDS transactions, the credit risk position corresponds to that of a bond position. Investments were made in blue chip companies with a maturity band of 3 years. In this segment, the CDS spreads are far greater than the comparable bond yields, but in comparison to a bond investment, no liquidity is tied-up.

The positions of the former Liquid Credits portfolio allocated to non-core business show a net nominal value of €1.9bn as at the 2011 reporting date (end of 2010: €2.2bn). Asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised loan obligations (CLO), synthetic collateralised debt obligations (index und bespoke), structured finance collateralised debt obligations (SFCDO) as well as constant proportion portfolio insurance (CPPI), which are not strategically important for DekaBank, are included in the non-core business. The lower volume is primarily due to the complete repayments on several securitisation transactions as well as various partial repayments. The volume will continue to be decreased over the coming years both through the planned reduction while safeguarding assets at the same time and the scheduled expiry of transactions. No new business will be entered into.

Management, monitoring and limiting

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

In line with DekaBank's current corporate credit risk strategy, limit monitoring is carried out independently and on a daily basis by the Corporate Centre Group Risk for the remaining structured capital market credit products. Any limit overruns are immediately reported to the full Board of Management.

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

Approach and valuation

The valuation of capital market credit products categorised at fair value is largely market-oriented. We only continue to use a modified discounted cash flow model to determine the fair value for 75 non-synthetic securitisation transactions in non-core business with a nominal volume of €0.78bn as at the 2011 year-end. These transactions are exclusively European securitisations or securitisations with a distinct European focus.

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

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

Rating overview

As at year-end, the SNI portfolio shows overall good creditworthiness almost exclusively in the investment grade range. Nevertheless, in light of the European national debt crisis, we recorded some downgrades in individual bank bonds as well as a Greek bond (€50m) into the non-investment grade range. Individual downgrades were also recorded within the non-investment grade range. Downgrades prevailed in the investment grade range as well.

Within the portfolio of structured capital market credit products allocated to the non-core business, specific positions were also downgraded in the reporting period, some of which do not currently have any investment grade rating. The majority of the portfolio do, however, carry a good rating; with 87.1% (end of 2010: 88.2%) of the ratings in the investment grade range as at the 2011 reporting date. The slight reduction in comparison to the previous year was the result of higher repayments in the positions with good and very good ratings as compared to the positions with non-investment grade ratings.

The rating overview for non-core business shows the external ratings on a conservative basis, to the effect that where several external ratings are available for a transaction, the overview shows the lowest rating (Fig. 31).

Structured capital market credit products by rating class (nominal value in €m) *(Fig. 31)*

Product		AAA	AA	A	BBB	Non investment grade	Unrated	Total (previous year)
Structured	ABS	31	18	35	4	69	0	157 (277)
	RMBS	154	110	152	47	5	0	467 (554)
	CMBS	172	68	232	64	25	0	561 (604)
	CLO	7	286	125	52	68	0	538 (562)
	CSO	0	0	0	0	75	0	75 (75)
	Structured finance CDO	0	20	10	0	0	0	30 (30)
Alternative	CPPI	0	0	50	0	0	0	50 (100)
Total		**363**	**501**	**604**	**168**	**242**	**0**	**1,878 (2,201)**

Country overview

The SNI portfolio as well as the remaining structured capital market credit products of the non-core business continue to focus on Western Europe.

A total of 79.6% of the securitisations in the European market were attributed to the latter. With regard to CMBS, a large proportion were UK securitisations, as is the case with the market distribution. The only noteworthy positions outside of Europe are CLO and CSO securitisation transactions as well as CPPIs (Fig. 32).

Structured capital market credit products by risk country (nominal value in €m) *(Fig. 32)*

Product	**Structured**						**Alternative**	**Total**
Country	**ABS**	**RMBS**	**CMBS**	**CLO**	**CSO**	**Structured finance CDO**	**CPPI**	**(previous year)**
Germany	46	16	148	0	0	0	0	211 (325)
UK	14	125	228	17	0	0	0	384 (414)
Spain	2	100	0	0	0	0	0	102 (112)
Italy	39	128	13	0	0	0	0	180 (198)
Benelux	8	42	172	0	0	0	0	222 (279)
Scandinavia	0	0	0	0	0	0	0	0 (22)
Rest of Europe	11	57	0	308	0	20	0	396 (421)
USA	36	0	0	213	75	10	50	384 (381)
Other/global	0	0	0	0	0	0	0	0 (50)
Total	**157**	**467**	**561**	**538**	**75**	**30**	**50**	**1,878 (2,201)**

As at year-end, around 47% of positions in the core business were attributable to the financial sector. The positions of the SNI portfolio are almost exclusively denominated in euros, and thus currency effects are negligible.

Maturity profile

The average maturity profile of the SNI portfolio shortened further in the reporting year. At year-end, all positions showed an average maturity of 3.9 years (end of 2010: 4.9 years). A differentiated picture arises in relation to the various products and IFRS categories in the SNI portfolio. In the positions of the IFRS held to maturity (htm) category, the average maturity was 5.5 years (end of 2010: 6.5 years). The CDS had an average maturity of 3.7 years for the security party and 2.4 years for the collateral provider. The transactions within the scope of the liquidity investment will expire in approximately 3.5 years.

In addition to legal final maturity, securitised products still in the portfolio as part of the non-core business feature an expected maturity since the actual cash flow may differ from the forecast cash flow. At the close of the year, the expected remaining maturity of the positions is almost 4.4 years.

Current risk situation

Based on a confidence level of 95% and a holding period of ten days as at the reporting date, the spread risk for the positions of the former Liquid Credits portfolio totalled €28.8m (previous year: €36.3m). As a result, the VaR calculated for the SNI portfolio is €24.2m (previous year €26m). In this regard, it must be considered that since the 4th quarter of 2011, DekaBank has been showing the VaR including the positions which are categorised as htm or lar in accordance with the IFRS.

Despite increasing volatilities in the bond and CDS market, risk was reduced over the course of the year, primarily in the second half of the year through the portfolio reduction.

This particularly applies to the securitisation positions of the former Liquid Credits portfolio allocated to the non-core business. For this, the VaR amounted to €14.9m as at the reporting date, including the securities positions categorised as htm and lar in accordance with IFRS. The corresponding comparative figure at the end of 2010 was €25.5. As a result, in addition to the portfolio reduction, this market segment still has a comparatively low volatility.

Sustainability Report 2011

The savings banks can count on DekaBank as a responsible and credible partner for sustainable investments. Our sustainability strategy establishes a binding framework for all of our business activities. It covers environmental and human resources management as well as the development of sustainable investment products and the social commitment and community involvement of DekaBank and its employees.

Credible and trusted partner of the savings banks for sustainable investments

Savings banks and sustainability. The two have always been a good match, even though the term was not an active part of our industry's vocabulary up until a few years ago. Much of our understanding of sustainability today is part and parcel of the savings banks' genetic code and has been ever since they were first established over two hundred years ago: the pledge to ensure that everyone has access to financial services and to put public benefit ahead of pure profit maximisation, as well as to support those in society who would not have had the opportunity to receive this assistance elsewhere. Each savings bank has its own particular focal areas, but they all have one thing in common: the commitment to be there for their own region and the people who live there – with the knowledge that this is the only way the savings bank can thrive as well.

We can therefore say that hardly any other financial group has incorporated sustainability into its operations to the same extent as the *Sparkassen-Finanzgruppe*. This is one of the factors that helped us weather the financial market crisis better than others. And it is one of the reasons why more people place trust in the savings banks than any other financial institution in Germany.

However, the developments of the past years and decades present us with new challenges. Together with the savings banks we are rising to these challenges. Corporate social responsibility that is limited to a company's local region is no longer enough. Now it is more about companies also taking the consequences of their actions on global developments, such as climate change, into consideration. Providing customers with suitable product solutions is just one of many elements in this regard. These products are increasingly the subject of critical review to establish whether they also comply with ethical standards. We know that we can only place these products credibly and successfully if we ourselves act in a sustainable manner. To this end, the savings banks can count on DekaBank as a responsible partner. DekaBank believes that sustainability also means taking responsibility for society and the environment in everything that we do.

Our sustainability strategy establishes a binding framework for all of our business activities. And it is continually updated. We operate on the principle of "first do, then report", rather than make announcements and then endeavour to implement them. For example, the socially and environmentally responsible standards of the Equator Principles have already been firmly established in our credit risk guidelines for the past three years, however, we did not sign up to them until March 2011, when we were sure we could keep our promises. We also highlighted our commitment to our sustainable strategy when we joined the UN Global Compact in 2011, which applies across the entire Group.

DekaBank is thus a credible partner for sustainable investments and, together with the savings banks, offers ongoing guidance and stability, especially in crisis-ridden market situations.

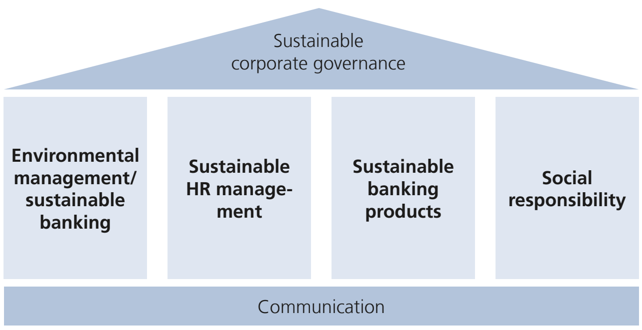
Basis of the report

Since the 2009 reporting year, DekaBank has been publishing its Sustainability Report yearly as an integral part of its Annual Report. By doing so, we document that sustainability is closely linked with the long-term financial success of the Group and we therefore support efforts to standardise assessment standards and definitions and thus improve comparability. Unless otherwise indicated, our Sustainability Report relates to the DekaBank Group and its employees in the period under review from 1 January to 31 December 2011. In addition to the current report, additional information is also available on the internet at www.dekabank.de, including our Environmental Report and the GRI Content Index.

Pillars of the sustainability strategy

As part of its sustainability strategy, DekaBank has been setting concrete and binding sustainability objectives for itself since 2009, goals that shape its decisions and actions at all levels. The DekaBank Group's sustainable corporate governance is based on four pillars, with open and transparent communications forming the foundation for all its activities.

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



Sustainable corporate governance

The DekaBank Group and the savings banks have a fundamental interest in DekaBank's long-term performance. Naturally, we therefore adopt a comprehensive approach to the DekaBank Group's sustainable strategy and reflect this at all management levels. The challenge of sustainability management is to ensure that the wide-ranging activities of the Group meet our standards for responsible and sustainable actions and development. Our sustainability strategy, internal regulations and guidelines, as well as recognised standards such as the UN Global Compact, form the binding framework for this.

Management approach

Our business strategy, which is sustainable in economic, environmental and social terms, is a firmly established component of the DekaBank Group's mission, through which we ensure that all of the business divisions are aligned with the interests of the savings banks and their customers. We are convinced that sustainable corporate operations and actions, which are also compatible with the interests of our shareholders, not only offer opportunities but also minimise risks. We generate a sustainable economic result for our shareholders, which is the main target by which we measure our success.

The Board of Management is responsible for the sustainability strategy. When defining the sustainability strategy, the Board of Management is supported by the Group Development unit, which functions as a coordinator and initiator for all areas of action relating to the sustainability strategy. In this role, the unit is responsible for implementing the sustainability strategy and coordinating sustainability-related activities throughout the entire Group.

The "Sustainability Round Table" supports the communication between the Board of Management and the Group units. This committee, which is comprised of members of the top management and the Environmental Officer, advises on strategic issues and initiates the annual catalogue of measures regarding our sustainability strategy. The individual projects and measures are accompanied at the operational level by sustainability mentors, who are in place at all hierarchical levels and in all Group units and also serve as a source of ideas for new sustainability measures.

Corporate governance

DekaBank's sustainability strategy is flanked by compliance. The DekaBank Group depends on the confidence that its customers, shareholders and the public have in its services and integrity. This confidence is especially affected by the conduct of our employees. Adherence with the compliance standards is thus essential, in order to safeguard the reputation of the DekaBank Group at all times.

The DekaBank Group's Compliance Office monitors all business divisions to ensure that the services offered are provided with the required professional knowledge, care and diligence in the best interests of the customers. Compliance provides employees with the regulations and guidelines required to guarantee responsible and legal conduct. This safeguards the interests of our customers and prevents conflicts of interest. The Compliance Office identifies potential conflicts of interest and through precautions and detailed countermeasures ensures that the Group is operating in line with legal and regulatory requirements. The Compliance Office's specific tasks include preventing money laundering, financing of terrorism or "other criminal acts" as well as ensuring compliance with the rules of conduct stipulated by capital market legislation. As part of regular compliance training, employees are informed of the preventative measures to combat money laundering, financing of terrorism and "other criminal acts" that are in place at DekaBank. Employees also receive training in compliance with the rules of good conduct mandated by capital market legislation.

Staff members are given online tests about data protection, and information is provided via various media such as the intranet and the Bank's in-house magazine. The Data Protection Officer is independent of the Compliance unit and is based in an own unit in the Legal Affairs Corporate Centre.

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

Code of ethics

The requirements for banks concerning ethical responsibility have become more complex. DekaBank's first code of ethics was drawn up over five years ago and has now been completely revised. The new code of ethics has not just been extended in terms of content, but also obliges the Bank to adopt a more proactive approach. Whereas the main focus used to be on actions that were not acceptable under the code of ethics, there is now a greater emphasis on self-awareness and the positive direction of the Bank. As a result, the code now also reflects the sustainability strategy that has meanwhile been adopted as well as the solution-oriented cooperation between the units in the spirit of "One Deka". One completely new aspect is our clear commitment to diversity. The new code states: "We define diversity as an opportunity. We are convinced that different cultural, religious and social backgrounds, beliefs and abilities not only enrich internal cooperation, but also facilitate fulfilment of the diverse customer requirements."

The code of ethics provides the orientation framework for an open, transparent and legally-compliant corporate culture. The principles formulated in the code are summarised in the categories of professionalism, responsibility, trust, collegiality, sustainability, diversity and communications. The principles apply to the entire Group, including to all our major shareholdings and companies (subsidiaries).

Global Compact

DekaBank has been a member of the Global Compact of the United Nations (UN) since 22 February 2011. We are therefore part of the biggest and most important global network for corporate responsibility and corporate social responsibility, which now comprises more than 5,000 companies as well as employee, human rights, environmental and development organisations worldwide. Events are held regularly at a global, regional and national level and enable Global Compact participants to share experiences and exchange information.

By joining the Global Compact, DekaBank undertakes to follow a set of ten core values in its area of influence and to publicly communicate how it implements those core values in practice. The requirements of the UN Global Compact thus form a basis for sustainability criteria in the investment process, procurement and other areas. The corresponding reports must be submitted to the Global Compact once a year. The set of values includes the protection of human rights, compliance with labour standards, proactive environmental protection as well as measures to combat all forms of corruption. These principles, already firmly established in the company, are additionally underpinned by the partnership with the United Nations.

As with the GRI criteria, explanations regarding the relevant points of the Global Compact are presented in both this Sustainability Report and in other sections of the Annual Report, particularly the Group Management Report. Further information is also contained in the Environmental Report of the DekaBank Group, which we published in December 2011 and which is available at www.dekabank.de. We have also integrated links to Global Compact issues in the GRI Content Index on our website.

To better document the role that the Global Compact plays for our business, these principles are taken into account in the GRI Content Index for the first time, which we have published online at www.dekabank.de. The content in the table there was supplemented by references to the corresponding principles.

UN Global Compact

WE SUPPORT

By joining the Global Compact in February 2011, DekaBank undertakes to implement a set of ten core values in its area of influence.

I. Human rights

Principle 1
Support and respect the protection of international human rights within their sphere of influence

Principle 2
Make sure their own corporations are not complicit in human rights abuses

II. Labour standards

Principle 3
Freedom of association and the effective recognition of the right to collective bargaining

Principle 4
The elimination of all forms of forced labour

Principle 5
The effective abolition of child labour

Principle 6
The elimination of discrimination in respect of employment and occupation

III. Environmental protection

Principle 7
Support a precautionary approach to environmental challenges

Principle 8
Undertake initiatives to promote greater environmental responsibility

Principle 9
Encourage the development and diffusion of environmentally friendly technologies

IV. Anti-corruption

Principle 10
Work against corruption in all its forms, including extortion and bribery

Equator Principles

DekaBank evaluates its project financing activities using the Equator Principles signed in March 2011, which are explained in the section on sustainable banking products (see pages 124 to 126). We had already been applying the ten global standards governing the consideration of social and ecological standards for quite some time before signing the Principles.

The Equator Principles are modelled on the guidelines of the World Bank and the International Finance Corporation and form the basis for company-specific guidelines. They oblige financial institutions to only finance projects where the borrowers act in a socially and environmentally responsible manner as defined by the guidelines and can also provide the Bank with documentation and evidence of this.

The Equator Principles are applied by a total of 73 institutions in 27 countries and therefore cover over 70% of the financing projects in developing and emerging countries.

Environmental management/sustainable banking

Heating, cooling, travel, printing – even the non-manufacturing industries consume resources and produce ecologically harmful carbon dioxide emissions. Through a series of measures, DekaBank has succeeded in continually improving its environmental balance over the past years. In the reporting year, more efficient building management, reduced paper consumption and the use of energy-saving devices particularly contributed to this achievement.

Management approach

Corporate environmental protection is a key element of DekaBank's sustainability strategy. Corporate responsibility for environmental and climate protection is a factor that affects our future success and competitiveness. The economical use of resources not only offers substantial potential for savings, but also helps us convincingly demonstrate our sustainability principles both within and outside of the company. In our opinion, credibility at every level of our business operations makes a valuable contribution to increasing the value of the company over the long term. Consequently, DekaBank endeavours to mitigate the negative impact of its business operations on the environment as much as possible and thereby also makes a contribution to global climate protection.

Environmental guidelines are based on the DekaBank Group's sustainability strategy and are actively communicated within the Group and to our customers and business partners. At the operating level, environmental management is under the direction of the "IdeasComplaintsEnvironmental Management" unit. In this regard, the unit coordinates the implementation of environmental protection measures in the different divisions in order to conserve and cut back on our use of resources. The unit is headed by DekaBank's Environmental Officer.

To harmonise the economic targets of the company with ecological requirements, we strive to involve our employees and our business partners in the environmental management process. Together, we work on finding sustainable solutions to conserve natural resources and exercise social responsibility while taking account of our costs.

Environmental management system

To continuously improve our performance with respect to environmental protection, we have been implementing an environmental management system since 2009 which is certified in compliance with internationally recognised DIN standard EN ISO 14001 and use sector-specific environmental indicators in accordance with the VfU (*Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V.*/Association for Environmental Management and Sustainability in Financial Institutions). The certification covers the Trianon, Prisma and Skyper buildings in Frankfurt/Main. For this purpose, we started collecting all the data on processes with a direct and indirect impact on the environment in 2007. DekaBank has also undertaken to submit to regular monitoring audits that take place once a year. Recertification to the latest standards is carried out every three years and the next date for this is in April 2012.

Our environmental management system delivers an annual corporate environmental balance sheet, which is used to draw comparisons with the previous year. The environmental balance sheet covers all the locations in Frankfurt/Main and thus around 76% of all DekaBank's employees. The consumption of paper, energy and water is determined in detail, as is data on business travel and issues related to waste. The results of this survey were collated to form an Environmental Report for the first time in 2009. This report is not limited to an analysis of the actual status, but also highlights optimisation potentials and planned improvement measures.

Continual reporting is important to us because it enables us to identify progress in reducing the environmental impact in the future. DekaBank therefore presents its Environmental Report annually. Due to the complexity of gathering and analysing the data, the environmental reports are produced several months after the annual Sustainability Report. The Environmental Report for financial year 2011 is scheduled for publication at the end of 2012. The current Environmental Report, which is available at www.dekabank.de, contains environmental data up to and including 2010.

Measurement methods used in the environmental management system

Our environmental management system uses the SoFi sustainability software to monitor the individual material and energy flows as well as to calculate the relative indicators and CO_2 emissions. To meet the data integrity requirements for environmental management and the CO_2 standards (for example VfU indicators, GHG protocol), data gaps were filled where necessary with extrapolated values using projections, based on employee numbers, for example. These extrapolations are subsequently corrected with the actual consumption figures.

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

	Financial year[1] 2010		Financial year[1] 2009		Financial year[1] 2008	
Tons	**Figure**	**Change on 2009 in %**	**Figure**	**Change on 2008 in %**	**Figure**	**Change on 2007 in %**
Letterhead, printed forms, envelopes	45	–47	85	–7	91	119
Forms (2010 under copier paper)			150	16	129	159
Copier paper (general office paper)	256	49	172	–7	185	–10
aggregated	*256*	*49*	*322*	*–3*	*314*	*–23*
Printed advertising material/publications	432	–17	518	–29	725	–33
Total	**733**	**–21**	**926**	**–18**	**1,131**	**–18**

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

Paper consumption

We have been very successful in reducing our paper consumption and at 733 tonnes in 2010, we used 21% less paper than in 2009 (926 tonnes). Consumption of printed advertising materials and publications, which still make up the biggest share of the total volume, decreased by 17%. Consumption of business stationary, printed forms and envelopes was down by 47% in 2010 as compared with the previous year. This was partly attributable to a further reduction in the copier paper grammage (Fig. 2).

By using recycled paper, we also aim to counteract the high energy and water consumption incurred in the process of manufacturing paper, which accounts for a major share of DekaBank's environmental impact. Consequently, we printed our Christmas cards on 100% recycled paper for the first time in 2011.

Since 2010, we have also been using certified paper (Forest Stewardship Council Certification), since practicing sustainability when logging the timber required for paper manufacturing significantly effects the environmental balance of paper. For our printed advertising materials and publications we exclusively use PEFC certified paper (PEFC – Programme for the Endorsement of Forest Certification).

Energy consumption and emissions

DekaBank's carbon footprint is primarily influenced by emissions related to energy consumption in office buildings and employee mobility.

Worldwide, the buildings sector alone accounts for around 30% to 40% of the total end energy consumption. Globally, buildings therefore produce more CO_2 emissions than the transport industry. This figure impressively highlights the key contribution that energy management for buildings can make. Improving the energy efficiency of our buildings is therefore particularly important to DekaBank (Fig. 3).

We further reduced the energy consumption in our four buildings in Frankfurt/Main in 2010. Compared with the previous year, consumption declined by 6%, which is more than forecast in the environmental programme (–5%). This was mainly attributable to switching over our PC and telephone hardware to more energy-efficient devices. Overall, energy consumption has decreased by around a fifth in the past three years. For 2012, we are planning to switch to green electricity, through which we will considerably reduce the CO_2 emissions from power and heat production.

In 2011, we printed both our half-year report and our *fondsmagazin* customer magazine on a climate-neutral basis for the first time. A certificate from the CO_2 management company First Climate guarantees that the emissions generated by printing the publications were compensated by investments in certified climate protection projects. In our case, the projects involved are wind power plants in New Caledonia and Turkey.

Since 2009, DekaBank's environmental programme has stipulated an annual reduction in CO_2 emissions of 5% year-on-year. While at 4%, CO_2 savings at our Frankfurt/Main location were just below the target in the environmental programme in

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

	Location			
Giga joule	**Trianon Mainzer Landstrasse 16**	**Prisma Hahnstrasse 55**	**Taunusanlage 10**	**Skyper Taunusanlage 1**
Electricity	21,388	16,867	2,477	4,326
Back-up diesel	32	36	17	2
District heating	17,775	8,462	3,656	794
Total	**39,195**	**25,365**	**6,151**	**5,121**

Time series analysis of greenhouse gas emissions[1)] *(Fig. 4)*

Tons	2010	2009	2008
GHG direct	778	730	724
GHG indirect	10,214	10,912	11,810
GHG other indirect	2,552	2,615	2,692
Total	**13,544**	**14,257**	**15,226**

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

2009, the target was slightly exceeded in 2010 with a reduction of 5.5%. Overall, DekaBank Germany decreased its emissions by 5.3% while the Group did so by 5.0% (Fig. 4).

However there is still potential here, as the decrease in CO_2 achieved relates solely to energy and paper consumption. Some of the savings here are counteracted again by the rising proportion of business trips.

After energy consumption, mobility is the second largest cause of environmental impact in the financial services sector and the trend is rising. The number of kilometres travelled by DekaBank employees has increased by over 25% since 2007. In financial year 2010, we recorded a rise of 6% (previous year: 5%). Air travel contributed to this higher figure in particular (+16%) as did car trips (+7%), while rail travel (–21%) declined. The rise in air travel is due to an increase in long-haul flights with a simultaneously sharp drop in short-haul flights. Overall, 54% of the kilometres travelled were by air, 32% by car and 14% by rail. The figures for business travel relate to the entire DekaBank Group.

In order to reduce CO_2 emissions from its own vehicle fleet as a first step, DekaBank has been using vehicles powered by natural gas for its couriers since July 2010. The red, natural gas caddies with Deka logo are distinguished by their extremely low consumption of 5.9kg CO_2 per 100km.

As DekaBank does not operate its own production facilities or has any special sources for the emission of sulphur dioxide (SO_2), nitrogen oxide (NO_x) or other significantly harmful air pollutants, these emissions are not considered material and such data is not collected separately. Nitrogen oxide is released as a result of energy consumption in buildings and the process of combustion in modes of transport. The measures taken by DekaBank to reduce its energy consumption and CO_2 emissions thus also mitigate other associated emissions.

Water consumption

Compared with many companies in the manufacturing industry, water consumption in the financial sector is marginal. DekaBank uses water in its premises, primarily for sanitary facilities, air conditioning, cooling systems, company canteens,

Water consumption by location *(Fig. 5)*

	Location/topic comparison, Selected period: Financial year 2010 Selected sub-period: annually, Display: inputs				
m³	Frankfurt/Main	Trianon Mainzer Landstrasse 16	Prisma Hahnstrasse 55	Taunus-anlage 10	Skyper Taunusanlage 1
Rainwater	2,540	–	2,540	–	–
Ground and surface water	–	–	–	–	–
Drinking water	36,636	17,011	16,462	1,221	1,942
Total	**39,176**	**17,011**	**19,002**	**1,221**	**1,942**

Waste water is discharged into the normal sewage system.

Development of drinking water consumtion in absolute terms *(Fig. 6)*

	Financial year[1)] 2010		Financial year[1)] 2009		Financial year[1)] 2008	
m³	Figure	Change on 2009 in %	Figure	Change on 2008 in %	Figure	Change on 2007 in %
Trianon ML16	17,011	–23	22,218	–1	22,535	–18
Prisma HS55	16,462	–8	17,830	8	16,465	5
TA 10	1,221	–75	4,936	23	4,002	10
Skyper TA 1	1,942	11	1,745	–1	1,771	9
Total	**36,636**	**–22**	**46,729**	**4**	**44,773**	**–7**

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

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

	Financial year[1] 2010		Financial year[1] 2009		Financial year[1] 2008	
Tons	**Figure**	**Change on 2009 in %**	**Figure**	**Change on 2008 in %**	**Figure**	**Change on 2007 in %**
Trianon ML16	134	8	124	–22	160	8
Prisma HS55	136	–2	139	–5	146	19
TA 10	3	–31	4	11	4	–92
Skyper TA 1	37	4	36	–12	41	4
Total	**310**	**2**	**303**	**–14**	**350**	**–2**

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

office plants and the design of outside areas. The volume of waste water is therefore low. Some of the water used by the Prisma building is rainwater, but this only accounts for a small proportion of the total water consumption.

Water consumption decreased by 22% overall at the four locations in Frankfurt/Main in 2010. We consequently used over 10.000 m^3 less water than in the previous year. Water consumption per employee and per working day also dropped substantially on the whole; only the Skyper building recorded a slight increase (Fig. 5 and 6).

Waste

The volume of waste generated increased by 2% in 2010. However, the volume of waste per employee is once again considerably lower than in other financial institutions. Pollutants such as oil or chemicals were not released.

In principle, waste at DekaBank is handled in line with the principle of "avoid-recycle-dispose". Avoiding waste is also desirable for economic reasons alone, as double the cost-savings can be achieved in terms of both the resources used and their disposal. In addition to office waste, financial service providers generate paper waste in particular (Fig. 7).

Procurement management

With effect from 1 January 2011, DekaBank's Procurement Management has approved binding rules of conduct for our contractors, which apply equally to DekaBank. These are derived from the principles of the UN Global Compact, the International Labour Organization Conventions, the General Declaration of Human Rights by the United Nations, the UN Conventions of the Rights of the Child and the elimination of all forms of discrimination in accordance with IV.b, the OECD Guidelines for multinational companies, as well as the Code of Conduct from the *Bundesverband für Materialwirtschaft, Einkauf und Logistik e.V.* (German Association Materials Management, Purchasing and Logistics e.V). The main obligations for our contracting partners are:

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

In addition to new business partners, the implementation also applies to existing partners. The sustainability agreement currently covers 80% of the procurement volume. Furthermore, as part of the self-registration process, all new suppliers have to provide mandatory information about their environmental protection measures and how they deal with human rights. Particularly sustainable items are labelled as such in the product catalogue and are therefore readily identifiable to employees.

When issuing tenders for building management services, DekaBank makes sure that bidders comply with international environmental and social responsibility standards. Preference is given to service providers certified through an industry standard quality seal (e.g. EMAS, ISO 14001) or a recognised and accepted environmental seal. In addition, contractors undertake to perform the services to be provided in accordance with a quality management system under ISO 9001 et seq. In general, the activities described are to be carried out in a way which ensures that the health of those using the building is not endangered and that minimum ecological requirements as well as the legal occupational health and safety regulations are met.

Sustainable HR management

Any company that wants to provide the best services for its partners in the Sparkassen-Finanzgruppe and their customers must attract the best talents as an employer and continually give them room to develop. The comprehensive and sustainability-oriented HR management at DekaBank is therefore a central success factor for the value-driven development of the entire Bank and an essential aspect of corporate responsibility.

Management approach

DekaBank adopts a lifecycle-based approach to HR management. We deal in-depth with the individual needs of our employees that arise in different work-related and life situations; needs that are also subject to social change as well. We continually align our personnel-related measures with these requirements and through a uniform understanding and concept of management, ensure that they are implemented at all levels of the Bank.

Specifically, we strive

- to attract qualified young professionals by implementing an advanced HR marketing concept and to retain them at DekaBank for the long term,
- to enable employees to further develop their qualifications and skills,
- to ensure employee performance on a long-term basis through proactive healthcare and health management,
- to ensure a work-life balance by offering flexible working hours and tailored solutions for employees with children or those who have to care for family members, and
- to contribute to the sustainable development of DekaBank in the interests of the savings banks via a transparent and performance-related remuneration system that does not offer false incentives.

Through these measures, DekaBank is creating a safe, healthy, trustful and inclusive working environment, as well as an appropriate framework for utilising the personal expertise of each individual for the benefit of the value-driven overall bank strategy. The Bank is well-positioned in the competition for qualified and skilled personnel, a situation which will intensify further as a result of the demographic change.

A family friendly approach

Our flexible working time arrangements give both fathers and mothers more time for their families. This is demonstrated by the increase in the percentage of employees working part-time in the DekaBank Group (Germany) to 14.0% in 2011 (2010: 12.9%). We promote the work-life balance with more than 200 different part-time models and the option to take a sabbatical or unpaid leave. At the same time, we also make it easy for parents to return early from parental leave. Here, we focus in particular on mothers, who on average stay at home for 13.9 months after the birth of a child, whereas fathers return to the workplace after just 2.2 months. A total of 130 employees took parental leave in 2011, of which 38% were fathers (Fig. 8).

Part-time ratio *(Fig. 8)*

% (Group Germany)	2011	2010
Male	4.5	4.2
Female	29.2	27.4
Total	**14.0**	**12.9**

In the DekaBank Group, 51.1% of the employees manage their own hours, which means that they do not participate in the time recording system. The proportion of employees participating in the time recording system stood at 36.9% in 2011. 12% of the employees are not allocated to any working time model (for example temporary staff).

In cooperation with an external partner, we are able to offer our employees crèche and daycare spaces and can help arrange childcare in the event of an emergency; we also help employees organise childcare by providing advice and arrangement services. Since the Easter holidays in 2011, parents have also been able to book spaces for their children at children's holiday programmes for which we provide financial support. We provide funding for up to ten days at a holiday programme per child per year.

As a result of demographic developments, the issue of caring for family members is playing an increasingly important role. In such cases, we offer special support free of charge through professional partners in the form of eldercare advice and arrangements. By offering these services, we ease the burden on our employees that results from such caregiving responsibilities as well as from having to organise and finance care. Our external partner assists them in the time-consuming and difficult task of finding care solutions, which consequently helps reduce rates of absenteeism and prevents employees from becoming preoccupied with these problems while at work.

Diversity

At the DekaBank Group, we view the diversity of our employees as an opportunity. Our customers and partners, and indeed DekaBank itself, benefit from the diverse backgrounds, life experiences and talents of our 3,957 employees worldwide, 3,459 of which are based in Germany. The consistent appreciation, inclusion and targeted fostering of the individual capabilities and skills of men and women, the old and the young, people with and without disabilities, as well as of employees of different ethnicities, cultures or sexual orientation are naturally part of our corporate culture and a cornerstone of our competitiveness.

Women in particular benefit from our options to promote a work-life balance and we do not want, nor can we afford, to lose the potential and expertise they offer in specialist and executive positions. As women are still underrepresented at the managerial level, as an employer we have assigned ourselves the task of additionally promoting qualified women and further increasing the proportion of women in top management. Consequently, we support talented women in their individual career planning by offering special seminars. This is already delivering results and in the reporting year, the proportion of women in executive positions in the Group in Germany rose slightly to 15.6% (2010: 14%); (Fig. 9).

Proportion of women in management levels[1] *(Fig. 9)*

% (Group Germany)	**2011**	**2010**
1. Top management (M1)	8.7	8.3
2. Middle management (M2)	8.8	8.0
3. First level management (M3)	20.0	18.2
Total management	15.6	14.0
Total proportion of women	**38.1**	**37.7**

[1] As of 31 December.

The work on gender diversity carried out by the two Equal Opportunities Officers is supported by the management of DekaBank. For example, the *DekaFrauenFokus* (Deka Focus on Women) takes place several times a year, providing women with a forum to discuss topics that affect them at work. Important issues and solution approaches with regard to the work-life balance are also discussed at regular parents' group meetings.

The representative for severely disabled employees ensures that the particular concerns of employees with disabilities or restricted mobility are taken into account in day-to-day operations. In addition to the employee representatives, the representative is also available as a contact person for people with disabilities or restricted mobility.

For our employees with different religious backgrounds, we have set up lounges for prayers that can also be used for meetings on religious topics.

Along with the Equal Opportunity Officers and the Disability Officer, the external ombudsman is also available as a contact person for all employees.

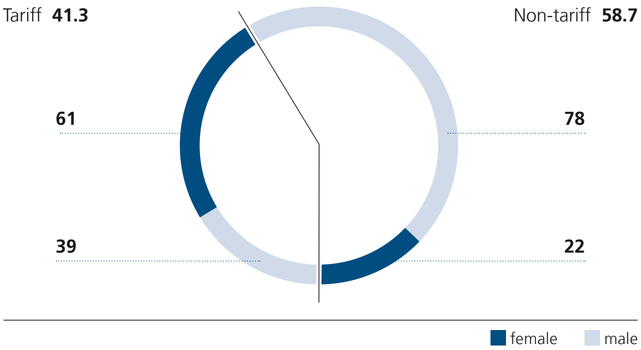
Remuneration

DekaBank's performance-oriented remuneration system is structured to optimally support its sustainable corporate strategy. We therefore consistently avoid incentives for excessive risk-taking in accordance with the regulatory requirements. The variable remuneration is appropriately proportional to the fixed salaries and is based on a multi-year assessment, thereby promoting alignment with the company's long-term success. We completed the revision of our remuneration system in response to the introduction of the Remuneration Ordinance for Institutions in the reporting year. The introduction of salary bands facilitates success- and performance-based remuneration in line with market conditions.

In Germany, 41% of Group employees are covered by collective bargaining or tariff agreements. Non-tariff contracts were concluded with 59% of the workforce. As a matter of principle, remuneration is strictly independent of gender. Remuneration is based solely on the employee's function and performance (Fig. 10).

Breakdown of remuneration *(Fig. 10)*

%



Employees have the option of depositing bonus payments, holiday leave and arranged overtime into working hours accounts so they can retire earlier or take temporary leave of absences in the form of a sabbatical. Furthermore, along with the benefits provided by the employer under collective bargaining agreements, DekaBank grants additional benefits on a voluntary basis. These include group accident and corporate travel insurance, a "job ticket" travel card for employees at the Frankfurt/Main location and corresponding arrangements at other DekaBank Group sites, as well as capital-forming payments.

Permanent employees receive an employer-funded company pension and variable remuneration. Part-time employees receive these benefits in accordance with their part-time ratio. Details on pension obligations can be found on pages 157 to 158 in the consolidated financial statements.

Personnel development and further training

A transparent and binding process is in place to support the development of our employees. As part of this process, we not only agree on targets and define the support measures required to attain them, but also draw up individual development plans for employees. The performance review process was revised in financial year 2011 and supplemented by a development plan based on central questions. 89.9% of our employees attend regular target-setting meetings.

We want to maintain and enhance the skills and performance of our employees in the long term. Consequently, we set great store by their continuing professional development. The "DekaBank Colleg" offers seminars to develop professional, personal and social skills, project management skills, management expertise, IT skills and language courses, which build on the existing skills and expertise of the participants. Qualification requirements are met by individual coaching, team training sessions and cross-team training. We also offer orientation seminars for new employees.

Our ongoing commitment to personnel development is paying off and the high level of employee satisfaction is reflected in the staff turnover rate which remains low at 5.1%.

The leadership curriculum gives all managers in the Bank a uniform concept and understanding of management as well as core competencies that are required in actual management practice within the DekaBank Group. In March 2011, for example, we introduced a "Manager as Coach" intensive training course. During the course, line managers work in small groups comprising a maximum of eight people and two trainers and examine what coaching really means in day-to-day management and how this method fits with other management tools.

Furthermore, our employees can attend open training sessions run by external providers or receive support from the DekaBank Group for part-time qualification measures. Overall, the DekaBank Group's financial expenses for continuing professional development and further training in Germany amounted to €1,435 per employee. This figure does not include expenses for further training that took place as part of projects.

As we also want to provide appropriate support for interns, we participate in the Fair Company initiative run by the *Handelsblatt* publishing group. The Fair Company quality seal is awarded to companies who advocate an ethical approach in the world of work and give graduates a fair chance of permanent employment and interesting tasks during their internship.

Healthcare and health management

Our modern health management system, which is integrated in the processes of the entire Bank, is a strategic competitive factor, since it creates the necessary framework conditions for maintaining and promoting personal performance and thus the sustainable success of the company. Our responsibility for the physical and mental well-being of our employees also stems from our duty of care as an employer. In addition to offering individual measures we motivate employees to actively take responsibility for their own health.

DekaBank issued its first Health Report in financial year 2011. The report, which is prepared for internal purposes, documents the status of our comprehensive health management system, which goes far beyond individual measures and provides employees with a range of different offerings. These were supplemented with informational events.

The health management system is based on four central pillars:

- physical activity,
- nutrition,
- medicine and prevention,
- mental health.

A wide range of tailored options are available to employees within these four pillars: preventative medical checkups for executive staff, flu vaccinations, regular workplace inspections to evaluate ergonomic aspects, presentations on healthy eating, courses on back care and exercises, health days and the Bank's own Deka Health Centre all help prevent illnesses and health-related problems that affect performance. A particular focus is put on measures to support mental health.

The Employee Assistance Programme represents a key component in the prevention of mental stress and illnesses. In difficult situations, both professional and personal, all employees based in Germany or abroad and any family members in their household can talk to doctors, psychologists and other consultants from an independent advisory service – free of charge. The consultations take place by phone or in person. The service is open 24 hours a day, 365 days a year. Both the contact with the service and any advice given are treated in the strictest confidence and upon request can be handled on a completely anonymous basis. DekaBank is therefore addressing the trend, which studies have corroborated, that mental health problems are becoming the main reason for absence due to illness.

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

The average illness rate for employees at DekaBank Group locations in Germany was 3.7% during the 2011 reporting period.

Auditing

DekaBank's personnel policy is regularly certified by "*audit berufundfamilie*". We took part in our second re-audit in the autumn of 2011, highlighting our sustainable family-friendly personnel policy. The quality seal of the initiative, which is under the patronage of the German Minister of Family Affairs and the German Minister of Economics, will be presented in the spring of 2012.

Our health management system was awarded the *Prädikat* seal in the Corporate Health Awards in the autumn of 2009 and the *Exzellenz* seal in the autumn of 2010 and 2011. The initiators of the Corporate Health Awards – *Handelsblatt, TÜV Süd* and EuPD Research – certify companies that demonstrably show above-average commitment to the health of their employees and pursue a forward-looking, sustainable HR strategy. Consequently, this certifies the outstanding level of corporate health management at the DekaBank Group, which is among the best in the country and ranks second place in the Finance/Insurance category in Germany.

DekaBank's particular commitment to health management at work was distinguished by the jury for the *Deutscher Unternehmenspreis Gesundheit* (German Corporate Award for Health) in 2011 and the Bank was awarded the "Move Europe Partner Excellence" certificate.

Sustainable banking products

Solar power and wind power for thousands of households – co-financed by DekaBank. More and more green buildings in Deka property fund portfolios. Access to clean investments that comply not only with economic criteria but also ecological and social principles for savings bank customers – made possible by the Deka-Nachhaltigkeit fund family. Three examples from financial year 2011 all demonstrate the same point: sustainability is not just lip service at DekaBank. DekaBank's approach is thus a 100% match with the philosophy of the savings banks, which have always operated on a sustainable basis with a focus on the common good. For the growing number of investors and securities savers for whom both aspects are important – who want to preserve and increase their assets whilst at the same time making a personal contribution towards the conservation of natural resources for future generations – the savings banks and DekaBank are the partners of choice.

Management approach

Sustainable development not only reduces business and social risks, but also opens up new opportunities for growth and added value. In the interests of our customers, owners and employees, we therefore not only want to comply with legal and regulatory requirements, but also meet ethical and social standards.

In asset management at DekaBank, sustainability has long been a central variable alongside yield, risk and liquidity. But it is not just products explicitly labelled as sustainable, such as the Deka-Nachhaltigkeit fund family launched at the end of 2011, that offer investors responsible and profitable investment opportunities. Asset managers in the AMI business division, for example, pay special attention to certified energy efficiency and environmental sustainability when making new acquisitions and modernising existing properties.

To optimally meet the growing social and ecological requirements of the savings banks and their customers, we work with other organisations including the *Institut für Markt-Umwelt-Gesellschaft* (Institute for Market, Environment and Society – imug), which specialises in socio-ecological corporate analyses and assists us in the selection of securities for sustainable fund products. In project financing, DekaBank consistently applies the Equator Principles, which was signed in March 2011, and sets high benchmarks for environmental and social standards.

In addition to our range of banking products, raising awareness and interest in sustainable banking products in society is a central element of our sustainability strategy. Consequently, in the reporting year, we started to support the nationwide "*Gut*" umbrella campaign run by the *Sparkassen-Finanzgruppe* with campaigns and training sessions on our products. As part of the DSGV "Environment and Sustainability" project, DekaBank also expanded its product assortment of sustainable funds at the end of 2011 with the Deka-Nachhaltigkeit fund family, which comprises an equity fund, bond fund and a mixed fund. This enlargement of the range of sustainable investments underscores the Bank's commitment to promoting sustainability.

The DekaBank Group is also involved in the „*Hoch im Kurs*" education initiative of the *Bundesverband Investment und Asset Management* (BVI) and provides speakers to give presentations at schools. These are aimed at explaining financial issues to the pupils to help increase the general understanding of funds and other forms of investment.

Sales support

With their uniquely dense network of around 15,600 branches throughout Germany, the 429 savings banks in the *Sparkassen-Finanzgruppe* are the ideal sales partner for Deka investment funds. Savings bank customers throughout the country can achieve their individual investment targets using DekaBank products. We believe that due to their risk-diversification effect, mutual securities and property funds play a major role in the accumulation of financial assets by private households that are so important for the national economy. That is why we are involved in the "Environment and Sustainability" project run by the *Sparkassen-Finanzgruppe*, which is aimed at positioning the securities business on a forward-looking basis.

In addition to attractive products, the quality of advice available to customers locally is of key importance. To ensure that the products, some of which are complex, are explained in line with the customers' requirements, we support the customer advisers at the savings banks, not only with extensive product information, but also with training and suggestions for sales and marketing. As a matter of course, our product information complies with legal requirements regarding advertising and marketing.

Furthermore, we support the savings banks, as our exclusive sales partner, with the organisation of customer events on the topic of sustainability and sustainable investments by providing speakers as well as extensive informational material on our expanded range of sustainable fund products. We further develop this cooperation as part of our ongoing dialogue with the savings banks. Naturally this is based on compliance with both legal and supervisory requirements, which is ensured through stringent processes. This cooperation has proven fruitful for all parties concerned: savings bank customers receive information on the options available for responsible financial investments, while our experts learn more about the needs of the market at these events.

Asset management in securities

All of the fund products managed by DekaBank, including fund-linked asset management, incorporate individual sustainability criteria in their investment decisions. We see sustainable actions and development as safeguarding the future, and thus as features of an attractive investment. We firmly believe that share prices are just as strongly influenced by environmental and social issues as they are by bond yields.

In addition, more and more investors are actively interested in what happens with the money they invest, especially in view of the growing criticism of ethically dubious banking products. In order to satisfy the resultant growing demand for investment solutions that meet particularly stringent sustainability criteria, DekaBank substantially expanded its range of products in financial year 2011.

With the Deka-Nachhaltigkeit (equities/bonds/balance) investment funds, investors can invest specifically in companies that operate sustainably in terms of economic, environmental and social criteria. To select the securities included in the funds, DekaBank works in partnership with the *Institut für Markt-Umwelt-Gesellschaft* (imug) and the Ethical Investment Research Service (EIRIS), two established specialists in ethical investments.

The new fund family rounds out DekaBank's existing line of sustainable investment products, which also includes the DekaSelect: Nachhaltigkeit fund of funds and the Deka-Stiftungen Balance mixed fund. The Deka-UmweltInvest equity fund, which invests in companies worldwide that operate in the fields of climate protection, environmental protection, water management and renewable energies, supplements our commitment.

As at 31 December 2011, the volume of our investment funds geared towards sustainability totalled approximately to €1.1bn. Over the year, DekaBank recorded a decline of 8% in this investment segment, which was essentially due to the very difficult conditions in the capital market.

However, we do not limit the strict implementation of our understanding and concept of sustainability to our investment funds. Consequently, we also express our viewpoint on sustainability aspects, as on other issues, including through our voting rights.

Asset management in real estate

Investments in energy-efficient and ecological buildings not only benefit the tenants, but also our investors, who achieve an attractive long term yield. That is why we strive to have our properties certified by the Green Building Certification Institute (GBCI). The certification is issued to buildings that are energy-efficient and therefore eco-friendly and which are designed, built and operated in conformity with health standards. The relevant factors for certification are water efficiency, the materials used and the air quality in the building. Compliance with these criteria not only meets ecological and social requirements, but also reduces lifecycle costs for the owners.

All buildings held in our fund portfolios now have a building profile, which also includes all the environmentally relevant building data. In addition to this, energy passports are being developed in many European countries for the purpose of documenting consumption figures for properties. Through the commitment declaration that has applied to service providers in building management since the reporting year, we ensure that the cleaning and waste disposal services also take sustainability aspects into account (see page 119).

Many of the properties we have recently acquired are already certified as „green buildings", and this is now also a prerequisite of our major international tenants in particular. Of the properties in our mutual funds, 34 are certified as green buildings or are set to be certified in the near future. This already equates to more than 10% of all our properties and we aim to increase this ratio to over 40% by 2015. Among these will be the former *Poseidon-Haus* building in Frankfurt/Main, which is currently being enlarged for ING Diba and, following the renovation, is set to receive the Leadership in Energy and Environment Design (LEED) gold certificate from the GBCI as a green building. In principle, we endeavour to achieve further certifications in respect of sustainability. At present, the certification systems still differ around the world and a uniform international certification standard does not yet exist.

Studies are also being conducted to determine how ecology and economy can be even better integrated. A good example of this is the letting of large flat roofs on our logistics properties, where photovoltaic units have been installed to produce energy, generating both green electricity and additional income for our customers. These should start producing power in 2012.

Asset management-related lending business

One of the ways that DekaBank's sustainability strategy is reflected in its lending business is through its support for projects that promote the economic cycles in the respective regions. Loans in the renewable energies segments are particularly appropriate in this regard and in the reporting period, 60% of the financing we provided was related to energy production capacities. In addition to solar parks and onshore wind farms in Germany and abroad, with *Nordsee-Windpark Global Tech I*, DekaBank is the first co-financier of an offshore facility together with the European Investment Bank and 15 other commercial lenders. The 80 wind turbines generate enough power to supply around 445,000 households. In contrast, transactions that do not meet our sustainability criteria are undesirable and also pose a higher risk to our business.

In March 2011, we signed the Equator Principles, highlighting the importance we attach to responsibility for the environment and society with regard to our corporate actions and development. By committing to these principles, we undertake to comply with strict environmental and social standards when making our investment decisions, especially in relation to project finance. The details can be found in the section on sustainable corporate governance (see pages 113 to 115).

Using the criteria, we conduct a critical assessment of the following business areas:

- financing relating to arms transactions (financing suppliers, manufacturers and trading companies) to countries or recipients in areas of conflict outside NATO,
- financing which gives rise per se to significant risks for the environment (based on OECD environmental guidelines),
- lending transactions where public reporting (including as a result of socio-cultural aspects) about the financing itself, about a business partner or business practice, could adversely affect public trust in our Bank in the long term.

Equator Principles Reporting

Project finance reviewed (> USD 10bn) by sector and region *(Fig. 11)*

EP category	Oil & Gas	Commodities	Power	Other
A	1	–	–	–
B	–	–	–	–
C	–	–	–	–
Total	**–**	**–**	**–**	**–**

EP category	Europe (EU)	Europe (Non-EU)	North America	South America	Asia	Middle East & Africa	Australia & Other
A	–	1	–	–	–	–	–
B	–	–	–	–	–	–	–
C	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Category A: Projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented.
Category B: Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
Category C: Projects with minimal or no social or environmental impacts.

Social responsibility

Together with the savings banks, DekaBank assumes responsibility for people in Germany and makes an active contribution to strengthening social structures and improving the quality of life in local areas. Social responsibility is firmly enshrined in our corporate culture and is supported by the Board of Management and employees alike.

Management approach

Our commitment and involvement is twofold: As a partner of the savings banks, we participate in the national support on the part of the *Sparkassen-Finanzgruppe*. On the other, our involvement also includes our own projects and long-term partnerships, especially providing support for contemporary art and architecture, social projects and academic institutions. This agenda makes us a reliable partner for selected aid organisations and research institutions.

DekaBank's social responsibility also includes supporting the private commitment of its employees.

Joint activities with the *Sparkassen-Finanzgruppe*

As an important social institution, the *Sparkassen-Finanzgruppe* and its 718 foundations support social and cultural projects in their local regions and throughout Germany. DekaBank provides assistance for three major national projects.

In addition to the *Staatliche Kunstsammlungen Dresden* museum, with which a partnership has been in place since 2006, the *Sparkassen-Finanzgruppe* has been supporting the *Staatliche Museen zu Berlin* (National Museum) since 2011, which comprise a total of 15 collections, three research organisations and a Replica Workshop. As the main sponsor, the *Sparkassen-Finanzgruppe* is co-financing projects in youth education as well as fascinating exhibitions such as "Divided Heaven. 1945–1968" at the New National Gallery and "100 Years of Nefertiti" at the New Museum.

Moreover, with substantial support from DekaBank, the *Sparkassen-Finanzgruppe* has been a partner of the German Olympic Sports Association (*Deutscher Olympischer Sportbund*) since 2008. As a national sponsor, we have already supported top German athletes at the Olympic Games in Beijing in 2008 and the Winter Olympics in Vancouver in 2010. We will also be on board at the next Olympic Games in London in the summer of 2012.

Support for architecture and contemporary art

As a longstanding partner of the MMK *Museum für Moderne Kunst* (Museum of Modern Art) in Frankfurt/Main, DekaBank, together with Helaba and DSGV, supported the anniversary exhibition „MMK 1991–2011. 20 years of Presence". As part of this exhibition, the three main sponsors presented photographic highlights and artist's books from the MMK collection at their respective locations since the end of September 2011, under the joint exhibition title "Parallels". Key pieces by Thomas Ruff, Candida Höfer, Taryn Simon, Tobias Zielony and Larry Sultan & Mike Mandel were on exhibition at DekaBank from 30 September 2011 to 12 January 2012.

The International Highrise Award has been bestowed by the City of Frankfurt/Main, the *Deutsches Architekturmuseum* (German Museum of Architecture) and DekaBank every two years since 2004. The award recognises buildings that combine exceptional aesthetics, forward-looking design and integration in the urban landscape with innovative technology, efficiency and sustainability. The award is judged by an international jury of experts. The next award ceremony will be held at the *Paulskirche* church in November 2012.

Social commitment

DekaBank's social commitment begins in its immediate environment in Frankfurt/Main. In March 2011, a second centre for disadvantaged children from socially deprived areas was opened in the Nordweststadt district of Frankfurt by the charitable Christian organisation *Kinder- und Jugendhilfswerks Arche e.V.* with the support of DekaBank. DekaBank had already supported the opening of the first Arche centre in Frankfurt-Griesheim in 2010. The centre provides the children with a hot meal, a quiet room for homework as well as two other rooms where they can give free rein to their creativity. Together, the two *Arche* centres care for around 270 children every weekday. DekaBank trainees also collected money for the new *Arche* centre at the company's Christmas party in Frankfurt. These donations totalled almost €1,500 and are to be used for the *Arche's* holiday programmes.

However, our social commitment is not restricted to our local area, and through our longstanding partnership with the Don Bosco Mission we also support international activities: by providing funding of €25,000 in each case, we sponsored the construction of a vocational training centre in Kep, Cambodia, as well as a street kids project in Freetown, Sierra Leone. Since 2004, DekaBank has donated €295,000 to support the work of the Don Bosco Mission.

DekaBank is also a reliable partner of the annual German Golf Charity Cup to benefit the non-profit organisations *Deutsche Krebshilfe e.V./Deutsche KinderKrebshilfe e.V* (German Cancer Aid/German Children's Cancer Aid), for which we are a general sponsor. Around 150 golf clubs in Germany take part in this event, which is Europe's biggest charity golf tournament. The proceeds, which are in the six-digit range, are topped up by a further generous donation from DekaBank to support the work of *Deutsche KinderKrebshilfe e.V.*

Since 2007, we have also been fostering and supporting the social commitment of our employees through our traditional Christmas donation as part of the „*DekaBank – Engagiert vor Ort*" (DekaBank – Making a Local Commitment) campaign. Every year our employees can apply for a donation of €1,000 for "their" project. In 2011, the amount available totalled €25,000.

The Eschersheim Youth Office in Frankfurt/Main received a donation of €5,200 from the DekaBank's Staff Council Social Foundation. The money is intended to enable six young people from socially disadvantaged families to take part in an educational trip. Since 1999, DekaBank's Staff Council Social Foundation has been providing support, initially to DekaBank employees in need of assistance, but starting in 2008, also to promote the involvement of employees in social or non-profit projects in the fields of academia, science, art, monument conservation and culture.

The AMI business division also participated in the "Clean Working Day" campaign organised by the Ministry of Environment in the German state of Hesse. Equipped with gloves, rubbish bags and long-handled litter pickers, employees from the Accounting unit spent an hour clearing litter and waste from the park Taunusanlage.

Support for academic institutions

Support for studies and academics at universities is a central pillar of our social commitment. Here, we focus on fostering disciplines that are closely related to our area of business.

For example, we have been supporting the Centre for Financial Studies at the House of Finance at the Goethe University in Frankfurt/Main for several years on behalf of the *Sparkassen-Finanzgruppe*.

As the issue of sustainability in the financial sector is a topic which we believe should be included in the university curriculum, in 2011 we decided to endow a chair in Sustainable Banking and Finance, with a focus on Sustainable Corporate Governance, at the House of Finance at Goethe University.

Communications

Transparency is the basis for sustainable development. This is why DekaBank attaches great importance to open communications when it comes to pursuing its sustainability strategy in particular. The regular dialogue with our stakeholders on the ethical, social and ecological aspects of our activities enables us to continually review the implementation of our goals. In this sense, we view DekaBank's sustainability strategy as an ongoing learning process for the entire company.

Dialogue with the savings banks

The commitment and activities of the savings banks and DekaBank are coordinated and complement each other. Through the specialist advisory committees that advise the Board of Management as well as the various sales committees, DekaBank actively involves the expertise of the *Sparkassen-Finanzgruppe* in its decision-making process.

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

Dialogue with other stakeholders

In addition to the extensive dialogue with the savings banks, in-depth market monitoring and regular interaction with various social groups ensures that the relevant stakeholders are involved on a targeted basis at an early stage. Their suggestions on the topic of sustainability, as with on all other issues that affect the Group, are taken into consideration with regard to our business policy and strategic decisions.

In reporting year 2011 we extended our dialogue with non-governmental organisations (NGOs) and value this as an important source of ideas for our work.

The main stakeholders in this dialogue are:

- Savings bank customers and institutional investors,
- employees/employee representatives,
- supervisory authorities,
- suppliers,
- associations and organisations,
- academic institutions,
- rating agencies and analysts,
- non-governmental organisation (NGOs).

Dialogue with savings bank customers and institutional investors

We identify the needs and requirements of both private and institutional investors through regular detailed surveys and the very close contact that our Sales units maintain with customer advisers and other managers in the savings banks. We discuss the results in depth and derive measures from them which can be used to further improve DekaBank's performance and its sustainable strategy. The insights into investor trends also provide an important impetus for the design of new sustainability products.

Investors and analysts receive comprehensive and timely information on our business strategy and development, both directly as well as via rating agencies. In addition to the report in the Annual Report, we also provide regular information on the implementation of our sustainability strategy in the sustainability section of our website.

Dialogue with employees and employee representatives

With the assistance of an independent adviser, we regularly conduct 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. Our employees are represented by the Staff Committee and Works Council (Germany) and the Comité Mixte (Luxembourg). Furthermore, the Disability Officer and Equal Opportunity Officer serve as internal contact persons and provide assistance to our employees in the event of problems at the workplace.

We see employee innovation as a real benefit that we are happy to reward. We have received numerous proposals and suggestions through our well-established and multi award-winning idea management system, and many of these ideas have been implemented.

During its day-to-day HR activities, the DekaBank Group always ensures that the employee bodies (WorksCouncil, Disability Officer, Equal Opportunity Officer) are involved as promptly as possible. The relevant information is passed on to employees as quickly as possible through publication on internal company media or by e-mail.

This ongoing dialogue not only stems from the precept of a cooperation based on trust, but also from the desire to be open and transparent. We consider these principles as an essential prerequisite to successfully implementing change processes with the support of all involved.

Dialogue with supervisory authorities

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

Dialogue with suppliers

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

Dialogue with associations and organisations

The DekaBank Group is an active member of various associations and organisations and is driving forward the debate in these bodies on conserving resources and structuring business processes in a socially responsible manner. We are therefore helping to create a broad forum for dealing with issues related to sustainability. Furthermore, we exchange information and ideas with other members on relevant topics. Through our membership in these organisations, we make our internal expertise available to politicians and policymakers exclusively in the interests of our shareholders. The following institutions should especially be mentioned in this regard:

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

Dialogue with academic institutions

DekaBank is also an active member of various non-profit associations and institutions with economic, social and social sciences backgrounds that deal with issues relating to sustainability. Regular exchange of ideas and information with academic institutions enables us to include the latest theoretical findings in our day-to-day operations. We see financial support for universities as an opportunity to further promote this dialogue and drive forward research.

Valuation by rating agencies

Rating agencies specialised in sustainability are very important for investors who put a top priority on ecological and social aspects, since these agencies make it easier to compare the sustainability reporting of companies that is based on different standards. Consequently, these agencies are also an important point of reference for the further development of DekaBank's sustainability strategy. In this context, our focus is on three rating agencies, both for internal purposes as well as in communications with our stakeholders. In the reporting year, all three agencies upgraded their ratings for DekaBank compared with the previous year.

imug

The imug rating, which concentrates mainly on public sector and mortgage *Pfandbriefe*, already upgraded DekaBank from its previous rating of „neutral" to „positive" in 2010. This rating was affirmed in 2011. Environmental management, social and governance aspects were highlighted here in particular.

oekom

DekaBank achieved "prime" status in the corporate rating conducted by oekom for the first time in 2011. This makes us one of the leading companies in our industry with regard to the issue of sustainability and we are recommended by oekom to investors who take social and ecological aspects into consideration when investing.

sustainalytics

The rating experts at sustainalytics rank us 14th out of 63 rated companies (as compared to 17th out of 51 rated companies in 2010). In the reporting year, we therefore achieved a better rating from sustainalytics than in the previous year as well.

GRI Guidelines

The Sustainability Report was prepared on the basis of the Guidelines of the Global Reporting Initiative (GRI) including the Financial Services Sector Supplement. The GRI was set up in 1997 with the aim of developing and disseminating an internationally recognised guideline for voluntary reporting of the economic, ecological and social performance of organisations and companies. The companies themselves decide which aspects they take into account and consequently the degree of transparency they provide.

It is our assessment that this report complies with GRI Application Level A (Fig. 12). This means that we now take every aspect of the GRI Guidelines into account and thus provide the greatest level of transparency.

GRI Application Level *(Fig. 12)*

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

The GRI Content Index, which we have published at www.dekabank.de provides an overview of all of the GRI indicators reported with a cross-reference to the corresponding DekaBank publications in which the respective information can be found.

Contact points for questions regarding corporate sustainability reporting

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Report of the Administrative Board

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

Key issues of Administrative Board meetings

In 2011, four meetings of the Administrative Board took place, during which the Board of Management informed the Administrative Board about the Bank's current business trend and profit performance, the risk position as well as the Group's strategic direction. The Administrative Board conducted a review of the forecast for the years 2012 to 2014 submitted by the Board of Management. In accordance with the minimum requirements for risk management of German credit institutions, the Board of Management also reported on and discussed the business and risk strategies with the Administrative Board. The reports on the activities of the Internal Audit department and the Compliance unit as well as the remuneration report for financial year 2010 were also submitted to the Administrative Board.

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

DekaBank was strongly affected by changes in its shareholder base during financial year 2011. The Administrative Board oversaw the negotiations related to this and, in its meeting on 7 April 2011, agreed on the acquisition of direct and atypical silent holdings in DekaBank by Deka Erwerbsgesellschaft mbH & Co. KG as well as the acquisition of direct holdings in DekaBank by Deka Treuhand Erwerbsgesellschaft mbH.

In the reporting year, the development on international capital markets was particularly impacted by the national debt crisis in Europe as well as by the natural and nuclear disasters in Japan. The Administrative Board received regular reports about the repercussions of these events on the earnings, liquidity and risk position of the Bank, as well as the management measures taken by the Board of Management.

In addition, the Administrative Board received regular reports about the status of ongoing projects, such as the realignment of the IT system and the integration of the assumed private banking activities in Luxembourg. The Administrative Board was also updated on the results of the EBA stress test, conducted in the European Union, as well as the effects of regulatory changes on the range of products and services.

Administrative Board Committees

The Administrative Board has established three committees: the General Committee, the Audit Committee and the Credit Committee to support it in its work and to prepare the issues and resolutions to be covered in the main Board meetings. The committees' tasks are specified in the Administrative Board's rules of procedure.

The General Committee met five times in the past year, focusing primarily on DekaBank's business model and the strategic development of the company. It also dealt with Board of Management matters, including the assignment of business. Against the backdrop of the Remuneration Ordinance for Banks, the General Committee also conducted a detailed examination of the remuneration policy in the DekaBank Group.

The Audit Committee met four times in 2011. It conducted a detailed review of the financial statements and the consolidated financial statements. It also verified the requisite independence of the auditors, commissioned the auditors to perform their audit based on the specified focal points and concluded an agreement on their fees.

The Audit Committee also extensively reviewed the DekaBank Group's accounting and risk management systems and obtained reports on the audit activities of external auditors, the Internal Audit department and the Compliance unit. The Audit Committee acknowledged the report on the internal control system (ICS) and conducted a detailed examination of DekaBank's risk situation. This examination included credit, market price, liquidity and operational risks as well as other types of risk, such as business and shareholding risks and legal and reputation risks. Other key topics comprised the processes for forming and implementing board decisions, risk management for trading transactions associated with the issue of exchange traded funds as well as valuation approaches in the DekaBank Group's open-ended mutual property funds.

The newly established Credit Committee met in this reporting year for the first time. A total of four meetings took place. In its capacity as a loan approval body, the Committee passed the relevant resolutions and reviewed and familiarised itself with the risk situation in the lending business. In addition, it discussed the business policy alignment in the lending business as well as the lending risk strategy with the Board of Management.

The Chairmen or the Deputy Chairmen of the General, Audit and Credit Committees reported to the Administrative Board on a regular basis concerning the results of consultations held by the three Committees.

Audit and approval of 2011 financial statements and consolidated financial statements

The DekaBank Shareholders' Meeting appointed PwC PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for the 2011 financial year. PwC audited the 2011 financial statements of DekaBank and the management report as well as the consolidated financial statements, including the notes and Group management report, and issued an unqualified audit opinion on them.

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

The Administrative Board approved the 2011 financial statements and submitted a proposal to the Shareholders' Meeting regarding the appropriation of the accumulated profit.

Changes in the Board of Management and Administrative Board

Walter Groll resigned by mutual agreement from the DekaBank Board of Management on 30 June 2011. The Administrative Board would like to thank Mr. Groll for the work he has done during his five years on the Board.

During the first half of 2011, Prof. Dr. Dirk Jens Nonnenmacher and Hans Otto Streuber resigned from the Administrative Board. Constantin von Oesterreich, Member of the Management Board of HSH Nordbank, and Beate Läsch-Weber, President of the Savings Banks Association Rhineland-Palatinate, were appointed to replace them on the Administrative Board.

In connection with the changes in the shareholder base, representatives of the *Landesbanken* resigned their seats on the Administrative Board with effect from 8 June 2011. Volker Goldmann, Chairman of the Management Board of Sparkasse Bochum, Walter Kleine, Chairman of the Management Board of Sparkasse Hannover, Eugen Schäufele, Chairman of the Management Board of Kreissparkasse Reutlingen, Siegmund Schiminski, Chairman of the Management Board of Sparkasse Bayreuth, Georg Sellner, Chairman of the Management Board of Stadt- und Kreis-Sparkasse Darmstadt, Johannes Werner, Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, and Alexander Wüerst, Chairman of the Management Board of Kreissparkasse Köln, were appointed new members of the Administrative Board.

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

The Shareholders' Meeting resolution of 8 September 2011 introduced new rules regarding both amendments to statutes and the composition of the Administrative Board. In accordance with the statutes, DekaBank's Administrative Board now comprises 26 members.

Helmut Schleweis, Chairman of the Management Board of Sparkasse Heidelberg and Federal Chairman of the Savings Banks Management Boards, was appointed First Deputy Chairman with effect from 8 September 2011. Thomas Mang, President of the Savings Banks Association Lower Saxony and Chairman of the Presidents of Savings Banks Associations, was appointed Second Deputy Chairman with effect from 1 January 2012.

Government supervision 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 2011.

DekaBank has performed well in an eventful year marked by a difficult environment and closed financial year 2011 with pleasing results. These results reflect the successful work of the employees and the Board of Management of DekaBank. The Administrative Board would like to thank them for their effort and considerable personal commitment.

Frankfurt/Main, 2 April 2012

Heinrich Haasis
Chairman of the Administrative Board

Consolidated financial statements 2011

DekaBank's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The central control variable is the economic result, which represents the key segment information and is reported externally. In addition to net income before tax, it includes changes to the revaluation reserve as well as the interest rate and currency related valuation result from original lending and issuance business. The variable therefore takes into account all income components which are relevant for assessing the earnings position.

Consolidated financial statements

Statement of comprehensive income for the period from 1 January to 31 December 2011

€m	Notes	2011	2010	Change	
Interest and similar income		3,060.3	3,468.5	–408.2	–11.8%
Interest expenses		2,786.3	3,121.5	–335.2	–10.7%
Net interest income	[31]	**274.0**	**347.0**	–73.0	–21.0%
Provisions for loan losses	[32]	**–117.7**	**52.0**	–169.7	(< –300%)
Net interest income after provisions for loan losses		**156.3**	**399.0**	–242.7	–60.8%
Commission income		2,268.6	2,443.1	–174.5	–7.1%
Commission expenses		1,292.1	1,381.4	–89.3	–6.5%
Net commission income	[33]	**976.5**	**1,061.7**	–85.2	–8.0%
Trading profit or loss	[34]	**439.2**	**293.9**	145.3	49.4%
Profit or loss on financial instruments designated at fair value	[35]	**–212.0**	**1.4**	–213.4	(< –300%)
Profit or loss from fair value hedges in accordance with IAS 39	[36]	**–1.4**	**–1.1**	–0.3	–27.3%
Profit or loss on financial investments	[37]	**–66.6**	**–14.8**	–51.8	(< –300%)
Administrative expenses	[38]	**917.6**	**835.9**	81.7	9.8%
Other operating profit	[39]	**2.2**	**–27.5**	29.7	108.0%
Net income before tax		**376.6**	**876.7**	–500.1	–57.0%
Income taxes	[40]	**58.1**	**201.5**	–143.4	–71.2%
Interest expenses for atypical silent capital contributions		**57.8**	**27.5**	30.3	110.2%
Net income		**260.7**	**647.7**	–387.0	–59.7%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		260.7	647.7	–387.0	–59.7%
Profit or loss on available-for-sale financial instruments not recognised in income		–1.1	–1.1	0.0	0.0%
Profit or loss on available-for-sale financial instruments recognised in income		0.0	0.0	0.0	n/a
Profit or loss on available-for-sale financial instruments		**–1.1**	**–1.1**	0.0	0.0%
Net change in revaluation reserve for cash flow hedges		**–11.9**	**–21.2**	9.3	43.9%
Change in deferred taxes not recognised in income		**5.3**	**5.9**	–0.6	–10.2%
Currency translation adjustments		**1.3**	**7.5**	–6.2	–82.7%
Other consolidated income		**–6.4**	**–8.9**	2.5	28.1%
Net income for the period under IFRS		**254.3**	**638.8**	–384.5	–60.2%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		254.3	638.8	–384.5	–60.2%

Balance sheet as at 31 December 2011

€m	Notes	31.12.2011	31.12.2010	Change	
Assets					
Cash reserves	[41]	**368.2**	**621.1**	–252.9	–40.7%
Due from banks	[14], [42]	**39,596.7**	**39,310.3**	286.4	0.7%
(net after provisions for loan losses amounting to)	[15], [44]	(377.9)	(385.8)	–7.9	–2.0%
Due from customers	[14], [43]	**31,603.0**	**27,411.1**	4,191.9	15.3%
(net after provisions for loan losses amounting to)	[15], [44]	(303.1)	(205.1)	98.0	47.8%
Financial assets at fair value	[17], [45]	**56,540.1**	**56,555.1**	–15.0	0.0%
(of which deposited as collateral)		(6,511.8)	(5,325.1)	1,186.7	22.3%
Positive market values from derivative hedging instruments	[18], [46]	**428.1**	**252.1**	176.0	69.8%
Financial investments	[19], [47]	**4,517.0**	**5,634.1**	–1,117.1	–19.8%
(net after provisions for loan losses amounting to)		(83.6)	(10.5)	73.1	(> 300%)
(of which deposited as collateral)		(949.1)	(1,703.5)	–754.4	–44.3%
Intangible assets	[20], [48]	**112.1**	**100.5**	11.6	11.5%
Property, plant and equipment	[21], [49]	**35.6**	**36.4**	–0.8	–2.2%
Income tax assets	[23], [50]	**258.0**	**97.0**	161.0	166.0%
Other assets	[22], [51]	**278.8**	**286.1**	–7.3	–2.6%
Total assets		**133,737.6**	**130,303.8**	3,433.8	2.6%
Liabilities					
Due to banks	[24], [52]	**32,870.1**	**29,508.6**	3,361.5	11.4%
Due to customers	[24], [53]	**24,417.1**	**21,369.8**	3,047.3	14.3%
Securitised liabilities	[24], [54]	**25,277.6**	**24,095.7**	1,181.9	4.9%
Financial liabilities at fair value	[17], [55]	**44,519.3**	**47,876.8**	–3,357.5	–7.0%
Negative market values from derivative hedging instruments	[18], [56]	**558.7**	**531.0**	27.7	5.2%
Provisions	[25], [26], [57], [58]	**213.4**	**244.9**	–31.5	–12.9%
Income tax liabilities	[23], [59]	**281.9**	**307.0**	–25.1	–8.2%
Other liabilities	[27], [60]	**724.6**	**729.3**	–4.7	–0.6%
Subordinated capital	[28], [61]	**1,482.3**	**1,480.0**	2.3	0.2%
Atypical silent capital contributions	[29], [62]	**52.4**	**52.4**	0.0	0.0%
Equity	[30], [63]	**3,340.2**	**4,108.3**	–768.1	–18.7%
a) Subscribed capital		191.7	286.3	–94.6	–33.0%
b) Capital reserves		190.3	190.3	0.0	0.0%
c) Reserves from retained earnings		2,899.4	3,604.7	–705.3	–19.6%
d) Revaluation reserve		–21.6	–13.9	–7.7	–55.4%
e) Currency translation reserve		12.9	11.6	1.3	11.2%
f) Accumulated profit/loss (consolidated profit)		67.5	28.6	38.9	136.0%
g) Minority interests		0.0	0.7	–0.7	–100.0%
Total liabilities		**133,737.6**	**130,303.8**	3,433.8	2.6%

Statement of changes in equity for the period from 1 January to 31 December 2011

	Paid-in equity		Group equity generated	
€m	**Subscribed capital**	**Capital reserves**	**Reserves from retained earnings**	**Consolidated profit/loss**
Holdings as at 31.12.2009	**286.3**	**190.3**	**2,987.5**	**28.6**
Net income for the year				647.7
Currency translation adjustments				
Net change in revaluation reserve for cash flow hedges				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Change in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	**–**	**–**	**–**	**647.7**
Changes in the scope of consolidation and other changes			–0.1	–1.8
Allocation to reserves from retained earnings			617.3	–617.3
Distribution				–28.6
Holdings as at 31.12.2010	**286.3**	**190.3**	**3,604.7**	**28.6**
Net income for the year				260.7
Currency translation adjustments				
Net change in revaluation reserve for cash flow hedges				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Change in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	**–**	**–**	**–**	**260.7**
Changes in the scope of consolidation and other changes			1.0	
Allocation to reserves from retained earnings			193.2	–193.2
Distribution				–28.6
Purchase of own shares	–94.6		–899.5	
Holdings as at 31.12.2011	**191.7**	**190.3**	**2,899.4**	**67.5**

Other consolidated income				
Revaluation reserve	Currency translation reserve	Total before minority interests	Minority interests	Equity
2.5	**4.1**	**3,499.3**	**0.7**	**3,500.0**
		647.7		**647.7**
	7.5			
−21.2				
−1.1				
0.0				
5.9				
−16.4	7.5	**−8.9**		**−8.9**
−16.4	**7.5**	**638.8**	**–**	**638.8**
		−1.9		**−1.9**
		–	–	**–**
		−28.6	–	**−28.6**
−13.9	**11.6**	**4,107.6**	**0.7**	**4,108.3**
		260.7	–	**260.7**
	1.3			
−11.9				
−1.1				
0.0				
5.3				
−7.7	1.3	**−6.4**	–	**−6.4**
−7.7	**1.3**	**254.3**	**–**	**254.3**
		1.0	−0.7	**0.3**
		–		**–**
		−28.6		**−28.6**
		−994.1		**−994.1**
−21.6	**12.9**	**3,340.2**	**–**	**3,340.2**

Cash flow statement for the period from 1 January to 31 December 2011

€m	31.12.2011	31.12.2010
Net income	**260.7**	**647.7**
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	202.9	–23.2
on intangible assets and property, plant and equipment	62.4	32.8
+/– Allocation to/reversal of provisions	20.6	34.1
+/– Profit or loss from fair value hedges in accordance with IAS 39	1.4	1.1
+/– Other non-cash items	120.6	357.6
+/– Profit or loss on the disposal of financial investments and property, plant and equipment	–0.6	0.1
+/– Other adjustments	–950.9	–912.2
= **Sub-total**	**–282.9**	**138.0**
Change to assets and liabilities arising from operating activities		
+/– Due from banks	85.6	–474.2
+/– Due from customers	–4,127.6	–3,525.3
+/– Financial assets at fair value	2,317.5	6,519.1
+/– Financial investments	1,066.1	407.9
+/– Other assets arising from operating activities	–261.0	251.3
+/– Due to banks	3,245.4	6,264.3
+/– Due to customers	2,561.9	–2,408.5
+/– Securitised liabilities	1,139.3	–899.3
+/– Financial liabilities at fair value	–5,848.2	–6,250.3
+/– Other liabilities arising from operating activities	5.9	–126.2
+ Interest received	3,956.1	4,374.7
+ Dividends received	146.1	131.1
– Interest paid	–2,862.5	–3,304.0
– Income tax payments	–241.6	–194.9
Cash flow from operating activities	**900.1**	**903.7**
+ Proceeds from the disposal of		
equity investments	0.5	0.0
proberty, plant and equipment	0.2	0.0
– Disbursements for the purchase of		
financial investments classified as held to maturity	–4.3	–4.2
equity investments	–0.3	–0.1
shares in investments accounted for using the equity method	0.0	–8.9
intangible assets	–66.6	–9.1
property, plant and equipment	–3.7	–2.1
+ Proceeds from the disposal of shares in affiliated, non-consolidated companies	0.5	0.1
– Disbursements for the purchase of shares in affiliated, non-consolidated companies	0.0	–3.8
+ Dividends received	0.5	0.0
+/– Changes in scope of consolidation	–37.1	–1.7
Cash flow from investing activities	**–110.3**	**–29.8**
– Purchase of own shares	–994.1	0.0
– Payments to company owners and minority interests	–25.0	–25.4
– Dividends paid	–28.6	–28.6
– Outflow of funds from subordinated capital	4.0	–484.5
+/– Changes in scope of consolidation	1.0	0.0
Cash flow from financing activities	**–1,042.7**	**–538.5**
= Changes to cash and cash equivalents	–252.9	335.4
+ Cash and cash equivalents at the start of the period	621.1	285.7
Cash and cash equivalents at the end of the period	**368.2**	**621.1**

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

Accounting principles

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

The consolidated financial statements comprise the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes. DekaBank has applied the “one statement approach” in accordance with IAS 1.81 and publishes a statement of comprehensive income.

Several new or revised IFRS standards needed to be applied in financial year 2011 for the first time. Standards and interpretations published by IASB and IFRIC, which have been adopted by the European Union and do not have to be applied until subsequent financial years, were not applied early. Changes relevant to the DekaBank Group are presented in the following:

Amendments to IAS 24 - Related Party Disclosures

In November 2009 the IASB published a revised version of IAS 24 (Related Party Disclosures). This amended version revised the definition of “Related Parties” and introduced a partial exemption provision for companies that are controlled, jointly controlled or significantly influenced by the public sector. The amendment to IAS 24 was adopted into Community law by the European Union in July 2010 and had to be applied for the first time in the 2011 financial year. There was no material impact on the consolidated financial statements.

Annual Improvement Project 2010

In May 2010, IASB published amendments to existing standards (Improvements to IFRS 2010) as part of its Annual Improvement Project. The majority of the amendments had to be applied for the first time in the 2011 financial year. There was no material impact on the consolidated financial statements.

The other IFRS amendments that had to be applied for the first time in financial year 2011 also had no impact, or no material impact, on the consolidated financial statements. Furthermore, the following new and revised standards were published. Although these are relevant for DekaBank, they have not yet been adopted into European law and therefore did not need to be applied:

IFRS 9 “Financial Instruments: Classification and Measurement” was published in November 2009 and contains regulations on the categorisation and recognition of financial instruments. The standard provides two categories for the measurement of financial assets – measurement at amortised cost and measurement at fair value. In October 2010, IFRS 9 was extended to include accounting for financial liabilities and derecognition of financial instruments. With the exception of the regulations for liabilities voluntarily measured at fair value, the regulations of IAS 39 were adopted unchanged. Furthermore, the regulations for the netting of financial assets and liabilities were published in December 2011. The regulations on the impairment of financial assets measured at amortised cost and hedge accounting were not published in the reporting year. IFRS 9 is expected to apply as of 1 January 2015.

IFRS 10 “Consolidated Financial Statements” contains regulations on consolidation and replaces the corresponding regulations of IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation – Special Purpose Entities”. The new definition of “control” is the core element of the regulations under IFRS 10 and thus the basis for delineating the scope of consolidation. According to IFRS 10, control is deemed to exist when all of the following three criteria are met: The investor has decision-making power over the material business activities of the potential subsidiary. In addition, the investor is exposed to variable returns due to its involvement with the subsidiary. Furthermore, the investor must be able to affect the amount of its variable returns. IFRS 10 is expected to come into effect as of 1 January 2013. The effects on the consolidated financial statements are currently being examined.

IFRS 11 “Joint Arrangements” replaces IAS 31 “Interests in Joint Ventures” as well as SIC 13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers” and regulates accounting and valuation for two forms of joint arrangement: joint operations and joint ventures. From now on, joint ventures must be included in the consolidated financial statements using the equity method, and the option of proportionate consolidation has been eliminated. On the other hand, a joint operation must directly and proportionally include the assets, liabilities, income and expenses, that are directly attributable to the company involved, in its consolidated financial statements. IFRS 11 is expected to come into effect as of 1 January 2013. The effects on the consolidated financial statements are currently being examined.

IFRS 12 "Disclosure of Interests in Other Entities" comprises obligations to disclose the risks and financial impact arising from involvement in subsidiaries, associated companies, joint arrangements and unconsolidated structured entities (special purpose entities). IFRS 12 is expected to come into effect as of 1 January 2013. The effects on the consolidated financial statements are currently being examined.

IFRS 13 "Fair Value Measurement" defines the term "fair value" for consistent use across all IFRS standards and streamlines the provisions for determining the fair value within these standards. IFRS 13 is expected to come into effect as of 1 January 2013. The effects on the consolidated financial statements are currently being examined.

IAS 19 "Employee Benefits" has been amended. The amendments essentially provide that actuarial gains and losses are to be reported in the revaluation reserve as soon as they arise. Accrual in line with the corridor approach and direct reporting in the statement of comprehensive income are no longer permissible according to the amendments to IAS 19. The revaluations recorded in the revaluation reserve are no longer "recycled" in subsequent periods, i.e. no longer recognised in income. The amendments to IAS 19 are expected to come into effect as of 1 January 2013. The effects on the consolidated financial statements are currently being examined.

Segment reporting

1 Explanation to segment reporting

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

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

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

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

Asset Management Capital Markets

The segment Asset Management Capital Markets consists of all the Group's activities concerning capital market-based asset management for private and institutional customers. In addition to funds and structured investment concepts, the product range also includes products from selected international cooperation partners. The Group's investment funds cover all the major asset classes, sometimes in conjunction with guaranteed, discount and bonus structures. The offering for private retirement pensions encompasses fund-based Riester and Rürup products. The segment also comprises advisory, management and asset management mandates for institutional customers as well as Institutional Sales. Since November 2011, the sales units of the Corporates & Markets business division have also been integrated into 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 activities of Capital Markets and the 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 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 and market making. The lending business comprises the management and product launch of credit assets, e.g. trade/export finance, public sector and infrastructure financing, which are suitable for Asset Management or meet the needs of institutional customers. In addition, Corporates & Markets includes liquidity positioning and liquidity risk management as well as asset/liability management.

Corporate Centres/Other

Income and expenses that are not attributable to the other reporting segments are reported under Corporate Centres/Other. These essentially relate to overhead costs for the Corporate Centres as well as the profit or loss on the investment of capital and reserves at risk-free interest. Since the 2011 financial year, Corporate Centres/Other also includes the change in the value of goodwill from the acquisition of WestInvest Gesellschaft für Investmentfonds mbH. The figures for the previous year were adjusted accordingly.

Non-core business

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

In principle, income and expenses are allocated on a source-specific basis to the relevant segment on the basis of a defined allocation key. Segment expenditure comprises primary expenses as well as those allocated based on cost and service allocations. In the reporting year, a differentiated offsetting procedure for allocating expenses has been applied to the segments. The figures for the previous year have been adjusted in order to achieve better comparability.

In addition to the economic result, assets under management represent another key ratio for the operating segments. Assets under management primarily comprise the income-relevant fund assets of the mutual and special funds under management in the AMK and AMI business divisions. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner fund, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and advisory from master funds. In financial year 2011, as part of the postprocessing of the merger between Deka FundMaster Investmentgesellschaft mbH and Deka Investment GmbH, the institutional products special funds, master funds and advisory/management mandates have been reclassified in line with business-based definitions to the assets under management and assets under administration key figures. The figures for the previous year have been adjusted in order to achieve better comparability. The passively managed exchange traded funds (ETFs) are reported in the Corporates & Markets business division.

Assets under management refer to customer funds under management. Assets under management also include DekaBank's own portfolios of €1,381.9m (previous year: €2,624.3m). These mainly relate to start-up financing for newly launched funds as well as market maker holdings for ETF trading.

With the new presentation form introduced in the reporting year, the gross loan volume conforms more closely with the standards for internal risk monitoring and management. In alignment with the definition of Section 19 (1) of the German Banking Act (KWG), the gross loan volume incorporates underlying risks from equity derivatives transactions as additional material risk position.

Reconciliation of segment results to the consolidated financial statements

The reporting and measurement differences between internal reporting and IFRS net income before tax amount to €6.5m (previous year: €48.4m) in the financial year.

The valuation result not recognised in income amounted to €19.7m (previous year: €59.3m) in the financial year. Of this amount, €–35.4m (previous year: €33.8m) relates to the interest rate and currency-related valuation results from original lending and underwriting business. €55.1m (previous year: €25.5m) refer to securities in the held to maturity category which are countered by valuation results from the corresponding interest rate swaps in IFRS net income before tax.

2 Segmentation by operating business divisions

	Asset Management Capital Markets		Asset Management Property		Corporates & Markets	
			Economic result			
€m	2011	2010	2011	2010	2011	2010
Net interest income[2]	40.5	31.4	71.5	72.4	173.7	250.9
Provisions for loan losses	–	–	–24.6	–14.4	–98.3	12.2
Net commission income	717.6	799.1	160.9	164.7	99.6	96.3
Net financial income[3)4)]	–19.7	–18.2	–6.2	–6.4	127.5	117.0
Other income	–	–12.3	5.7	–24.1	–15.0	4.2
Total income	**738.4**	**800.0**	**207.3**	**192.2**	**287.5**	**480.6**
Administrative expenses (including depreciation)	437.3	376.6	127.6	122.0	271.0	234.8
Restructuring expenses[5]	0.7	3.5	0.7	1.9	–	0.4
Total expenses	**438.0**	**380.1**	**128.3**	**123.9**	**271.0**	**235.2**
(Economic) result before tax	**300.4**	**419.9**	**79.0**	**68.3**	**16.5**	**245.4**
Cost/income ratio[6]	0.59	0.47	0.55	0.59	0.70	0.50
Group risk (Value-at-Risk)[7]	434	396	198	200	1,740	1,557
Assets under management[8]	126,895	139,508	24,100	23,190	3,504	5,030
Gross loan volume[9]	–	–	7,710	7,532	147,413	139,640

1) There is no figure for cost/income ratio and Group risk for the segment Corporate Centres/Other as these ratios are not meaningful here.
2) The Asset Management Capital Markets segment includes interest income of €147.4m and interest expenses of €106.9m. In principle, the interest result is managed on the basis of surplus amounts.
3) This includes income from trading positions, non-trading financial income, income from other financial investments as well as income from repurchased debt instruments.
4) This includes the risk provision for securities in the lar and htm categories in the amount of €–78.0m (previous year: approximately €–1m).
5) Restructuring expenses are reported in the consolidated financial statements under other operating profit.
6) Calculation of the cost/income ratio excluding restructuring expenses and provisions for loan losses.

The Bank hedges future credit margins on fixed-interest and variable-interest foreign currency loans (original position) against currency fluctuations. The accounting and valuation rules for cash flow hedges were applied to economic hedges. The valuation result for hedging instruments (€–11.9m; previous year: €–21.2m) is reported accordingly in the revaluation reserve with no impact on income and thus as part of the economic result. The change in the revaluation reserve for available for sale portfolios (31 December 2011: €–1.1m; previous year: €–1.1m) is also shown in the economic result.

The other reconciliation amounts shown in the reconciliation column refer to reporting differences between management reporting and the consolidated financial statements. Of these figures, €97.8m (previous year: €75.0m) relates to internal transactions which are reported in the economic result in net interest income and the corresponding contrary income effects in net financial income. There are also reporting differences in net financial income and other income from the different allocation of income effects from buying back own issues.

	Corporate Centres/ Other[1]		Total core business		Non-core business		Group		Reconciliation		Group	
	Economic result				Economic result		Economic result				Net income before tax	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	37.4	8.0	323.1	362.7	48.0	59.3	371.1	422.0	–97.1	–75.0	274.0	347.0
	–	–	–122.9	–2.2	5.2	54.2	–117.7	52.0	–	–	–117.7	52.0
	–1.8	–0.5	976.3	1,059.6	0.4	2.1	976.7	1,061.7	–0.2	–	976.5	1,061.7
	–4.6	80.5	97.0	172.9	–30.1	78.0	66.9	250.9	92.3	28.5	159.2	279.4
	13.9	3.5	4.6	–28.7	–	0.1	4.6	–28.6	–1.6	–1.9	3.0	–30.5
	44.9	**91.5**	**1,278.1**	**1,564.3**	**23.5**	**193.7**	**1,301.6**	**1,758.0**	**–6.6**	**–48.4**	**1,295.0**	**1,709.6**
	74.0	91.6	909.9	825.0	7.8	10.9	917.7	835.9	–0.1	–	917.6	835.9
	–0.7	–9.1	0.7	–3.3	0.1	0.3	0.8	–3.0	–	–	0.8	–3.0
	73.3	**82.5**	**910.6**	**821.7**	**7.9**	**11.2**	**918.5**	**832.9**	**–0.1**	**–**	**918.4**	**832.9**
	–28.4	**9.0**	**367.5**	**742.6**	**15.6**	**182.5**	**383.1**	**925.1**	**–6.5**	**–48.4**	**376.6**	**876.7**
	–	–	0.65	0.53	0.43	0.08	0.65	0.49				
	–	–	2,372	2,152	434	743	2,660	2,718				
	–	–	154,499	167,728	–	–	154,499	167,728				
	133[10]	105[10]	155,256	147,277	5,169	6,639	160,425	153,916				

7) Value-at-risk with confidence level of 99.9% and holding period of 1 year as at 31 December. As a result of the diversification between core and non-core business taken into account in market price risk, Group risk is not determined by adding core and non-core business. The previous year's figures were adjusted to improve comparability.

8) Adjustment of previous year's figure due to reclassification of institutional products (AMK) and change in assessment basis for management fee (AMI) respectively.

9) Closer alignment with internal risk assessment in the reporting year as a result of change in the data set. The previous year's figures were adjusted to improve comparability.

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

3 Segmentation by geographical markets

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

	Germany		Luxembourg		Other		Total Group	
€m	2011	2010	2011	2010	2011	2010	2011	2010
Income	865.5	1,200.5	418.4	497.2	11.1	11.9	1,295.0	1,709.6
Net income before tax	180.0	555.0	193.7	316.3	2.9	5.4	376.6	876.7
Long-term segment assets[1]	133.4	132.6	11.5	2.8	2.8	1.5	147.7	136.9

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

Accounting policies

4 General information

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

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

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

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

5 Scope of consolidation

In addition to DekaBank as the parent company, the consolidated financial statements include a total of 11 (previous year: 11) German and 8 (previous year: 7) foreign companies, in which DekaBank directly or indirectly holds more than 50% of the voting rights. As in the previous year, the scope of consolidation also includes 14 special funds as well as one mutual fund that are controlled as defined in SIC 12.

As at 1 January 2011, WestLB International S.A., which is now trading under the name VM Bank International S.A., Luxembourg, was included in the scope of consolidation.

VM Bank International S.A. supports affluent private customers in the areas of individual asset management and investment advice, including Lombard loan business. The purchase price is €48.6m and the managed liabilities due to customers at the date of acquisition, 1 January 2011, was €404.9m. The assumed assets comprised receivables due from banks totalling €344.3m and receivables due from customers amounting to €186.2m. As part of the acquisition of VM Bank International S.A., the surplus from the valuation of the assumed assets and liabilities less the purchase price paid, totalling €2.8m, has been reported under other income.

In total, 21 (previous year: 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.

Mutual funds are not consolidated due to their minor importance to the consolidated financial statements. The significance for the presentation of the assets, financial position and earnings of the Group is assessed using simulation calculations. The units in the mutual funds are recognised at fair value through profit or loss. These are shown in the balance sheet under financial assets at fair value.

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

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

6 Consolidation principles

Subsidiaries are companies in which DekaBank directly or indirectly holds the majority of voting rights or whose financial and business policy it can otherwise determine, thereby exercising a controlling interest in order to benefit from its activities. Consolidation begins on the date from which the Group holds a majority of the voting rights or a controlling interest.

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 acquisition 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 annually or more frequently during the year if there are indications of a possible decrease in value. If an impairment is ascertained, the goodwill is written down to the lower value (see note [48]). Minority interests in equity and the earnings of the Bank's majority-held subsidiaries are reported separately as minority interests under equity or as minority interests in the statement of comprehensive income. From a Group perspective, minority interests in investment funds and partnerships, insofar as they have a redemption right at any time, constitute debt capital and are thus reported under other liabilities.

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.

DekaBank's consolidated financial statements have been prepared in accordance with Group-wide standard accounting policies. The consolidation principles are unchanged on the previous year.

7 Financial instruments

All financial assets and liabilities including all derivative financial instruments are posted in the balance sheet pursuant to IAS 39. Spot purchases and sales (regular way contracts) are carried as at the settlement date. Valuation effects from financial instruments measured at fair value which have a settlement date after the reporting date are recognised in the income statement and reported under other assets or other liabilities respectively.

Financial assets are derecognised if the contractual rights arising from the asset are extinguished or have been transferred to non-Group parties in such a way that the risks and rewards have essentially been transferred. Financial assets are also derecognised if control or power of disposal has been transferred and the risks and opportunities from the financial assets essentially not retained. Financial liabilities are derecognised when the principal has been repaid in full.

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

Financial assets or liabilities at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Available for sale

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

Held to maturity

In principle, financial assets with fixed or determinable payments and a fixed term to maturity can be allocated to the held to maturity category. However, this is contingent on the financial instruments having been acquired with the intention and ability to hold them until maturity. Held to maturity assets are to be valued at amortised cost.

Other liabilities

Other liabilities include financial liabilities including securitised liabilities unless these are designated at fair value through profit or loss. They are carried at amortised cost. Financial guarantees are reported in line with the provisions of IAS 39.47c and allocated to other liabilities. The present value of outstanding premium payments is netted out against the liability under the financial guarantee (equity approach).

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

8 Fair value measurement of financial instruments

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

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

These are based on bid prices for assets and on ask prices for liabilities. As DekaBank measures the whole portfolio at average prices, a corresponding adjustment is carried out at the respective valuation date which is recognised in income or under equity depending on the underlying financial instrument.

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

In order to apply hedge accounting, the hedges must be documented individually at the time they are concluded. This documentation includes in particular the identification of the underlying and hedge transactions as well as the type of risk hedged. IAS 39 additionally requires proof of an effective hedge. A hedge is deemed to be effective if throughout the entire term of the hedge, the ratio of changes in value of the underlying and hedge transaction is between 0.80 and 1.25. The effectiveness of the hedge is determined for each hedge both at the start and during the term of the hedge.

As part of its asset liability management, DekaBank uses fair value hedges as defined in IAS 39. Interest rate swaps used to hedge the lending, securities and underwriting business and which meet hedge accounting criteria are essentially designated as hedging instruments. Only microhedges, where the hedging instruments can counter one or more similar underlying transactions, may be designated as hedges.

For fair value hedges, changes in the value of the underlying transaction that are attributable to the hedged risk are included in the result of fair value hedges along with the counter change in the fair value of the hedge pursuant to IAS 39. The derivatives used for hedging are shown in the balance sheet as positive or negative market values from derivative hedging instruments. In principle, the effectiveness of the fair value hedges is monitored on a daily basis using regression analysis. If a hedge is no longer effective, it is cancelled. Monitoring of the effectiveness and any necessary hedge cancellations are carried out on a daily basis. The prospective effectiveness test is performed using the critical term match method.

The Group also applies the rules on cash flow hedge accounting. The underlying transactions are future cash flows from foreign currency loans that are recognised in the income statement and are hedged against currency risks. Spot exchange deals and currency forwards are designated as hedging instruments.

In a cash flow hedge, the effective portion of the change in fair value of the hedging derivative is reported under equity (revaluation reserve for cash flow hedges) with no impact on income. The hedging instruments are shown in the balance sheet as positive or negative market values from derivative hedging instruments. The amounts recorded in the revaluation reserve are taken to income during the period in which the hedged future cash flows are also recognised in the income statement. The earnings components attributable to the ineffective portion of the hedge are recorded with an effect on income.

Daily reporting, which compares the expected future cash flows from the underlying transactions with the cash flows from the hedges, is used to measure the prospective effectiveness. The cash flow hedge is deemed to be effective if the future cash flows from the hedged transactions at least offset the cash flows from the hedges. If the future cash flows change (e.g. through unscheduled repayments, interest payment dates of loans), the hedge is adjusted directly, ensuring same-day effectiveness. To prove effectiveness retrospectively, monthly checks are conducted to determine whether the cash flows actually received correspond to the cash flows expected from the original hedge.

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

10 Structured products

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

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

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

11 Currency translation

Currency translation in the DekaBank Group is carried out in accordance with IAS 21. All monetary foreign currency items are converted at the spot rate as at the reporting date. Non-monetary items are converted in accordance with their respective valuation standard; non-monetary items valued at amortised cost are converted at the rate for the acquisition valuation (historical rate). 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 mean spot rate on the day on which they are recognised in the income statement.

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

12 Genuine repurchase agreements and securities lending transactions

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

Genuine repurchase agreements are contracts transferring securities for a consideration, in which it is agreed at the same time that the securities must subsequently be transferred back to the pledgor in return for payment of a sum agreed in advance. The pledgor continues to account for the transferred securities in the previous category as the main opportunities and risks of ownership are not transferred. A liability for the pledgor or a claim for the pledgee is accounted for in the amount of the cash sum received or paid respectively. Provided the IAS 32 netting criteria are met, receivables and liabilities from genuine repurchase agreements are offset against one another and recorded in the balance sheet on a net basis.

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

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

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

In addition to genuine repurchase and lending agreements, the DekaBank Group carries out triparty transactions. Triparty repo and triparty lending transactions were concluded in the reporting year.

Triparty repo transactions are concluded between DekaBank and external counterparties via an agent. The triparty agent administers the transaction and manages the collateral. The default risk remains between the counterparties and is not transferred to the triparty agent.

In triparty lending transactions, securities transactions (lending or borrowing) are executed bilaterally between DekaBank and an external counterparty, with the collateral managed by a triparty agent. For accounting purposes, triparty transactions are treated in the same way as genuine repurchase and lending agreements.

13 Lease accounting

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

The DekaBank Group as lessee

The rental and lease agreements concluded by the DekaBank Group as lessee essentially comprise operating leases. The property, plant and equipment to which the operating leases relate are accordingly not reported in the balance sheet. The rental and lease instalments payable by the DekaBank Group are recorded as administrative expenses. Lease payments made in advance were recognised as prepaid income and deferred expenses for the correct accounting period and shown in other assets.

The DekaBank Group as lessor

As at the reporting date, there are no leases in place with companies in the DekaBank Group as lessor.

14 Receivables

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

15 Provisions for loan losses

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

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

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

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

- Default in payment lasting more than 90 days;
- delay or waiver of payment obligations;
- initiation of enforcement measures;
- imminent insolvency or overindebtedness;
- petition for or commencement of insolvency proceedings;
- failure of reorganisation measures.

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

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

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

The portfolio valuation allowances for creditworthiness risks reflect the assumptions concerning impairments of the loan and securities portfolio that have already occurred at the reporting date but have not yet become known. The assessment base includes financial instruments in the loans and receivables and held to maturity categories. Portfolio valuation allowances are determined taking borrower ratings, counterparty default history and current economic development (expected loss) into account.

Account is taken of the transfer risk through the recognition of 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

At DekaBank, securitised instruments are primarily categorised as designated at fair value and are accordingly measured at fair value through profit or loss. Consequently only loans and receivables are to be regularly tested for impairment. In accordance with the regulations under IAS 39.59, the Bank has stipulated specific qualitative and quantitative impairment indicators for securitised instruments, which include trigger breaches in the pool, rating downgrades and significant negative changes in fair value resulting from creditworthiness. An impairment test must be carried out if such indicators arise.

To determine the recoverable amount, the future payment streams from the respective transactions are estimated and discounted using the original effective interest rate for fixed-interest products and using the nominal interest rate for non fixed-interest products. Product-specific special features are taken into account when estimating the cash flows. The main scenario input parameters, which are the constant default rate, constant prepayment rate and recovery rate, are determined when analysing the cash flow from granular transactions such as retail ABS especially. In contrast to asset-backed securities (ABS), a qualitative analysis with an individual assessment of each securitised loan is carried out for commercial mortgage-backed securities (CMBS).

The impairment requirement is determined as the difference between the recoverable amount and the book value of the securities and recognised in the income statement under profit or loss on financial investments.

17 Financial assets and financial liabilities at fair value

Held for trading

Financial assets and financial liabilities at fair value are reported under financial instruments in the subcategory held for trading. These are financial instruments that have been acquired or issued with the intention of trading. All financial instruments in this category are measured at fair value through profit or loss. With regard to derivatives with outstanding premium payments, the present value of the premium is netted against the market value of the derivative. For financial instruments that are not traded on a market, standard valuation procedures (in particular the present value method and option price models) are used to determine the balance sheet value. Unrealised valuation results and realised profits and losses are recorded in trading profit or loss with an effect on income. Interest income and dividend income, refinancing expenses and trading commission are also reported in trading profit or loss.

Designated at fair value

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

18 Positive and negative market values from derivative hedging instruments

This item includes hedging derivatives as defined in IAS 39 (hedge accounting) with positive market values on the asset side and negative market values on the liabilities side of the balance sheet.

Hedging derivatives are valued at fair value using accepted valuation models based on observable measurement parameters. The valuation results determined by hedge accounting for fair value hedges are recorded in the income statements as profit or loss from fair value hedges in accordance with IAS 39. Current income from hedging derivatives is shown as net interest income.

In a cash flow hedge, the effective portion of the change in fair value of the hedging derivative is reported under equity (revaluation reserve for cash flow hedges) with no impact on income. The amounts recorded in the revaluation reserve are recorded with an effect on income under profit or loss on financial investments measured at fair value during the period in which the hedged cash flow is also recognised in the income statement.

19 Financial investments

Financial investments mainly include bonds that are negotiable on the stock exchange and other fixed-interest securities, shares and other non fixed-interest securities, shares in subsidiaries, joint ventures and associated companies that are not consolidated as well as other equity investments.

The item financial investments comprises financial instruments in the loans and receivables, held to maturity and available for sale categories. Securities shown under loans and receivables or as held to maturity are reported at amortised cost. Financial assets in the available for sale category are reported at fair value. Interests in associated unlisted companies and other equity investments for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at cost in accordance with IAS 39.46c.

Income from bonds, including that of cancelled premiums and discounts, as well as dividend income and current income from non-consolidated equity investments in associated companies are posted as net interest income. Realised gains and losses are recorded in profit or loss on financial investments. Valuation results from financial instruments in the available for sale category, after taking into account deferred taxes, are recorded directly under equity in the revaluation reserve.

Financial investments are regularly subject to an impairment test. A potential impairment on tradable securities in the loans and receivables, held to maturity and available for sale categories exists in principle if, as a result of a deterioration in the creditworthiness of the issuer, the market value of an instrument has fallen significantly below its cost of acquisition or if the drop in market value is long term.

If there is an impairment, a valuation allowance is to be recognised taking account of the expected payment streams from valuable collateral (guarantees, credit default swaps etc.). Impairments are recorded with an effect on income under profit or loss on financial investments. If the reasons for a previously recognised valuation allowance no longer apply, a write-up is to be reported for the debt instrument. Write-ups on debt instruments are also reported with an effect on income under profit or loss on financial investments. In contrast, increases in value in equity instruments that are available for sale are recognised in the revaluation reserve with no impact on income.

If the result of the impairment test shows there is no need to recognise a specific valuation allowance, the corresponding financial investments in the loans and receivables and held to maturity categories are to be taken into account in the measurement basis for the portfolio valuation allowances. As with loans, portfolio valuation allowances for creditworthiness risks on financial investments are determined using the expected loss method. No portfolio valuation allowances are recognised for financial investments in the available for sale category.

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

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

If there are indications of an impairment of the shares in a company valued in accordance with the equity method, these are subject to an impairment test and if necessary, the equity value of the shares will be written down. Revaluations take place if the reasons for depreciation no longer apply through write-ups up to the recoverable amount, but at maximum only up to the amount of the book value that would have been applicable in the previous periods without the impairment losses. Impairments and revaluations are recognised in the income statement under profit or loss on financial investments.

20 Intangible assets

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

Intangible assets acquired for payment are stated at amortised cost. Software developed in-house is capitalised at cost where it meets the reporting criteria under IAS 38. Capitalised costs mainly include personnel expenses and expenses for external services.

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

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

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

21 Property, plant and equipment

In addition to plant and equipment, the item property, plant and equipment includes, in particular, land and buildings used for the company’s own commercial activities. Property, plant and equipment are stated at amortised cost. Deferred expenditure for property, plant and equipment is capitalised if an increase in the future potential benefit can be assumed. All other deferred expenditure is recorded as an expense. As in the previous year, property, plant and equipment are depreciated on a straight-line basis over the following periods in accordance with their estimated useful economic life:

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

For materiality reasons, economic assets as defined in Section 6 (2) Income Tax Act (EStG) have been written down in the year of acquisition in accordance with the tax regulations.

Impairment losses exceeding amortised cost are immediately recognised as write-downs. Scheduled depreciation and impairment losses are stated under administrative expenses, while gains and losses from the disposal of property, plant and equipment are recorded as other operating income.

22 Other assets

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

23 Income taxes

The system for presenting tax expenditure and the associated applicable tax rate was changed in the reporting year.

As DekaBank is treated for tax purposes as an atypical silent partner, DekaBank only accrues corporation tax to the extent that taxable income is not allocated to atypical silent shareholders. In the first half of 2011, the Bank purchased its own shares in the subscribed capital, which led to a shift in the ratio of the allocation of taxable income (the holdings of atypical silent partners rose from 36.0% to its current 45.6%). This results in a combined new tax rate of 24.68% for the companies in the DekaBank fiscal group. However, in return for the allocation of the tax base, the atypical silent partners are entitled to allocate to DekaBank the corporation tax expense attributable to them (45.6% of 15% corporation tax plus solidarity surcharge, amounting to 7.22%), meaning that DekaBank also bears tax expense applicable to the atypical silent partners. In order to achieve better comparability, the portion of the tax expense attributable to the atypical silent partners will be reported as tax expense in the future as well. In the previous year, the allocable tax claim attributed to the atypical silent partners was recorded under the interest expenses for atypical silent capital contributions line item.

This results in an increase in the applicable combined tax rate (trade tax plus corporation tax and solidarity surcharge) from 26.21% (reporting year 2010) to 31.90%.

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

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

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

24 Liabilities

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

25 Provisions for pensions and similar commitments

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

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

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

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

Plan assets were created for the company retirement pensions of the DekaBank Group in the form of a Contractual Trust Arrangement (CTA). The plan assets are held by a legally independent trustee – Deka Trust e.V. The plan assets for the fund-based defined contribution plans consist primarily of fund assets allocated per individual employee and other assets to cover the biometric risks arising from benefits becoming due early and the additional financing risk. In addition, commitments under final salary plans and general contribution schemes were funded through the creation of ring-fenced plan assets using a CTA. This section of the plan assets is invested in a special fund with an investment strategy based on an integrated asset liability assessment. The plan assets are measured at fair value and reduce the pension provisions shown in the balance sheet. The expected income from the plan assets is offset against the original pension expense.

Similar commitments include commitments for early retirement and transitional payments. These are also valued actuarially and provision is made in the amount of the present value of the commitment. When accounting for similar commitments, no actuarial profits or losses arise in principle and the provision shown in the accounts therefore corresponds to the present value of the commitment. Furthermore, employees of the DekaBank Group also have the option of paying into working hours accounts. The accounts are maintained in money and, like the defined benefit plans, are covered by plan assets in Deka Trust e.V. The amount carried in the balance sheet is the difference between the extent of the commitments and the fair value of the plan assets.

26 Other provisions

Provisions for uncertain liabilities to third parties and imminent losses from pending business are recognised on a best estimate basis. If the interest effect has a material impact, long-term provisions are discounted at a suitable market rate for the remaining time to maturity and valued at the present value of the liability. A pre-tax discount rate is used that reflects current market expectations relating to the interest effect and the risks specific to the liability. Allocations and reversals are carried out via the line item in the income statement that corresponds to the provision in terms of content. Provisions for creditworthiness risks in off-balance sheet lending transactions are charged to provisions for loan losses and reversed in the same line item.

27 Other liabilities

Other liabilities include accruals and liabilities which individually are not material and cannot be allocated to any other line item in the balance sheet. They are measured at amortised cost. The negative valuation effects from regular way financial instruments measured at fair value, of which the settlement date is after the reporting date, are also reported under other liabilities.

28 Subordinated capital

Subordinated capital includes subordinated liabilities, profit-participation items and typical silent capital contributions. Silent capital contributions, which are recognised as liable capital under supervisory law and as defined in the German Banking Act (KWG), are to 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 right to terminate.

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. The recognition of the withdrawable taxes is reported as a component of tax expense (see note [23]).

30 Equity

Subscribed capital is the capital paid in by shareholders in accordance with the Bank's statutes. Capital reserves include premiums from the issue of shares in the company in accordance with the provisions of the Bank's statutes.

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

Fair value valuation effects on available for sale financial instruments are stated in the revaluation reserve with no impact on income, after taking account of the applicable deferred taxes. Gains or losses are not recorded in the income statement until the asset is sold or written down due to impairment.

The effective portion of the fair value changes in the hedging instruments from cash flow hedges is also reported in the revaluation reserve after taking account of any applicable deferred tax. The amounts recorded in the revaluation reserve are taken to income during the period in which the hedged future cash flows are also recognised in the income statement. The earnings components attributable to the ineffective portion of the fair value change in the hedging instruments are recorded with an effect on income.

The differences arising from the conversion of financial statements of foreign subsidiaries prepared in a foreign currency are posted in the currency translation reserve.

Minority interests are shown as a separate sub-item under equity.

Notes to the statement of comprehensive income

31 Net interest income

In addition to interest income and expenses, this item includes prorated reversals of premiums and discounts from financial instruments. Net interest income from items in the trading book allocated to the held for trading category and the associated refinancing expenses are not included as they are reported in trading profit or loss. Under IAS 32, silent capital contributions are classified as debt and the payments to typical silent shareholders are reported in interest expenses.

€m	2011	2010	Change
Interest income from			
Lending and money market transactions	1,518.8	1,612.7	−93.9
Interest rate derivatives (economic hedges)	764.8	1,060.7	−295.9
Fixed-interest securities and debt register claims	529.5	559.5	−30.0
Hedging derivatives (hedge accounting)	100.8	103.6	−2.8
Current income from			
Shares and other non fixed-interest securities	144.3	130.5	13.8
Equity investments	2.1	1.5	0.6
Total interest income	**3,060.3**	**3,468.5**	−408.2
Interest expenses for			
Liabilities	1,145.3	1,197.1	−51.8
Interest rate derivatives (economic hedges)	915.5	1,215.3	−299.8
Hedging derivatives (hedge accounting)	154.4	209.6	−55.2
Securitised liabilities	489.6	408.1	81.5
Subordinated capital	45.6	47.2	−1.6
Typical silent capital contributions	35.9	44.2	−8.3
Total interest expenses	**2,786.3**	**3,121.5**	−335.2
Net interest income	**274.0**	**347.0**	−73.0

The profit from the disposal of receivables amounting to €25.7m (previous year: €16.6m) is reported under interest income from lending and money market transactions.

In the reporting year, interest amounting to €6.9m (previous year: €9.4m) was collected on impaired loans and securities. In the DekaBank Group, loans are designated non-performing loans if they have been made interest-free, the interest and/or capital payments are at least 90 days overdue or they refer to non-performing loans in the process of restructuring. The total amount of non-performing loans as at the reporting date stood at €655.5m (previous year: €742.0m).

Overall, interest income of €1,609.9m (previous year: €1,741.5m) and interest expenses of €1,343.1m (previous year: €1,260.4m) 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	2011	2010	Change
Allocations to provisions for loan losses	–146.2	–34.6	–111.6
Direct write-downs on receivables	–0.7	–2.5	1.8
Reversals of provisions for loan losses	26.6	83.0	–56.4
Income on written-down receivables	2.6	6.1	–3.5
Provisions for loan losses	**–117.7**	**52.0**	–169.7

Risk provisions for securities in the loans and receivables and held to maturity categories are reported under profit or loss on financial investments (note [37]).

33 Net commission income

€m	2011	2010	Change
Commission income from			
Investment fund business	2,070.7	2,244.0	–173.3
Securities business	114.7	125.9	–11.2
Lending business	45.2	37.3	7.9
Other	38.0	35.9	2.1
Total commission income	**2,268.6**	**2,443.1**	–174.5
Commission expenses for			
Investment fund business	1,260.8	1,353.9	–93.1
Securities business	15.0	11.5	3.5
Lending business	14.0	13.0	1.0
Other	2.3	3.0	–0.7
Total commission expenses	**1,292.1**	**1,381.4**	–89.3
Net commission income	**976.5**	**1,061.7**	–85.2

Commission income is measured at the fair value of the consideration received or to be claimed. Fees from services and performance-related commission are recognised in the income statement if the service has been rendered or significant performance criteria have been met. Fees for services which are rendered over a particular period are recognised over the period in which the service is rendered.

Commission income from investment fund business essentially comprises management fees, asset management fees and sales commission. The vast majority of the net commission income stems from portfolio-related sustained commission relating to existing business. Performance-related remuneration and income from lump sum costs are also shown under commission income from investment fund business. The corresponding expenses relating to the lump sum costs are reported in the respective expenses item – mainly in administrative expenses – on a source-specific basis. The commission expenses for the investment fund business are primarily attributable to services provided to sales partners. Therefore, net commission income from the investment fund business thus primarily comprises fees in accordance with IFRS 7.20c (ii).

Commission expenses in the amount of €140.4 thousand (previous year: €4.6 thousand), which are not included when determining the effective interest rate, were incurred for financial instruments not measured at fair value through profit or loss.

34 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments in the held for trading sub-category. 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. 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	2011	2010	Change
Sale result	–552.8	–39.4	–513.4
Valuation result	83.0	–388.6	471.6
Net interest income and current income from trading transactions	921.4	737.7	183.7
Commission on trading transactions	–12.4	–15.8	3.4
Trading profit or loss	**439.2**	**293.9**	145.3

Net interest income from trading includes refinancing expenses of €380.2m (previous year: €250.5m). The valuation result of €43.7m (previous year: €–168.8m) 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	2011	2010	Change
Sale result	29.3	–31.9	61.2
Valuation result	–250.2	47.1	–297.3
Foreign exchange profit or loss	9.0	–13.6	22.6
Commission	–0.1	–0.2	0.1
Total	**–212.0**	**1.4**	–213.4

The valuation result includes net expenses for the following line items of €17.3m (previous year: €46.4m) from creditworthiness-related changes in value:

€m	2011	2010	Change
Loans and receivables in the designated at fair value category	0.0	0.3	–0.3
Liabilities in the designated at fair value category	–17.3	–46.7	29.4
Total	**–17.3**	**–46.4**	29.1

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.

As in the previous year, the profit or loss on financial instruments in the designated at fair value category includes negative valuation results of €75.8m (previous year: €37.7m), which were determined on the basis of valuation models, predominantly using parameters evident in the market.

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	2011	2010	Change
Valuation result from hedged underlying transactions	–77.3	–24.3	–53.0
Valuation result from hedging derivatives	75.9	23.2	52.7
Total	**–1.4**	**–1.1**	–0.3

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 investments

€m	2011	2010	Change
Net income from the sale of			
Securities in the category			
Loans and receivables	10.7	0.4	10.3
Available for sale	–0.1	–	–0.1
Shares in affiliated companies	0.6	–0.1	0.7
Net income from the sale of financial investments	**11.2**	**0.3**	10.9
Net income from investments valued using the equity method	1.4	2.4	–1.0
Depreciation as a result of impairment of investments accounted for using the equity method	–1.2	–16.6	15.4
Write-ups following impairment of securities in the loans and receivables category	2.9	–	2.9
Allocation to provisions for loan losses	–81.6	–0.9	–80.7
Reversal of provisions for loan losses	0.7	–	0.7
Net income from financial investments	**–66.6**	**–14.8**	–51.8

Based on the current earnings forecast, DekaBank's equity interest in the S PensionsManagement Group produces a prorated result of €0.7m (previous year: €0.2m). The difference between the projected and actual result for 2010, in the amount of €0.1m (previous year: €1.2m), was recorded as income.

In accordance with the preliminary financial statements of the company, a prorated positive result of €1.0m (previous year: €1.4m) from the equity investment in Dealis Fund Operations GmbH was included in the result from companies valued at equity in the reporting year.

The equity investment in Luxemburger Leben S.A. generated a prorated negative result of €0.4m (previous year: €–0.4m) in the 2011 financial year. Furthermore, a write-down of €1.2m (previous year: €3.6m) was carried out.

Of the addition to the allocation to provisions for loan losses €–37.9m was attributed to Greek government bonds and €–42.8m to bonds from Portuguese issuers (see also note [67]).

38 Administrative expenses

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

€m	2011	2010	Change
Personnel expenses			
Wages and salaries	304.6	324.9	–20.3
Social security contributions	38.2	35.2	3.0
Allocation to/reversal of provisions for pensions and similar commitments	21.7	16.4	5.3
Expenses for defined contribution plans	2.2	2.0	0.2
Other expenses for retirement pensions and benefits	1.0	0.8	0.2
Total personnel expenses	**367.7**	**379.3**	–11.6
Other administrative expenses			
Marketing and sales expenses	41.6	32.4	9.2
Computer equipment and machinery	68.9	66.0	2.9
Consultancy expenses	161.9	131.6	30.3
Costs of premises	59.6	58.6	1.0
Postage/telephone/office supplies as well as IT information services	32.2	33.7	–1.5
Other administrative expenses	123.3	101.4	21.9
Total other administrative expenses	**487.5**	**423.7**	63.8
Depreciation of property, plant and equipment	4.8	5.6	–0.8
Depreciation of intangible assets	32.7	11.6	21.1
Impairment of intangible assets	24.9	15.7	9.2
Administrative expenses	**917.6**	**835.9**	81.7

The increase in administrative expenses is due to higher project expenses, particularly in connection with the fundamental overhaul of the IT landscape (IT mission) and the acquisitions in Luxembourg, which resulted in an increase in personnel expenses and write-downs on intangible assets.

Other administrative expenses include in particular expenses for services relating to outsourced fund administration, travel costs, annual accounts and auditing costs as well as membership subscriptions to various organisations. Other administrative expenses also include the €17.1m annual contribution to the restructuring fund (bank levy), which was made for the first time in financial year 2011.

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	2011	2010	Change
Up to 1 year	45.8	46.5	–0.7
Between 1 and 5 years	146.5	165.2	–18.7
More than 5 years	84.6	101.1	–16.5

39 Other operating income

The breakdown in other operating income is as follows:

€m	2011	2010	Change
Income from repurchased debt instruments	**–1.6**	**–1.9**	0.3
Other operating income			
Rental income	2.0	2.7	–0.7
Reversal of other provisions	12.5	4.3	8.2
Other income	36.2	47.8	–11.6
Total other operating income	**50.7**	**54.8**	–4.1
Other operating expenses			
Other taxes	2.9	6.4	–3.5
VAT from provision of intra-Group services	14.8	13.5	1.3
Restructuring expenses	1.4	4.3	–2.9
Other expenses	27.8	56.2	–28.4
Total other operating expenses	**46.9**	**80.4**	–33.5
Other operating income	**2.2**	**–27.5**	29.7

The repurchase of the Bank's own registered and bearer bonds as well as promissory note loans raised led to a reduction in the liability (net result). The repurchase of debt instruments is associated with the realisation of a profit or loss in the amount of the difference between the repurchase price and the book price. Other income includes administrative fees for settlement services related to company pension scheme products in the amount of €836.0 thousand (previous year: €947.1 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	2011	2010	Change
Current tax expense	101.6	180.2	–78.6
Deferred taxes	–43.5	21.3	–64.8
Total	**58.1**	**201.5**	–143.4

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, for the companies in the DekaBank fiscal group this results in a combined tax rate of 24.68% (previous year: 26.21%). Furthermore, atypical silent partners have a right to allocate the portion of corporation tax expense attributable to them (7.22%). A tax rate of 31.90% (previous year: 26.21%) is therefore applied for the valuation of deferred taxes (see also note [23]). This tax rate is assumed as the expected tax rate in the reconciliation statement below. As in the previous year, the other domestic companies determine their deferred taxes at a tax rate of around 32%.

The foreign companies determine deferred taxes using the respective tax rate for the country in question. The tax rate amounts to 28.80% for the DekaBank Luxembourg fiscal group (previous year: 28.80%).

The origination or reversal of temporary differences led to deferred tax assets of €44.1m, while deferred tax liabilities from the utilisation of tax loss carryforwards amounted to €0.6m.

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

€m	2011	2010	Change
IFRS – net income before tax	376.6	876.7	–500.1
x income tax rate	31.90%	26.21%	
= Anticipated income tax expense in financial year	**120.1**	**229.8**	–109.7
Increase from taxes on non-deductible expenses	28.9	8.6	20.3
Decrease from taxes on tax-exempt income	41.2	47.4	–6.2
Effects of differing effective tax rates	–7.8	8.0	–15.8
Effects from tax rates changes	–2.5	–	–2.5
Tax effects from past periods	–50.7	–0.5	–50.2
Tax on joint ventures/partnerships	0.7	–0.2	0.9
Tax effect of special funds	2.0	1.1	0.9
Withholding tax	3.1	–1.2	4.3
Tax effect of equity valuation	–0.5	2.8	–3.3
Other	6.0	0.5	5.5
Tax expenses according to IFRS	**58.1**	**201.5**	–143.4

In addition to the effect from the amortisation of goodwill relating to WestInvest Gesellschaft für Investmentfonds mbH, the non-deductible expenses also remains to include the trade tax expenditure, which results from the change in partners and affects the taxable portion of the departed partner's capital gains. This is legally owed by DekaBank, but in economic terms must be borne by the departed partners by means of a compensation payment (to be reported as other operating income). Finally, the effect from the bank levy is included here.

As in the previous year, the tax-exempt income is mainly attributable to the special funds held by DekaBank.

The tax impact from previous periods is essentially attributable to the reversal of tax provisions in connection with assessments from previous years (of which, €30.0m in DekaBank and €10.8m in the Luxembourg-based DekaBank Luxembourg S.A., Deka International S.A. and International Fund Management S.A. companies).

Notes to the consolidated balance sheet

41 Cash reserves

The breakdown in cash reserves is as follows:

€m	31.12.2011	31.12.2010	Change
Cash on hand	5.3	4.2	1.1
Balances with central banks	360.7	615.6	–254.9
Balances with post office banks	2.2	1.3	0.9
Total	**368.2**	**621.1**	–252.9

The balances with central banks include balances in the Deutsche Bundesbank of €245.6m (previous year: €511.8m). The required minimum reserve was constantly maintained in the reporting year and amounted to €263.8m (previous year: €238.4m) at the year-end.

42 Due from banks

€m	31.12.2011	31.12.2010	Change
Domestic banks	32,122.1	29,780.0	2,342.1
Foreign banks	7,852.5	9,916.1	–2,063.6
Due from banks before risk provision	**39,974.6**	**39,696.1**	278.5
Provisions for loan losses	–377.9	–385.8	7.9
Total	**39,596.7**	**39,310.3**	286.4

DekaBank paid €8.5bn (previous year: €6.9bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower respectively.

Receivables and liabilities from genuine repurchase agreements amounting to €2.2bn are stated net in accordance with the requirements of IAS 32.42.

43 Due from customers

€m	31.12.2011	31.12.2010	Change
Domestic borrowers	14,000.1	9,533.6	4,466.5
Foreign borrowers	17,906.0	18,082.6	–176.6
Due from customers before risk provision	**31,906.1**	**27,616.2**	4,289.9
Provisions for loan losses	–303.1	–205.1	–98.0
Total	**31,603.0**	**27,411.1**	4,191.9

DekaBank paid €10.6bn (previous year: €4.9bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower respectively.

44 Provisions for loan losses

Default risks in the lending business are recognised through the creation of specific and portfolio valuation allowances and the recognition of provisions for off-balance sheet liabilities. The portfolio valuation allowances for creditworthiness risks reflect the assumptions concerning impairments in the loan portfolio that have already occurred but are not yet known as at the reporting date. Account is taken of the transfer risk through the recognition of portfolio valuation allowances for country risks.

€m	31.12.2011	31.12.2010	Change
Provisions for loan losses – due from banks			
Specific valuation allowances	376.8	384.5	–7.7
Portfolio valuation allowances for creditworthiness risks	1.1	1.3	–0.2
Provisions for loan losses – due from customers			
Specific valuation allowances	236.7	131.3	105.4
Portfolio valuation allowances for country risks	13.7	15.1	–1.4
Portfolio valuation allowances for creditworthiness risks	52.7	58.7	–6.0
Total	**681.0**	**590.9**	90.1

As at the reporting date, the total amount of non-performing loans stood at €655.5m (previous year: €742.0m). Provisions for loan losses amounting to €485.5m (previous year: €502.5m) were recognised for these loans.

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

€m	Opening balance 01.01.2011	Allocation	Utilisation	Reversal	Reclassi-fication	Currency effects	Closing balance 31.12.2011
Provisions for loan losses – due from banks							
Specific valuation allowances	384.5	9.6	36.7	0.1	19.6	−0.1	376.8
Portfolio valuation allowances for creditworthiness risks	1.3	–	–	0.2	–	–	1.1
Sub-total	**385.8**	**9.6**	**36.7**	**0.3**	**19.6**	**−0.1**	**377.9**
Provisions for loan losses – due from customers							
Specific valuation allowances	131.3	134.4	23.4	9.4	–	3.8	236.7
Portfolio valuation allowances for country risks	15.1	–	0.6	1.1	–	0.3	13.7
Portfolio valuation allowances for creditworthiness risks	58.7	0.1	–	6.1	–	–	52.7
Sub-total	**205.1**	**134.5**	**24.0**	**16.6**	**–**	**4.1**	**303.1**
Provisions for credit risks							
Specific risks	7.0	2.1	–	6.8	–	−0.1	2.2
Portfolio risks	9.3	–	–	2.9	–	–	6.4
Sub-total	**16.3**	**2.1**	**–**	**9.7**	**–**	**−0.1**	**8.6**
Total	**607.2**	**146.2**	**60.7**	**26.6**	**19.6**	**3.9**	**689.6**
Of which property risks	102.6	25.7	9.2	–	–	1.5	120.6
Of which transport & trade finance	44.9	45.3	9.2	–	–	1.7	82.7
Of which Corporates	39.9	–	5.5	2.1	3.0	–	35.3

€m	Opening balance 01.01.2010	Allocation	Utilisation	Reversal	Reclassi- fication	Currency effects	Closing balance 31.12.2010
Provisions for loan losses – due from banks							
Specific valuation allowances	373.0	–	–	–	11.4	0.1	384.5
Portfolio valuation allowances for creditworthiness risks	1.5	–	–	0.2	–	–	1.3
Sub-total	**374.5**	**–**	**–**	**0.2**	**11.4**	**0.1**	**385.8**
Provisions for loan losses – due from customers							
Specific valuation allowances	173.3	33.6	25.9	57.6	–	7.9	131.3
Portfolio valuation allowances for country risks	20.7	–	–	7.0	–	1.4	15.1
Portfolio valuation allowances for creditworthiness risks	62.2	0.3	–	3.8	–	–	58.7
Sub-total	**256.2**	**33.9**	**25.9**	**68.4**	**–**	**9.3**	**205.1**
Provisions for credit risks							
Specific risks	20.2	–	–	14.4	–	1.2	7.0
Portfolio risks	8.6	0.7	–	0.0	–	–	9.3
Sub-total	**28.8**	**0.7**	**–**	**14.4**	**–**	**1.2**	**16.3**
Total	**659.5**	**34.6**	**25.9**	**83.0**	**11.4**	**10.6**	**607.2**
Of which property risks	108.0	13.6	25.6	–	–	6.6	102.6
Of which transport & trade finance	57.1	–	–	15.0	–	2.8	44.9
Of which Corporates	–	39.3	0.3	–	–	0.9	39.9

Key ratios for provisions for loan losses:

%	2011	2010
Reversal/allocation ratio as at reporting date[1)] (Quotient from net allocation and lending volume)	–0.27	0.10
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.13	0.05
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.10	0.09
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	1.53	1.25

[1)] Reversal ratio shown without leading sign.

The calculations of the key ratios are based on the following lending volume:

€m	31.12.2011	31.12.2010
Due from banks[1)]	22,342.0	23,839.7
Due from customers[1)]	20,463.7	21,709.6
Contingent liabilities	440.6	570.8
Irrevocable lending commitments	1,691.6	2,278.7
Total	**44,937.9**	**48,398.8**

[1)] Excluding money transactions.

Provisions 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	31.12.2011	31.12.2010	2011	2010	2011	2010
Customers						
Property risks	120.6	102.6	8.1	26.1	–25.7	–13.6
Transport & trade finance	82.7	44.9	9.8	–	–45.3	15.0
Utility & project finance	44.7	21.3	–	–	–22.8	93.1
Corporates	35.3	39.9	5.5	0.4	2.1	–39.3
Public infrastructure	27.8	8.6	–	–	–19.1	–6.2
Equity investments	–	3.0	–	–	–	–
Other	0.6	1.1	–	–	0.6	–0.8
Total customers	**311.7**	**221.4**	**23.4**	**26.5**	**–110.2**	**48.2**
Banks	**377.9**	**385.8**	**35.4**	**–4.3**	**–9.4**	**0.2**
Total	**689.6**	**607.2**	**58.8**	**22.2**	**–119.6**	**48.4**

[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	31.12.2011	31.12.2010	Change
Held for trading			
Promissory note loans	131.5	50.1	81.4
Money market securities	296.6	489.9	–193.3
Bonds and debt securities	18,405.2	16,272.8	2,132.4
Shares	316.4	346.4	–30.0
Investment fund units	1,004.3	2,415.6	–1,411.3
Participating certificates	3.1	2.5	0.6
Other non fixed-interest securities	–	47.9	–47.9
Positive market values from derivative financial instruments (trading)	19,456.0	19,161.6	294.4
Other trading assets	–	31.9	–31.9
Total – held for trading	**39,613.1**	**38,818.7**	794.4
Designated at fair value			
Amounts due from securities repurchase agreements	2,526.3	2,532.6	–6.3
Promissory note loans	12.4	66.4	–54.0
Money market securities	170.3	–	170.3
Bonds and debt securities	10,911.6	11,896.0	–984.4
Shares	12.0	10.1	1.9
Investment fund units	643.2	544.1	99.1
Participating certificates	4.9	5.1	–0.2
Positive market values from derivative financial instruments (economic hedges)	2,646.3	2,682.1	–35.8
Total – designated at fair value	**16,927.0**	**17,736.4**	–809.4
Total	**56,540.1**	**56,555.1**	–15.0

Loans and receivables in the designated at fair value category include cumulative creditworthiness-related value adjustments of €0.1m (previous year: €0.3m).

The maximum default risk for promissory note loans in the designated at fair value category corresponds to the fair value and thus to their book value.

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	31.12.2011	31.12.2010	Change
Bonds and other fixed-interest securities	28,074.6	26,689.6	1,385.0
Shares and other non fixed-interest securities	1,225.0	2,783.7	–1,528.7

46 Positive market values from derivative hedging instruments

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

€m	31.12.2011	31.12.2010	Change
Fair value hedges			
Assets			
Due from banks			
Loans and receivables category	–	4.7	–4.7
Due from customers			
Loans and receivables category	15.3	11.7	3.6
Liabilities			
Due to banks	52.9	16.6	36.3
Due to customers	209.6	115.3	94.3
Securitised liabilities	117.3	74.5	42.8
Subordinated capital	33.0	29.3	3.7
Total fair value hedges	**428.1**	**252.1**	176.0

The hedging instruments referred chiefly to interest rate swaps.

47 Financial investments

€m	31.12.2011	31.12.2010	Change
Loans and receivables			
Bonds and other fixed-interest securities	1,219.5	2,223.6	–1,004.1
Held to maturity			
Bonds and other fixed-interest securities	3,267.6	3,262.4	5.2
Available for sale			
Bonds and other fixed-interest securities	52.0	96.1	–44.1
Shares and other non fixed-interest securities	0.2	0.2	–
Equity investments	31.7	31.9	–0.2
Shares in affiliated, non-consolidated companies	5.5	6.0	–0.5
Shares in companies valued at equity	24.1	24.4	–0.3
Financial investments before risk provision	**4,600.6**	**5,644.6**	–1,044.0
Risk provision	–83.6	–10.5	–73.1
Total	**4,517.0**	**5,634.1**	–1,117.1

Shares in affiliated companies, like equity investments, are stated at cost. The sale of these assets is currently not intended.

Of the financial investments, the following are listed:

€m	31.12.2011	31.12.2010	Change
Bonds and other fixed-interest securities	4,143.1	4,466.7	–323.6
Shares and other non fixed-interest securities	0.1	0.1	–

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

€m	Equity investments	Shares in affiliated companies	Shares in associated companies	Shares in companies valued at equity	Total
Historical cost					
As at 1 January 2010	31.5	2.3	0.3	129.1	163.2
Additions	0.1	3.8	–	8.9	12.8
Disposals	–	0.1	–	–	0.1
Reclassifications and other changes	0.3	–	–0.3	–	–
As at 31 December 2010	31.9	6.0	–	138.0	175.9
Additions	0.3	–	–	–	0.3
Disposals	0.5	0.5	–	–	1.0
Change in scope of consolidation	–	0.4	–	–	0.4
As at 31 December 2011	31.7	5.9	–	138.0	175.6
Cumulative amortisation/change in value					
As at 1 January 2010	–	–	–	99.4	99.4
Amortisation/impairment	–	–	–	16.6	16.6
Result from companies valued at equity				2.4	2.4
As at 31 December 2010	–	–	–	113.6	113.6
Amortisation/impairment	–	–	–	1.2	1.2
Result from companies valued at equity				1.4	1.4
Reclassifications and other changes	–	–	–	0.5	0.5
Change in scope of consolidation	–	0.4	–	–	0.4
As at 31 December 2011	–	0.4	–	113.9	114.3
Book value as at 31 December 2010	**31.9**	**6.0**	**–**	**24.4**	**62.3**
Book value as at 31 December 2011	**31.7**	**5.5**	**–**	**24.1**	**61.3**

There are no officially listed market prices for companies valued at equity in the Group. Within the scope of an impairment test, an impairment in the equity investment in Luxemburger Leben S.A. was ascertained on the basis of a valuation report. Accordingly, the book value of the equity investment was written down to a memo value of one euro.

48 Intangible assets

€m	31.12.2011	31.12.2010	Change
Purchased goodwill	**53.1**	**78.0**	–24.9
Software			
Purchased	41.2	8.4	32.8
Developed in-house	10.5	14.1	–3.6
Total software	**51.7**	**22.5**	29.2
Other intangible assets	7.3	–	7.3
Total	**112.1**	**100.5**	11.6

The full amount of the goodwill shown relates to the holding in WestInvest Gesellschaft für Investmentfonds mbH. DekaBank's holding is 99.74% in total. The goodwill is allocated to the Asset Management Property division as a cash-generating unit.

As at 30 June 2011, an impairment test was performed to assess the recoverability of the goodwill due to changes in national economic conditions. The recoverable amount of the cash-generating unit was determined on the basis of the value in use. The expected cash flows after tax were calculated for a five-year period, using internal forecasts based on national economic data and specific competition and market analyses. Account was also taken of past empirical values, particularly with regard to material value drivers, for the future development of assets under management and the proportional gross loan volume. An annuity in line with the forecast for 2016 and a long-term growth rate of 1.0% were also taken into consideration. This was discounted at a capitalisation rate of 10.70%. The book value of the goodwill was written down by the determined impairment of around €24.9m, to €53.1m.

The regularly scheduled impairment test conducted on 31 December 2011 was calculated at a capitalisation rate of 9.75%. Based on updated cash flow planning and a decreased risk-free base rate, a further impairment requirement was not determined.

As part of the acquisition of the retail business of LBBW Luxembourg S.A., the paid purchase price of €14.7m and, in connection with the acquisition of Gesellschaft VM Bank International S.A., customer relations amounting to €7.2m were capitalised as other intangible assets.

The following table shows the movement in intangible assets:

€m	Purchased goodwill	Software purchased	Software developed in-house	Other intangible assets	Total
Historical cost					
As at 1 January 2010	145.4	78.6	60.2	–	284.2
Additions	–	4.0	5.1	–	9.1
Change in currency translation	–	0.8	–	–	0.8
As at 31 December 2010	145.4	83.4	65.3	–	294.1
Additions	–	40.5	4.3	21.9	66.7
Disposals	–	1.3	–	–	1.3
Change in currency translation	–	0.2	–	–	0.2
Change in scope of consolidation	–	2.1	0.5	–	2.6
As at 31 December 2011	145.4	124.9	70.1	21.9	362.3
Cumulative amortisation					
As at 1 January 2010	51.7	69.5	44.3	–	165.5
Unscheduled amortisation	15.7	–	–	–	15.7
Scheduled amortisation	–	4.7	6.9	–	11.6
Change in currency translation	–	0.8	–	–	0.8
As at 31 December 2010	67.4	75.0	51.2	–	193.6
Unscheduled amortisation	24.9	–	–	–	24.9
Scheduled amortisation	–	9.7	8.4	14.6	35.7
Disposals	–	1.2	–	–	1.2
Change in currency translation	–	0.2	–	–	0.2
As at 31 December 2011	92.3	83.7	59.6	14.6	250.2
Book value as at 31 December 2010	**78.0**	**8.4**	**14.1**	**–**	**100.5**
Book value as at 31 December 2011	**53.1**	**41.2**	**10.5**	**7.3**	**112.1**

The additions to the acquired software are linked to the fundamental overhaul of the IT landscape (IT mission), which also led to an increase in scheduled depreciations.

49 Property, plant and equipment

€m	31.12.2011	31.12.2010	Change
Land and buildings	14.2	14.6	–0.4
Plant and equipment	17.8	18.8	–1.0
Technical equipment and machines	3.6	3.0	0.6
Total	**35.6**	**36.4**	–0.8

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

€m	Land and buildings	Plant and equipment	Technical equipment and machines	Total
Historical cost				
As at 1 January 2010	28.0	49.8	62.4	140.2
Additions	–	0.6	1.6	2.2
Disposals	–	0.6	0.3	0.9
Change in currency translation	–	1.2	0.5	1.7
Change in scope of consolidation	–	–0.5	–	–0.5
As at 31 December 2010	28.0	50.5	64.2	142.7
Additions	–	0.8	2.9	3.7
Disposals	–	3.4	6.0	9.4
Reclassifications and other changes	–	–	–	–
Change in currency translation	–	0.2	0.1	0.3
Change in scope of consolidation	–	0.4	0.1	0.5
As at 31 December 2011	28.0	48.5	61.3	137.8
Cumulative amortisation				
As at 1 January 2010	12.9	29.5	57.9	100.3
Scheduled amortisation	0.5	2.0	3.1	5.6
Disposals	–	0.6	0.3	0.9
Change in currency translation	–	1.2	0.5	1.7
Change in scope of consolidation	–	–0.4	–	–0.4
As at 31 December 2010	13.4	31.7	61.2	106.3
Scheduled amortisation	0.4	2.2	2.2	4.8
Disposals	–	3.4	5.8	9.2
Change in currency translation	–	0.2	0.1	0.3
As at 31 December 2011	13.8	30.7	57.7	102.2
Book value as at 31 December 2010	**14.6**	**18.8**	**3.0**	**36.4**
Book value as at 31 December 2011	**14.2**	**17.8**	**3.6**	**35.6**

50 Income tax assets

€m	31.12.2011	31.12.2010	Change
Current income tax assets	211.3	82.2	129.1
Deferred income tax assets	46.7	14.8	31.9
Total	**258.0**	**97.0**	161.0

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

Tax loss carryforwards in the previous year related to one foreign business operation of DekaBank. The deferred tax attributed to this, amounting to €0.6m, was fully utilised in the reporting year.

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

€m	31.12.2011	31.12.2010	Change
Assets			
Due from banks	6.7	0.4	6.3
Financial assets at fair value	9.9	25.8	–15.9
Financial investments	16.8	4.4	12.4
Shares in companies valued at equity	4.2	–	4.2
Other assets	5.0	4.8	0.2
Liabilities			
Due to banks	10.3	0.7	9.6
Due to customers	58.9	21.4	37.5
Securitised liabilities	28.2	19.9	8.3
Financial liabilities at fair value	705.0	569.4	135.6
Negative market values from derivative hedging instruments	147.1	118.4	28.7
Provisions	21.7	23.8	–2.1
Other liabilities	2.3	10.8	–8.5
Subordinated capital	13.2	–	13.2
Loss carryforwards	**–**	**0.6**	–0.6
Sub-total	**1,029.3**	**800.4**	228.9
Netting	–982.6	–785.6	–197.0
Total	**46.7**	**14.8**	31.9

The reported deferred tax assets include €27.0m (previous year: €1.4m) which are medium or long-term in nature. As at the reporting date, no deferred tax had been recognised at one Group company for tax loss carryforwards (total of loss carryforwards not taken into account: €1.7m). There were no further temporary differences, loss carryforwards or tax credits for which deferred tax assets had not been recorded as at the reporting date.

The netting of deferred tax assets and liabilities refers mainly to short-term deferred taxes as a result of temporary differences relating to financial assets and liabilities at fair value.

Deferred income tax assets amounting to €10.6m (previous year: €5.6m) were offset against equity in connection with cash flow hedges; the associated derivative financial instruments were reported in the balance sheet as negative market values from derivative hedging instruments.

51 Other assets

€m	31.12.2011	31.12.2010	Change
Amounts due from non-banking business	7.5	3.7	3.8
Amounts due or refunds from other taxes	2.1	2.3	–0.2
Amounts due from investment funds	86.8	151.5	–64.7
Other assets	154.8	99.3	55.5
Prepaid expenses	27.6	29.3	–1.7
Total	**278.8**	**286.1**	–7.3

Other assets include the overpaid profit shares of the atypical silent partners (including GLB GmbH & Co. OHG, which departed in the reporting year) from the application of the taxes already withheld by DekaBank for the benefit of the partners amounting to €19.6m (previous year: €22.1m).

52 Due to banks

€m	31.12.2011	31.12.2010	Change
Domestic banks	22,203.6	16,984.9	5,218.7
Foreign banks	10,666.5	12,523.7	–1,857.2
Total	**32,870.1**	**29,508.6**	3,361.5

Amounts due to banks include payments received from genuine repurchase agreements and collateralised securities lending transactions amounting to €9.2bn (previous year: €8.2bn).

53 Due to customers

€m	31.12.2011	31.12.2010	Change
Domestic customers	18,728.6	15,854.4	2,874.2
Foreign customers	5,688.5	5,515.4	173.1
Total	**24,417.1**	**21,369.8**	3,047.3

This item also included payments received from genuine repurchase agreements and collateralised securities lending transactions amounting to €0.5bn (previous year: €0.7bn).

54 Securitised liabilities

The securitised liabilities include bonds and other liabilities, for which transferable certificates are issued. Under IAS 39, the own bonds held in the Group in the nominal amount of €0.4bn (previous year: €0.9bn) were deducted from the issued bonds.

€m	31.12.2011	31.12.2010	Change
Bonds issued	24,219.3	23,342.1	877.2
Money market securities issued	1,058.3	753.6	304.7
Total	**25,277.6**	**24,095.7**	1,181.9

55 Financial liabilities at fair value

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

€m	31.12.2011	31.12.2010	Change
Held for trading			
Trading issues	1,795.3	1,791.7	3.6
Securities short portfolios	2,495.6	4,170.2	–1,674.6
Negative market values from derivative financial instruments (trading)	26,787.5	26,437.5	350.0
Total – held for trading	**31,078.4**	**32,399.4**	–1,321.0
Designated at fair value			
Issues	10,040.3	12,198.3	–2,158.0
Negative market values from derivative financial instruments (economic hedges)	3,400.6	3,279.1	121.5
Total – designated at fair value	**13,440.9**	**15,477.4**	–2,036.5
Total	**44,519.3**	**47,876.8**	–3,357.5

The fair value of issues in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €47.2m (previous year: €46.6m).

The book value of liabilities allocated to the designated at fair value category is €358.9m higher than the repayment amount. In the previous year, the book value was €364.0m above the repayment amount.

56 Negative market values from derivative hedging instruments

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

€m	31.12.2011	31.12.2010	Change
Fair value hedges			
Assets			
Due from banks			
Loans and receivables category	203.0	216.3	–13.3
Due from customers			
Loans and receivables category	191.8	200.3	–8.5
Financial investments			
Loans and receivables category	139.4	100.1	39.3
Liability items			
Securitised liabilities	–	0.6	–0.6
Total fair value hedges	**534.2**	**517.3**	16.9
Cash flow hedges			
Asset items	24.5	13.7	10.8
Total	**558.7**	**531.0**	27.7

The hedging instruments referred chiefly to interest rate swaps (fair value hedges) and currency forwards (cash flow hedges).

57 Provisions for pensions and similar commitments

The following table shows the movement in provisions:

€m	Opening balance 01.01.2011	Addition	Utilisations	Reclassi-fications	Change in plan assets	Change in scope of consolidation	Closing balance 31.12.2011
Provisions for pensions	1.7	18.8	9.4	–	–9.0	1.0	3.1
Provisions for similar commitments	16.3	2.2	5.2	6.4	–	–	19.7
Provisions for working hours accounts	–	0.7	0.2	–	–0.5	–	–
Total	**18.0**	**21.7**	**14.8**	**6.4**	**–9.5**	**1.0**	**22.8**

€m	Opening balance 01.01.2010	Addition	Utilisations	Reclassi-fications	Change in plan assets	Change in scope of consolidation	Closing balance 31.12.2010
Provisions for pensions	1.3	14.7	8.3	–	–6.0	–	1.7
Provisions for similar commitments	13.9	1.0	4.7	6.1	–	–	16.3
Provisions for working hours accounts	–	0.7	0.2	–	–0.5	–	–
Total	**15.2**	**16.4**	**13.2**	**6.1**	**–6.5**	**–**	**18.0**

The item includes provisions for defined benefit obligations and is broken down as follows:

€m	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Unfunded defined benefit obligations	21.4	17.8	15.1	19.1	240.2
Fully or partially funded defined benefit obligations	322.6	312.1	264.8	233.9	33.5
Fair value of plan assets as at reporting date	–322.9	–313.4	–292.8	–264.2	–32.3
Total commitment	**21.1**	**16.5**	**–12.9**	**–11.2**	**241.4**
Actuarial net gains and losses not reported in the balance sheet	1.7	1.5	28.1	35.1	6.1
Of which experience-based adjustments to the value of the pension commitments as at the reporting date	–1.3	3.4	7.0	–1.5	5.6
Of which experience-based adjustments to the expected return on the plan assets as at the reporting date	–14.0	–0.5	9.2	–15.1	–3.5
Pension provisions recognised	**22.8**	**18.0**	**15.2**	**23.9**	**247.5**

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

€m	31.12.2011	31.12.2010	Change
Current service cost	16.4	13.5	2.9
Interest expenses	15.3	14.1	1.2
Change – additional liability	1.0	2.0	–1.0
Actuarial gains and losses	0.1	–0.3	0.4
Expected return on the plan assets	–14.0	–14.6	0.6
Allocation to provisions for pensions	**18.8**	**14.7**	4.1
Allocation to similar commitments	2.2	1.0	1.2
Allocation to working hours accounts	0.7	0.7	–
Total	**21.7**	**16.4**	5.3

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

%	31.12.2011	31.12.2010	Change
Discount rate to calculate present value	5.00	4.75	0.25
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, the staff turnover profiles published by Heubeck Richttafeln GmbH are also used in the calculation with a level parameter of 1.5. 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	2011	2010	Change
Defined benefit obligations as at 1 January	**329.9**	**279.9**	50.0
Current service cost	16.4	13.5	2.9
Interest expenses	15.3	14.1	1.2
Allocation to similar commitments	2.2	1.0	1.2
Allocation to working hours accounts	0.7	0.7	–
Change in additional liability from fund-based commitments	1.0	2.0	–1.0
Change in commitments	–6.4	31.9	–38.3
Other changes	–0.3	–	–0.3
Utilisation	–14.8	–13.2	–1.6
Defined benefit obligations as at 31 December	**344.0**	**329.9**	14.1

In connection with the inclusion of VM Bank International S.A. in the scope of consolidation, the defined benefit obligations increased by €1.4m.

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

€m	31.12.2011	Expected yield 2011	31.12.2010	Expected yield 2010
Mutual funds	67.3	5.50%	59.4	5.70%
Special funds	253.8	3.25%	252.0	4.20%
Other assets	1.8	–7.70%	2.0	–7.70%
Total	**322.9**		**313.4**	

Long-term yields in the capital market or observable past capital market developments in the individual asset classes are used to determine the expected performance of the plan assets.

The units in mutual funds are used to fund fund-based commitments and working hours accounts. Funds were invested in a special fund for commitments under final salary plans and general contribution schemes, the investment strategy of which is based on an integrated asset liability assessment. Other assets relate mainly to term life assurance policies. The premium balance with the insurer will be used up over the remaining term of the current insurance contracts. This therefore produces a negative expected yield.

Movement in plan assets:

€m	2011	2010	Change
Fair value of plan assets as at 1 January	**313.4**	**292.8**	20.6
Allocation to plan assets			
Through employer contributions	4.7	4.3	0.4
Through employee contributions	6.7	5.7	1.0
Return on plan assets			
Expected return on plan assets	14.0	14.6	–0.6
Actuarial gains and losses	–14.0	–0.5	–13.5
Withdrawal for benefits	–1.9	–3.5	1.6
Fair value of plan assets as at 31 December	**322.9**	**313.4**	7.9

58 Other provisions

€m	31.12.2011	31.12.2010	Change
Provisions for credit risks	8.6	16.3	–7.7
Provisions for legal proceedings and recourses	2.3	3.2	–0.9
Provisions in human resources	1.3	0.4	0.9
Provisions for restructuring measures	9.4	17.4	–8.0
Sundry other provisions	169.0	189.6	–20.6
Total	**190.6**	**226.9**	–36.3

Other provisions include €32.5m (previous year: €55.8m) which are medium or long-term in nature.

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 and fees 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, €1.5m (previous year: €1.6m) was set aside based on the development of the respective fund assets.

As at the reporting date, the guarantees covered a maximum volume of €6.0bn (previous year: €7.6bn) at the respective guarantee dates. The present value of the volume was €5.9bn (previous year: €7.2bn). The market value of the corresponding fund assets totalled €6.1bn (previous year: €7.7bn).

In addition, the product range includes investment funds, whose return is forecast on the basis of current money market interest rates set by the Group. However, this does not constitute a guarantee or assurance that the forecast performance will actually be achieved. Although the DekaBank Group is not contractually obliged to support these funds, the Group retains the right to support the desired performance of the fund. The level of the provision is determined using possible loss scenarios, taking account of the risks related to liquidity, interest rate structure, duration and spreads. As at the reporting date, €79.3m (previous year: €80.1m) were set aside. The underlying total volume of the funds amounted to €5.9bn (previous year: €7.5bn).

The movement in other provisions is as follows:

€m	Opening balance 01.01.2011	Addition	Utilisation	Reversal	Reclassi-fications	Change in scope of consoli-dation	Currency effects	Closing balance 31.12.2011
Provisions for credit risks (specific risks)	16.3	2.1	–	9.7	–	–	–0.1	8.6
Provisions for legal proceedings and recourses	3.2	–	0.2	0.8	0.1	–	–	2.3
Provisions in human resources	0.4	0.5	0.5	–	–	0.9	–	1.3
Provisions for restructuring measures	17.4	1.5	6.1	0.7	–5.3	2.6	–	9.4
Sundry other provisions	189.6	26.8	27.3	20.9	–1.1	1.9	–	169.0
Other provisions	**226.9**	**30.9**	**34.1**	**32.1**	**–6.3**	**5.4**	**–0.1**	**190.6**

€m	Opening balance 01.01.2010	Addition	Utilisation	Reversal	Reclassi-fications	Change in scope of consoli-dation	Currency effects	Closing balance 31.12.2010
Provisions for income taxes	89.5	–	–	–	–89.5	–	–	–
Provisions for credit risks (specific risks)	28.9	0.7	–	14.4	–	–	1.1	16.3
Provisions for legal proceedings and recourses	3.2	–	–	–	–	–	–	3.2
Provisions in human resources	0.2	0.4	0.2	–	–	–	–	0.4
Provisions for restructuring measures	37.5	3.6	10.3	7.3	–6.1	–	–	17.4
Sundry other provisions	180.8	46.2	24.8	12.7	–	–	0.1	189.6
Other provisions	**340.1**	**50.9**	**35.3**	**34.4**	**–95.6**	**–**	**1.2**	**226.9**

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	31.12.2011	31.12.2010	Change
Provisions for income taxes	57.3	82.2	–24.9
Current income tax liabilities	206.1	191.9	14.2
Deferred income tax liabilities	18.5	32.9	–14.4
Total	**281.9**	**307.0**	–25.1

The provisions for income taxes relate to corporation tax, solidarity surcharge and trade taxes. The provisions for income taxes include €23.5m (previous year: €78.8m) which are medium or long-term in nature.

Current income tax liabilities include payments due but not yet paid as at the reporting date for income taxes from the reporting year 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	31.12.2011	31.12.2010	Change
Assets			
Due from banks	52.3	43.5	8.8
Due from customers	25.4	21.4	4.0
Financial assets at fair value	731.6	632.2	99.4
Positive market values from derivative hedging instruments	122.8	74.1	48.7
Financial investments	61.5	40.6	20.9
Intangible assets	5.0	3.7	1.3
Property, plant and equipment	1.0	0.8	0.2
Other assets	–	1.4	–1.4
Liabilities			
Provisions	0.6	0.7	–0.1
Other liabilities	0.9	0.1	0.8
Sub-total	**1,001.1**	**818.5**	182.6
Netting	–982.6	–785.6	–197.0
Total	**18.5**	**32.9**	–14.4

The deferred tax liabilities include €9.6m (previous year: €27.4m) which are medium or long-term in nature.

The netting of deferred tax assets and liabilities refer mainly to short-term deferred taxes as a result of temporary differences relating to financial assets and liabilities at fair value.

Deferred income tax liabilities, which are offset directly against equity as a result of the revaluation of bonds and other securities in the available for sale portfolio, amounted to €0.4m (previous year: €0.7m) as at the reporting date. As in the previous year, these are allocated to the financial investments item.

60 Other liabilities

The breakdown of other liabilities is as follows:

€m	31.12.2011	31.12.2010	Change
Liabilities			
Liabilities from non-banking business	0.3	0.4	–0.1
Liabilities from current other taxes	23.6	23.9	–0.3
Commissions not yet paid to sales offices	58.6	72.6	–14.0
Securities spot deals not yet settled	3.2	14.1	–10.9
Debt capital from minority interests	102.2	24.7	77.5
Other	88.3	75.8	12.5
Accruals			
Closing and other audit costs	5.0	3.4	1.6
Sales performance compensation	289.5	316.9	–27.4
Personnel costs	82.0	112.4	–30.4
Other accruals	58.2	66.1	–7.9
Prepaid income	13.7	19.0	–5.3
Total	**724.6**	**729.3**	–4.7

The debt capital from minority interests item essentially includes the minority interests in consolidated investment funds. This is shown as other liabilities, since the unitholders have a redemption right at any times.

The item other includes trade accounts payable of €51.5m (previous year: €39.9m) as well as liabilities to custodial account holders in the amount of €5.1m (previous year: €3.3m).

61 Subordinated capital

€m	31.12.2011	31.12.2010	Change
Subordinated bearer bonds	634.0	628.5	5.5
Subordinated promissory note loans	207.3	202.2	5.1
Prorated interest on subordinated liabilities	22.1	22.1	–
Profit participation capital	78.0	78.0	–
Prorated interest on profit	5.0	5.0	–
Capital contributions of typical silent partners	500.0	500.0	–
Prorated interest on capital contributions of typical silent partners	35.9	44.2	–8.3
Total	**1,482.3**	**1,480.0**	2.3

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

In detail, the issues are as follows:

Year of issue	Nominal amount €m	Eligible as liable capital €m	Interest rate in % p.a.	Maturity
2000	85.0	34.0	6.15 – 6.46	18.05.2012
2002	300.0	299.4	5.38	31.01.2014
2004	300.0	298.8	4.63	21.12.2015
2006	40.0	40.0	4.43	11.04.2016
2009	75.0	75.0	6.00	05.07.2019

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

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

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

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. 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 for the reporting year stood at €56.5m (previous year: €16.1m).

63 Equity

€m	31.12.2011	31.12.2010	Change
Subscribed capital	191.7	286.3	–94.6
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	2,834.9	3,540.2	–705.3
Total reserves from retained earnings	**2,899.4**	**3,604.7**	–705.3
Revaluation reserve			
For cash flow hedges	–33.1	–21.2	–11.9
For financial investments in the available for sale category	1.3	2.4	–1.1
Applicable deferred taxes	10.2	4.9	5.3
Total revaluation reserve	**–21.6**	**–13.9**	–7.7
Currency translation reserve	12.9	11.6	1.3
Consolidated profit/loss	67.5	28.6	38.9
Minority interests	–	0.7	–0.7
Total	**3,340.2**	**4,108.3**	–768.1

In the reporting year, the DekaBank Group repurchased a nominal amount of €94.6m of its own shares out of the total amount of €994.1m. Accordingly, the subscribed capital was reduced by €94.6m and the reserves from retained earnings by around €899.5m.

In financial year 2011 a negative valuation result from cash flow hedges amounting to €11.9m (previous year: €–21.2m was recorded in the revaluation reserve. Originally hedged margins from fixed-interest loans, converted in the amount of €13.5m on the basis of unscheduled repayments and syndications, are not entered into. The margin hedge was adjusted accordingly. Profit or loss on hedging instruments, in the amount of €0.1m, was reclassified as profit or loss on financial instruments from the revaluation reserve into the designated at fair value category. Reclassification due to ineffectiveness did not take place in the reporting year.

The hedged cash flows are expected in the following subsequent reporting periods and are scheduled to be recognised in income in those respective periods.

€m	31.12.2011	31.12.2010	Change
Expected cash flows from assets			
Up to 3 months	33.4	28.3	5.1
3 months to 1 year	83.7	73.5	10.2
1 year to 5 years	247.5	239.6	7.9
More than 5 years	96.5	87.3	9.2
Total expected cash flows	**461.1**	**428.7**	32.4

Notes to financial instruments

64 Book values by valuation category

At DekaBank, financial instruments are classified by balance sheet line item and IFRS categories in accordance with IFRS 7.

€m	31.12.2011	31.12.2010	Change
Asset items			
Loans and receivables			
Due from banks	39,596.7	39,310.3	286.4
Due from customers	31,603.0	27,411.1	4,191.9
Financial investments	1,217.9	2,214.9	–997.0
Held to maturity			
Financial investments	3,185.6	3,260.6	–75.0
Available for sale			
Financial investments	113.5	158.6	–45.1
Held for trading			
Financial assets at fair value	39,613.0	38,818.7	794.3
Designated at fair value			
Financial assets at fair value	16,927.1	17,736.4	–809.3
Positive market values from derivative hedging instruments	428.1	252.1	176.0
Total asset items	**132,684.9**	**129,162.7**	3,522.2
Liability items			
Liabilities			
Due to banks	32,870.1	29,508.6	3,361.5
Due to customers	24,417.1	21,369.8	3,047.3
Securitised liabilities	25,277.6	24,095.7	1,181.9
Subordinated capital	1,428.3	1,480.0	2.3
Held for trading			
Financial liabilities at fair value	31,078.4	32,399.4	–1,321.0
Designated at fair value			
Financial liabilities at fair value	13,440.9	15,477.4	–2,036.5
Negative market values from derivative hedging instruments	558.7	531.0	27.7
Total liability items	**129,125.1**	**124,861.9**	4,263.2

65 Net income by valuation category

The individual valuation categories produce the following income contributions:

€m	2011	2010	Change
Held to maturity	43.6	12.6	31.0
Loans and receivables	1,402.2	1,788.2	–368.0
Other liabilities	–1,338.0	–1,262.0	–76.0
Income not recognised in profit or loss	–1.0	–1.1	0.1
Income recognised in profit or loss	4.9	5.5	–0.6
Available for sale	3.9	4.4	–0.5
Held for trading	398.0	203.7	194.3
Designated at fair value	–185.7	–38.4	–147.3
Valuation result from hedge accounting for fair value hedges	–1.4	–1.1	–0.3
Result from hedge accounting for cash flow hedges not recognised in profit or loss	–11.9	–21.2	9.3

The income is presented in line with its allocation to valuation categories in accordance with IAS 39. All income components, i.e. both sales and valuation results as well as interest and current income are included. Net interest income from hedging derivatives is reported in the held for trading category, while the income from the underlying transactions is allocated to loans and receivables or other liabilities in line with the respective origin category.

In connection with the amendments to IAS 39 published in October 2008, the DekaBank Group reclassified securities out of the held for trading and available for sale categories into the loans and receivables category. The securities reclassified as at 31 December 2008 were derecognised in 2011 because they had been fully sold. As in the previous year, no further reclassifications were carried out during the reporting year. As at the reporting date, the following financial instruments reclassified in 2008 were still held in the portfolio:

€m	Book value 31.12.2011	Fair value 31.12.2011	Book value 31.12.2010	Fair value 31.12.2010
Reclassification out of held for trading category as at 15.12.2008	9.9	9.9	9.7	9.7
Reclassification out of available for sale category as at 31.12.2008	–	–	5.6	5.6
Total	**9.9**	**9.9**	**15.3**	**15.3**

Had the financial instruments in the held for trading category not been reclassified, a valuation result of €0.2m (previous year: €1.8m) would have been achieved as at the reporting date.

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.

	31.12.2011			31.12.2010		
€m	**Fair value**	**Book value**	**Difference**	**Fair value**	**Book value**	**Difference**
Asset items						
Cash reserve	368.2	368.2	–	621.1	621.1	–
Due from banks (loans and receivables)	40,109.1	39,596.7	512.4	39,897.5	39,310.3	587.2
Due from customers (loans and receivables)	31,836.2	31,603.0	233.2	27,672.3	27,411.1	261.2
Financial assets at fair value	56,540.1	56,540.1	–	56,555.1	56,555.1	–
Positive market values from derivative hedging instruments	428.1	428.1	–	252.1	252.1	–
Loans and receivables	1,141.2	1,217.9	–76.7	2,186.1	2,214.9	–28.8
Held to maturity	3,124.0	3,185.6	–61.6	3,268.7	3,260.6	8,1
Available for sale	113.5	113.5	–	158.6	158.6	–
Financial investments	4,378.7	4,517.0	–138.3	5,611.6	5,634.1	–22.5
Total asset items	**133,660.4**	**133,053.1**	**607.3**	**130,611.5**	**129,783.8**	**827.7**
Liability items						
Due to banks	33,109.4	32,870.1	239.3	29,705.7	29,508.6	197.1
Due to customers	25,023.7	24,417.1	606.6	21,932.5	21,369.8	562.7
Securitised liabilities	25,220.3	25,277.6	–57.3	24,050.7	24,095.7	–45.0
Financial liabilities at fair value	44,519.3	44,519.3	–	47,876.8	47,876.8	–
Negative market values from derivative hedging instruments	558.7	558.7	–	531.0	531.0	–
Subordinated liabilities	1,485.3	1,482.3	3.0	1,475.6	1,480.0	–4.4
Total liability items	**129,916.7**	**129,125.1**	**791.6**	**125,572.3**	**124,861.9**	**710.4**

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.

In principle, the redemption price published by the respective investment company is used for the valuation of non-consolidated funds.

Allocation according to fair value hierarchy

For allocation to the fair value hierarchy in accordance with the provisions of IFRS 7, the quality of the input parameters for determining fair value is defined according to the three levels below:

Level 1: Market prices, i.e. prices from active markets that are used unchanged
Level 2: Market data which are not market prices as in level 1 but which are directly (prices) or indirectly (derived from prices) observable in the market
Level 3: Factors which are not based on observable market data (i.e. assumptions and estimates of the management)

The decisive factor governing allocation of the individual financial instruments to the fair value hierarchy shown below is the level input that is significant to the fair value measurement in its entirety.

The table below shows the allocation of all financial instruments carried at fair value in accordance with the fair value hierarchy based on fair values with accrued interest:

	31.12.2011				31.12.2010			
€m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Derivative financial instruments	420.4	23,317.6	57.6	23,795.6	1,233.9	22,452.3	58.6	23,744.8
Bonds and other fixed-interest securities	16,536.8	9,932.6	2,267.1	28,736.5	16,211.5	9,012.6	2,487.9	27,712.0
Shares and other non fixed-interest securities	1,827.3	157.0	–	1,984.3	3,319.0	5.1	–	3,324.1
Other financial assets at fair value	–	2,504.0	–	2,504.0	211.9	1,910.7	–	2,122.6
Liabilities								
Derivative financial instruments	219.9	32,859.6	39.6	33,119.1	140.5	32,863.1	38.5	33,042.1
Other financial instruments	4,068.7	7,890.2	–	11,958.9	6,586.6	8,779.1	–	15,365.7

Structured financial instruments with embedded derivatives that have to be separated, which are allocated to the trading book or for which the fair value option has been exercised, are shown in the table under derivative financial instruments.

Provided that they are not products traded on the stock market, derivatives are in principle measured using standard valuation models based on observable market data. Furthermore, in some individual cases and under restrictive conditions, derivatives traded on the stock market have also been measured using standard, accepted valuation models. This case-by-case regulation applies to special EUREX options where the published price is not based on sales or actual trading volume, but on the valuation using a theoretical EUREX model.

Fair values for insufficiently liquid securities as well as interest rate swaps and interest rate/currency swap agreements as well as unlisted interest rate futures are determined on the basis of discounted future cash flows (the discounted cash flow model). The market interest rates applying to the remaining term of the financial instruments are always used. The transactions valued using this method are allocated to level 2.

In some cases, the fair value for non-synthetic securitisations as at the reporting date was calculated using the discounted cash flow model. Where the spreads currently observable for the relevant transaction are deemed to be valid, the market interest rate was used as the input for the discounted cash flow model. Otherwise the modified discounted cash flow model was used. The underlying discounting rate used in the model was determined on the basis of the current swap curve, the implied historical spread – derived from the last available liquid market price – and an adjustment for any changes in the credit rating in the interim. The value thus calculated was also adjusted by a factor – determined using an indicator model – which 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 on. As this model includes subjective elements, we have also determined market values for alternative potential liquidity factor values. As at 31 December 2011, the market value could have been €9.0m lower or €0.7m higher accordingly. This corresponds to changes in the liquidity factor of –1.4% and +0.1%, respectively. The specific shifts in turn arise as borderline cases of the underlying market model. 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 €2.3bn (previous year: €2.4bn) have been allocated to level 3.

The cash flows used for the theoretical valuation of securitisation items are based on detailed analyses of the securitised securities. Here as well, subjective assumptions must be made, e.g. regarding the exercise of call rights or refinancing probabilities for expiring loans, which enables alternative scenarios. In addition to the standard scenario, DekaBank also determines the values using a scenario with a market development that is less favourable for the Bank, e.g. non-exercising of the call right and lack of refinancing. Under this adverse scenario, the market value of the theoretically valued positions would have been €7.9m lower as at 31 December 2011.

The fair value of synthetic securitisation transactions is determined using a Copula model calibrated to the market prices of index tranches. These are also shown in level 3. When valuating the bespoke CSO positions, DekaBank uses one of the standard base correlation mapping procedures. However, as there is a large number of alternative mappings, none of which is particularly superior, DekaBank also determines the difference compared with these other valuations via a corresponding shift in the base correlation curve of +/– 7.5%. As at 31 December 2011, the market value of the bespoke CSOs could have been €1.0m lower or higher accordingly.

Disclosures relating to financial instruments in fair value hierarchy level 3

The movement in financial instruments in level 3 is shown in the table below. This is based on fair values excluding accrued interest.

€m	Opening balance 01.01.2011	Reclassifications out of level 3	Purchase	Disposals	Maturity/ repayment	Valuation result	Closing balance 31.12.2011
Assets							
Derivative financial instruments	58.6	–	0.1	–	–	–1.4	57.3
Other financial instruments	2,481.1	–	–	40.7	188.6	6.4	2,258.2
Total assets	**2,539.7**	**–**	**0.1**	**40.7**	**188.6**	**5.0**	**2,315.5**
Liabilities							
Derivative financial instruments	38.4	–	–	1.0	–	–1.9	39.3

€m	Opening balance 01.01.2010	Reclassifications out of level 3	Purchase	Disposals	Maturity/ repayment	Valuation result	Closing balance 31.12.2010
Assets							
Derivative financial instruments	71.5	–	4.0	32.9	–	16.0	58.6
Other financial instruments	2,788.1	–	–	–22.8	417.5	87.7	2,481.1
Total assets	**2,859.6**	**–**	**4.0**	**10.1**	**417.5**	**103.7**	**2,539.7**
Liabilities							
Derivative financial instruments	104.9	–	36.1	99.2	–	3.4	38.4

As at the reporting date, a valuation result of €–3.0m (previous year: €+5.1m) 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 €–6.3m (previous year: €+88.3m) 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 €12.4m (previous year: €13.8m), which is reported in net interest income.

A profit of €20.6m (previous year: €32.6m) was realised on the sale of non-derivative financial instruments, of which €1.6m (previous year: €2.7m) was reported under net interest income and €19.0m (previous year: €29.9m) under profit or loss on financial instruments designated at fair value.

67 Government-based credit exposure in individual European countries

The following table shows the exposure to selected European countries from an accounting perspective. In addition to receivables and securities, this comprises credit linked notes issued by the Bank that are referenced to these states as well as protection buyer and protection seller credit default swaps:

	31.12.2011			31.12.2010		
€m	Nominal[1]	Book value	Fair value	Nominal[1]	Book value	Fair value
Greece						
Debt securities (held to maturity category)	50.0	13.6	13.6	50.0	51.5	31.8
Debt securities (designated at fair value category)	50.0	12.7	12.7	50.0	35.1	35.1
Credit default swaps[2]	13.0	−7.4	−7.4	−37.0	10.5	10.5
Credit linked notes[3] (held for trading category)	−13.0	−7.5	−7.5	−13.0	−9.9	−9.9
Ireland						
Debt securities (designated at fair value category)	–	–	–	30.0	30.1	30.1
Credit default swaps[2]	−3.0	−0.5	−0.5	3.0	−0.4	−0.4
Credit linked notes[3] (held for trading category)	−3.0	−2.6	−2.6	−3.0	−2.7	−2.7
Italy						
Debt securities (designated at fair value category)	50.0	44.2	44.2	50.0	53.6	53.6
Debt securities (held for trading category)	165.0	163.5	163.5	210.0	208.8	208.8
Debt securities short (held for trading category)	−4.1	−3.9	−3.9	–	–	–
Credit default swaps[2]	45.0	−4.1	−4.1	73.0	−1.9	−1.9
Credit linked notes[3] (held for trading category)	−40.0	−34.7	−34.7	−40.0	−37.4	−37.4
Portugal						
Debt securities (designated at fair value category)	55.0	43.9	43.9	85.0	81.3	81.3
Credit default swaps[2]	9.6	−2.4	−2.4	7.0	−1.7	−1.7
Credit linked notes[3] (held for trading category)	−10.0	−6.2	−6.2	−10.0	−7.6	−7.6
Spain						
Receivables (loans and receivables category)	90.2	90.9	89.9	150.2	151.3	149.2
Debt securities (designated at fair value category)	40.0	37.7	37.7	40.0	39.1	39.1
Credit default swaps[2]	54.1	−3.6	−3.6	34.1	−2.8	−2.8
Credit linked notes[3] (held for trading category)	−35.0	−33.6	−33.6	−35.0	−33.6	−33.6
Hungary						
Debt securities (designated at fair value category)	50.0	43.1	43.1	50.0	48.2	48.2
Total	**569.8**	**342.1**	**342.1**	**694.3**	**611.5**	**588.7**

[1] For a net view, the nominal values of receivables, securities and protection seller transactions are set off against protection buyer transactions with negative nominal values.
[2] The fair value reflects the net fair value of credit default swaps that relate to sovereign liabilities of the respective country.
[3] The figure shown is the fair value of credit linked notes issued by the Bank and relating to a liability of the respective country.

Against the backdrop of the persistently critical economic situation in Greece, a risk provision in the amount of €37.9m was recognised for a Greek bond categorised as held to maturity with a nominal value of €50m. In addition to the abovementioned direct exposure related to Greece, there are also receivables totalling €38.3m from project financing for infrastructure restructuring. In the event of a default, a direct receivable is due from Greece, for which specific valuation allowances of €21.1m were recognised in the financial year.

The presented exposure in Portuguese government bonds in the designated at fair value category not only includes a Portuguese government bond, but also €25m in other state-guaranteed bonds from Portuguese credit institutions with a total nominal volume of €30m. Furthermore, the Bank holds bonds from other Portuguese credit institutions with a nominal value of €141.7m which are allocated to the held to maturity category. Specific valuation allowances of €42.8m in total were recognised for these bonds in the financial year.

68 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	2011	2010
Interest rate risks OTC products						
Interest rate swaps	207.1	306.8	4,459.8	6,151.0	11,124.7	7,821.3
Forward rate agreements	4.5	1.8	–	–	6.3	8.9
Interest rate options						
Purchases	–	1.4	2.3	0.3	4.0	6.9
Sales	–	0.5	0.3	0.5	1.3	0.1
Caps, floors	–	–	4.8	6.2	11.0	10.6
Other interest rate contracts	–	–	87.2	23.1	110.3	93.7
Stock exchange traded products						
Interest rate futures/options[1]	1.3	–	0.8	–	2.1	3.0
Sub-total	**212.9**	**310.5**	**4,555.2**	**6,181.1**	**11,259.7**	**7,944.5**
Currency risks OTC products						
Foreign exchange future contracts	41.2	86.8	0.3	–	128.3	199.9
(Interest rate) currency swaps	–	43.8	252.6	32.8	329.2	378.3
Sub-total	**41.2**	**130.6**	**252.9**	**32.8**	**457.5**	**578.2**
Share and other price risks OTC products						
Share forward contracts	9.8	2.6	–	–	12.4	96.3
Share options						
Purchases	1,774.2	918.5	1,337.8	280.2	4,310.7	7,219.1
Credit derivatives	0.4	0.9	234.0	60.2	295.5	263.3
Other forward contracts	9.3	5.6	–	–	14.9	0.3
Stock exchange traded products						
Share options	4.4	2,214.1	2,833.2	1,130.0	6,181.7	5,962.4
Share futures[1]	50.0	6.8	–	–	56.8	8.5
Sub-total	**1,848.1**	**3,148.5**	**4,405.0**	**1,470.4**	**10,872.0**	**13,549.9**
Total	**2,102.2**	**3,589.6**	**9,213.1**	**7,684.3**	**22,589.2**	**22,072.6**

[1] Positive fair values before offsetting against variation margin paid or received.

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	2011	2010
Interest rate risks OTC products						
Interest rate swaps	201.1	328.0	4,724.9	5,821.4	11,075.4	8,084.5
Forward rate agreements	2.0	0.2	–	–	2.2	14.7
Interest rate options						
Purchases	–	0.7	0.5	–	1.2	–
Sales	10.8	3.3	17.4	17.7	49.2	28.6
Caps, floors	–	–	1.3	5.4	6.7	5.6
Other interest rate contracts	–	24.2	168.3	45.7	238.2	255.3
Stock exchange traded products						
Interest rate futures/options[1]	3.7	1.6	2.1	–	7.4	1.0
Sub-total	**217.6**	**358.0**	**4,914.5**	**5,890.2**	**11,380.3**	**8,389.7**
Currency risks OTC products						
Foreign exchange future contracts	49.5	84.3	0.4	–	134.2	210.9
(Interest rate) currency swaps	35.4	260.1	328.8	422.2	1,046.5	955.4
Sub-total	**84.9**	**344.4**	**329.2**	**422.2**	**1,180.7**	**1,166.3**
Share and other price risks OTC products						
Share forward contracts	8.1	8.1	–	–	16.2	4.8
Share options						
Purchases	3,255.1	1,526.8	1,783.7	348.6	6,914.2	10,244.3
Credit derivatives	0.4	2.2	178.4	66.9	247.9	229.4
Other forward contracts	0.4	81.1	4.6	–	86.1	84.5
Stock exchange traded products						
Share options	620.0	4,381.9	4,634.7	1,292.2	10,928.8	10,127.2
Share futures[1]	21.2	0.1	–	–	21.3	62.5
Sub-total	**3,905.2**	**6,000.2**	**6,601.4**	**1,707.7**	**18,214.5**	**20,752.7**
Total	**4,207.7**	**6,702.6**	**11,845.1**	**8,020.1**	**30,775.5**	**30,308.7**

[1] Negative fair values before offsetting against variation margin paid or received.

The following table shows the positive and negative market values from derivative transactions by counterparty:

	Positive fair values		Negative fair values	
€m	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Banks in the OECD	10,737.0	9,350.6	11,843.1	10,585.0
Public offices in the OECD	129.6	96.0	32.9	19.8
Other counterparties	11,722.6	12,626.0	18,899.5	19,703.9
Total	**22,589.2**	**22,072.6**	**30,775.5**	**30,308.7**

69 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	31.12.2011	31.12.2010	Change
Assets			
Due from banks			
Due on demand and indefinite term	7,914.2	6,727.6	1,186.6
Up to 3 months	9,726.0	8,011.8	1,714.2
Between 3 months and 1 year	4,574.4	4,476.6	97.8
Between 1 year and 5 years	15,520.4	17,829.0	−2,308.6
More than 5 years	1,861.7	2,265.3	−403.6
Due from customers			
Due on demand and indefinite term	2,998.1	2,442.4	555.7
Up to 3 months	4,043.0	2,395.5	1,647.5
Between 3 months and 1 year	7,379.5	2,872.6	4,506.9
Between 1 year and 5 years	11,198.1	13,832.2	−2,634.1
More than 5 years	5,984.3	5,868.4	115.9
Financial assets at fair value			
Due on demand and indefinite term	2,006.7	3,371.7	−1,365.0
Up to 3 months	6,988.5	8,126.9	−1,138.4
Between 3 months and 1 year	33,299.7	30,704.1	2,595.6
Between 1 year and 5 years	11,742.5	10,622.9	1,119.6
More than 5 years	2,502.7	3,729.5	−1,226.8
Positive market values from derivative hedging instruments			
Due on demand and indefinite term	–	–	–
Up to 3 months	3.6	2.3	1.3
Between 3 months and 1 year	0.2	0.1	0.1
Between 1 year and 5 years	198.9	153.9	45.0
More than 5 years	225.4	95.8	129.6
Financial investments			
Due on demand and indefinite term	0.3	0.2	0.1
Up to 3 months	99.6	83.2	16.4
Between 3 months and 1 year	89.3	753.5	−664.2
Between 1 year and 5 years	1,518.9	1,326.9	192.0
More than 5 years	2,747.6	3,408.0	−660.4

€m	31.12.2011	31.12.2010	Change
Liabilities			
Due to banks			
Due on demand and indefinite term	4,028.8	6,471.0	–2,442.2
Up to 3 months	20,244.5	16,826.9	3,417.6
Between 3 months and 1 year	3,700.6	1,608.1	2,092.5
Between 1 year and 5 years	3,725.5	4,095.4	–369.9
More than 5 years	1,170.7	507.2	663.5
Due to customers			
Due on demand and indefinite term	6,764.1	6,378.5	385.6
Up to 3 months	6,573.9	4,519.6	2,054.3
Between 3 months and 1 year	2,849.4	1,222.5	1,626.9
Between 1 year and 5 years	5,569.4	6,808.3	–1,238.9
More than 5 years	2,660.3	2,440.7	219.6
Securitised liabilities			
Up to 3 months	1,227.2	861.5	365.7
Between 3 months and 1 year	1,688.3	766.1	922.2
Between 1 year and 5 years	21,869.0	22,126.4	–257.4
More than 5 years	493.1	341.7	151.4
Financial liabilities at fair value			
Due on demand and indefinite term	2,507.8	4,768.6	–2,260.8
Up to 3 months	6,812.7	5,402.2	1,410.5
Between 3 months and 1 year	26,973.7	28,027.5	–1,053.8
Between 1 year and 5 years	6,040.3	7,332.5	–1,292.2
More than 5 years	2,184.8	2,346.0	–161.2
Negative market values from derivative hedging instruments			
Up to 3 months	41.6	32.3	9.3
Between 3 months and 1 year	20.2	13.3	6.9
Between 1 year and 5 years	232.6	289.9	–57.3
More than 5 years	264.3	195.5	68.8
Subordinated capital			
Up to 3 months	63.0	71.3	–8.3
Between 3 months and 1 year	143.0	–	143.0
Between 1 year and 5 years	1,194.0	1,291.5	–97.5
More than 5 years	82.3	117.2	–34.9

Other information

70 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 [71]). 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 consists of equity capital according to IFRS and the various income components that are considered sustainable, even from a liquidation perspective. For other items such as hidden charges arising from securities in the investment book or goodwill, corresponding adjustment items are accounted for. The secondary cover potential also 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.

71 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	31.12.2011	31.12.2010	Change
Subscribed capital	286.3	286.3	–
Open reserves	551.1	489.3	61.8
Own shares	94.6	–	94.6
Silent capital contributions	552.4	552.4	–
Fund for general banking risks	1,661.0	2,003.9	–342.9
Interim profit under Section 10 (3) KWG	–	–	–
Deductions under Section 10 (2a) German Banking Act	44.0	10.8	33.2
Deductions under Section 10 (6) and (6a) KWG (half)	3.8	4.0	–0.2
of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	2.5	4.0	–1.5
Core capital	**2,908.4**	**3,317.1**	–408.7
Profit participation capital	20.0	20.0	–
Subordinated liabilities	747.3	746.7	0.6
Other components	251.0	277.8	–26.8
Deductions under Section 10 (6) and (6a) KWG (half)	3.8	4.0	–0.2
of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	2.5	4.0	–1.5
Supplementary capital	**1,014.5**	**1,040.5**	–26.0
Modified available capital	**3,922.9**	**4,357.6**	–434.7
Tier III funds		–	–
Capital and reserves	**3,922.9**	**4,357.6**	–434.7

The core capital of the DekaBank Group decreased by €408.7m compared to the previous year. In particular, the change is the result of DekaBank's repurchase of own shares in the amount of €94.6m and a reversal of the fund for general banking risks totalling to €342.9m.

The supplementary capital declined by €26.0m compared to the previous year. The reduction primarily stems from the fact that the eligible portion of the valuation allowance surplus in the supplementary capital has decreased.

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	31.12.2011	31.12.2010	Change
Default risks	16,988.0	18,500.0	–1,512.0
Market risk positions	6,363.0	5,575.0	788.0
Operational risks	1,788.0	1,650.0	138.0

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 DekaBank Group, DekaBank Deutsche Girozentrale and for the important banking subsidiary DekaBank Deutsche Girozentrale Luxembourg S.A.:

%	31.12.2011	31.12.2010	Change
DekaBank Group			
Core capital ratio	11.6	12.9	–1.3
Total capital ratio	15.6	16.9	–1.3
DekaBank Deutsche Girozentrale			
Core capital ratio	11.3	12.6	–1.3
Total capital ratio	14.6	15.9	–1.3
DekaBank Deutsche Girozentrale Luxembourg S.A.			
Core capital ratio	9.8	11.2	–1.4
Total capital ratio	23.2	25.5	–2.3

The core capital ratio takes account of half of the deductions in accordance with Section 10 (6) and (6a) of the German Banking Act (KWG).

The core tier 1 capital ratio of the DekaBank Group is 9.4% (previous year: 10.7%). Silent capital contributions are not considered in the calculation of the core tier 1 capital ratio; these do not come under the transitional provisions of Basel III and as of the beginning of 2013, will no longer be usable as core tier 1 capital.

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.

72 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	31.12.2011	31.12.2010	Change
Irrevocable lending commitments	1,691.6	2,278.7	–587.1
Other liabilities	1,084.6	848.6	236.0
Total	**2,776.2**	**3,127.3**	–351.1

Other financial liabilities include payment obligations of €0.1m (previous year: €0.1m) and subsequent payment obligations of €29.7m (previous year: €30.0m) to external or non-consolidated companies. There is an additional funding obligation for the security reserve of the *Landesbanken* and *Girozentralen* of €59.6m (previous year: €80.8m).

The German *Sparkassen-Finanzgruppe*, and thus also the security reserve of the *Landesbanken* and *Girozentralen*, has generally agreed to contribute to the final restructuring of WestLB. The exact form of this involvement requires more concrete specification. Decisions regarding this matter are expected in 2012.

The guarantees provided by DekaBank refer to financial guarantees under IFRS, which are stated net in compliance with IAS 39. The nominal amount of the guarantees in place as at the reporting date is €0.4bn (previous year: €0.6bn).

73 Assets transferred or received as collateral

The transfer of assets as collateral for own liabilities is shown in the following table:

€m	31.12.2011	31.12.2010	Change
Book value of transferred collateral securities			
Under Pfandbrief Act	19,054.7	22,044.3	–2,989.6
For refinancing purposes with Deutsche Bundesbank	4,282.8	3,921.2	361.6
For transactions on German and foreign futures exchanges	4,441.9	4,660.9	–219.0
For repurchase agreements	1,910.9	1,496.7	414.2
For securities lending transactions	5,125.2	3,956.5	1,168.7
For triparty transaction	4,936.4	7,666.6	–2,730.2
For other securities transactions	362.9	327.7	35.2
Total	**40,114.8**	**44,073.9**	–3,959.1

Collateral received for repurchase agreements and securities lending transactions as well as other securities transactions, which may be repledged or resold even without the default of the party providing the collateral, amounts to €47.9bn (previous year: €37.9bn).

74 Financial instruments transferred but not derecognised

The Group transfers financial assets while retaining the material risks and rewards arising from these assets. The transfer mainly takes place parting the context of genuine repurchase and securities lending transactions. In addition, securities are primarily sold in combination with the conclusion of derivatives. Consequently, the essential risks relating to creditworthiness, interest rate change, currency and share price are retained, so that, in commercial terms, there is no disposal. The assets continue to be reported in the balance sheet.

€m	31.12.2011	31.12.2010	Change
Book value of non-derecognised securities for			
Genuine securities repurchase agreements			
Loans and receivables	–	480.3	–480.3
Held to maturity	68.2	95.7	–27.5
Financial assets at fair value through profit or loss	1,842.3	914.4	927.9
Securities lending transactions			
Held to maturity	1.0	10.3	–9.3
Financial assets at fair value through profit or loss	238.0	476.8	–238.8
Other sales without commercial disposal			
Loans and receivables	70.3	104.2	–33.9
Held to maturity	3.5	1.1	2.4
Financial assets at fair value through profit or loss	359.4	326.6	32.8
Total	**2,582.7**	**2,409.4**	173.3

Liabilities of €2.1bn (previous year: €2.9bn) were reported for financial instruments transferred but not derecognised.

75 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.

€m	31.12.2011	31.12.2010	Change
US dollar (USD)	32.0	85.8	–53.8
British pound (GBP)	11.8	56.1	–44.3
Australian dollar (AUD)	7.7	3.4	4.3
Swiss franc (CHF)	4.5	13.4	–8.9
Japanese yen (JPY)	4.2	4.2	–
Hong Kong dollar (HKD)	0.1	2.5	–2.4
Other foreign currencies	11.9	9.4	2.5
Total	**72.2**	**174.8**	–102.6

76 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.

77 List of shareholdings

DekaBank directly or indirectly holds at least 20% of the shares in the following companies:

Consolidated subsidiaries:

Name, registered office	Equity share in %
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Realkredit Klassik	83.51
Teilgesellschaftsvermögen Deka Infrastrukturkredit	48.16
Teilgesellschaftsvermögen A-DK Bonds 1-Fonds	100.00
Deka Real Estate Lending k.k., Tokyo	100.00
Deka(Swiss) Privatbank AG, Zurich	80.00[1]
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.00
ETFlab Investment GmbH, Munich	100.00
Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main	100.00
International Fund Management S.A., Luxembourg	100.00
Roturo S.A., Luxembourg	100.00
VM Bank International S.A., Luxembourg	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

[1] Consolidation ratio based on economic ownership 100%.

Consolidated funds:

Name, registered office	Equity share in %
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 3-FONDS, Frankfurt/Main	100.00
A-DGZ 4-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-DGZ 6-FONDS, Frankfurt/Main	100.00
A-DGZ 7-FONDS, Frankfurt/Main	100.00
A-DGZ 10-FONDS, Frankfurt/Main	100.00
A-DGZ 11-FONDS SICAV-SIF, Luxembourg	100.00
A-DGZ 13-FONDS, Luxembourg	100.00
A-DGZ-FONDS, Frankfurt/Main	100.00
A-DKBankLUX1-FONDS, Luxembourg	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
Deka Treasury Corporates-FONDS, Frankfurt/Main	100.00

Associated companies and joint ventures consolidated at equity:

Name, registered office	Equity share in %	Equity in € thousand	Net income in € thousand
S PensionsManagement GmbH, Cologne	50.00	102,508.7	–72.5
Luxemburger Leben S.A., Luxembourg	50.00	5,242.3	–1,680.4
Dealis Fund Operations GmbH, Frankfurt/Main	49.90	20,196.8	1,062.3
S Broker AG & Co. KG, Wiesbaden	30.64	27,547.4	119.2

Non-consolidated companies:

Name, registered office	Equity share in %
Banking Services Luxembourg S.A.R.L., Luxembourg	100.00
Datogon S.A., Luxembourg	100.00
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00
Deka Immobilien k.k., Tokyo	100.00
Deka International (Ireland) Ltd. i.L., Dublin	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien	100.00
Deka Loan Investors Luxembourg I, Luxembourg	100.00
Deka Loan Investors Luxembourg II, Luxembourg	100.00
Deka Multi Asset Investors Luxembourg, Luxembourg	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 01 mbH, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	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-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00

Non-consolidated funds:

Name, registered office	Fund volume €m	Equity share in %
Deka-BR 45, Frankfurt/Main	0.3	100.00
Deka-Immobilien PremiumPlus – Institutionelle, Luxembourg	1.5	100.00
Deka-Nachhaltigkeit Aktien, Luxembourg	20.1	100.00
Deka-Nachhaltigkeit Balance, Luxembourg	20.0	100.00
Deka-Nachhaltigkeit Renten, Luxembourg	20.0	100.00
ETFlab Deutsche Börse EUROGOV® France 5-10, Munich	31.2	100.00
ETFlab Deutsche Börse EUROGOV® France, Munich	30.7	100.00
RE-AVT-FundMaster, Frankfurt/Main	53.3	100.00
ETFlab Deutsche Börse EUROGOV® France 1-3, Munich	30.4	99.98
Deka-DiscountStrategie 1/2016, Frankfurt/Main	9.9	99.37
Deka-PB Offensiv, Frankfurt/Main	10.0	98.52
ETFlab iBoxx € Liquid Sovereign Diversified 7-10, Munich	19.3	98.20
Deka-DiscountStrategie 12/2015, Frankfurt/Main	10.2	96.89
ETFlab MSCI Japan MC, Munich	26.9	96.26
Deka-Staatsanleihen Europa, Frankfurt/Main	31.1	96.07
Mix-Fonds: Select ChancePlus, Luxembourg	0.9	94.96
Deka-PB Ausgewogen, Frankfurt/Main	10.5	94.74
Deka-HedgeSelect, Frankfurt/Main	58.1	91.39
ETFlab MSCI Europe MC, Munich	5.2	90.50
ETFlab Deutsche Börse EUROGOV® France 3-5, Munich	30.9	89.99
ETFlab STOXX® Europe Strong Style Composite 40, Munich	11.0	83.71
ETFlab MSCI Japan LC, Munich	25.3	81.39
ETFlab MSCI Japan, Munich	13.4	79.97
Deka-PB Defensiv, Frankfurt/Main	13.3	77.37
ETFlab iBoxx € Liquid Sovereign Diversified 10+, Munich	8.8	76.96
TORRUS Multi-Strategy Funds, Luxembourg	38.7	74.44
ETFlab iBoxx € Liquid Sovereign Diversified 3-5, Munich	15.5	70.89
ETFlab EURO STOXX 50® Daily Short, Munich	5.1	69.48
Mix-Fonds: Balance Mix 70, Luxembourg	2.7	62.94
ETFlab MSCI Europe, Munich	25.2	61.02
ETFlab iBoxx € Liquid Sovereign Diversified 5-7, Munich	19.1	58.95
ETFlab MSCI USA, Munich	30.0	58.40
ETFlab iBoxx € Liquid Sovereign Diversified 1-10, Munich	8.7	58.04
Mix-Fonds: Select Chance, Luxembourg	1.5	57.94
Deka-Zielfonds 2045-2049, Frankfurt/Main	2.4	54.84
Deka-Russland, Luxembourg	91.6	54.33
Mix-Fonds: Select Rendite, Luxembourg	1.8	53.12
RE-FundMaster, Frankfurt/Main	28.7	50.01
ETFlab Deutsche Börse EUROGOV® Germany 10+, Munich	33.0	47.99
ETFlab iBoxx € Liquid Corporates Diversified, Munich	157.3	46.27
ETFlab MSCI Europe LC, Munich	28.8	45.51
ETFlab STOXX® Europe Strong Growth 20, Munich	2.0	45.25
Deka-Treasury CreditStrategie, Luxembourg	99.2	40.68
ETFlab EURO STOXX® Select Dividend 30, Munich	23.2	40.46
Deka: EuroGarant 9, Luxembourg	73.4	40.32

Non-consolidated funds:

Name. registered office	Fund volume €m	Equity share in %
Deka-Immobilien PremiumPlus – Private Banking, Luxembourg	87.7	39.62
Deka-Zielfonds 2040-2044, Frankfurt/Main	2.8	39.01
ETFlab EURO STOXX 50®, Munich	8.0	37.46
WestInvest Target Select Shopping, Düsseldorf	155.4	37.23
Deka-Institutionell Aktien Europa, Frankfurt/Main	12.4	34.37
ETFlab MSCI USA MC, Munich	1.7	33.39
Deka-Zielfonds 2050-2054, Frankfurt/Main	2.8	33.10
iShares STOXX Europe 600 Media (DE), Munich	6.5	30.46
iShares EURO STOXX Technology (DE), Munich	3.4	29.95
Mix-Fonds: Balance Mix 40, Luxembourg	6.2	29.58
WestInvest Target Select Hotel, Düsseldorf	68.2	28.93
Mix-Fonds: Select Wachstum, Luxembourg	3.4	27.07
Deka-ZielGarant 2046-2049, Luxembourg	3.2	26.09
ETFlab DAXplus® Maximum Dividend, Munich	74.8	25.53
Deka-ZielGarant 2042-2045, Luxembourg	3.4	25.51
Deka-VolatilityCash, Luxembourg	292.8	24.95
Mix-Fonds: Aktiv ChancePlus, Luxembourg	11.5	22.37
IFM Euroaktien, Luxembourg	35.5	22.12
ETFlab iBoxx € Liquid Germany Covered Diversified, Munich	121.6	21.62
ETFlab Deutsche Börse EUROGOV® Germany 3-5, Munich	206.7	20.99
ETFlab STOXX® Europe Strong Value 20, Munich	2.8	20.59
ETFlab iBoxx € Liquid Sovereign Diversified 1-3, Munich	22.5	20.56

78 Related party disclosures

The DekaBank Group has business dealings with related parties. These include DekaBank's shareholders, subsidiaries that are not consolidated due to lack of materiality, joint ventures and associated companies. Non-consolidated own mutual funds and special funds where the holding of the DekaBank Group exceeds 10% as at the reporting date, are shown as subsidiaries, associated companies or other related parties are shown in accordance with their equity holding.

Natural persons deemed to be related parties under IAS 24 are the members of the Board of Management and Administrative Board of DekaBank as the parent company. Please note [80] for information concerning remuneration and business transactions with the persons in question.

Transactions are carried out with related parties at normal market terms and conditions as part of the ordinary business activities of the DekaBank Group. These relate amongst others to loans, call money, time deposits as well as derivatives. The liabilities of the DekaBank Group to mutual funds and special funds essentially comprise balances with banks from the temporary investment of liquid funds. The table below shows the extent of these transactions. The figures for the previous year have been adjusted in line with the amendments to IAS 24.

Business dealings with shareholders of DekaBank and non-consolidated subsidiaries:

	Shareholders		**Subsidiaries**	
€m	**31.12.2011**	**31.12.2010**	**31.12.2011**	**31.12.2010**
Assets				
Due from customers	–	–	6.9	1.4
Financial assets at fair value	–	–	13.4	0.2
Other assets	–	–	0.2	0.3
Total asset	**–**	**–**	**20.5**	**1.9**
Liabilities				
Due to customers	19.9	13.2	19.6	27.8
Financial liabilities at fair value	–	–	–	0.8
Total liabilities	**19.9**	**13.2**	**19.6**	**28.6**

Contingent liabilities from guarantee credits in the amount of €13.6m are owed to subsidiaries. Valuation allowances of €0.2m were recognised for this.

Business dealings with joint ventures, associated companies and other related parties:

	Joint ventures/ associated companies		**Other related parties**	
€m	**31.12.2011**	**31.12.2010**	**31.12.2011**	**31.12.2010**
Assets				
Due from customers	69.4	19.5	0.4	–
Financial assets at fair value	18.8	–	–	–
Other assets	6.3	8.3	1.3	1.0
Total asset	**94.5**	**27.8**	**1.7**	**1.0**
Liabilities				
Due to customers	36.6	68.2	16.5	1.2
Financial liabilities at fair value	56.9	7.6	–	–
Total liabilities	**93.5**	**75.8**	**16.5**	**1.2**

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 €62.2bn (previous year: €49.4bn) were made available to DekaBank in its capacity as agent. In return, the funds received payments from DekaBank of €40.3m (previous year: €39.6m).

79 Average number of staff

	31.12.2011	31.12.2010	Change
Full-time employees	3,208	3,030	178
Part-time and temporary employees	588	524	64
Total	**3,796**	**3,554**	242

80 Remuneration to Board members

€	2011	2010	Change
Remuneration of active Board of Management members			
Short-term benefits	7,817,602	7,884,807	–67,205
Scope of obligation under defined benefit plans (defined benefit obligation)	10,239,496	9,958,674	280,822
Remuneration of former Board of Management members and their dependents			
Post-employment benefits	2,117,468	2,105,159	12,309
Scope of obligation under defined benefit plans (defined benefit obligation)	31,496,680	32,185,318	–688,638
Scope of obligation for similar commitments	3,037,695	2,259,824	777,871

The short-term benefits due to the members of the Board of Management include all remuneration paid and benefits in kind in the respective financial year, including variable components attributable to previous years and are therefore dependent on business performance in earlier periods. The remuneration to members of the Administrative Board totalled €644.7 thousand (previous year: €684.1 thousand) in the reporting year. The ongoing remuneration for employee representatives, which was paid independently of their Administrative Board activities, was in line with current market conditions.

In financial year 2011, €1.9m 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 €0.3m (previous year: €0.4m).

The total commitments of €41.7m determined on an actuarial basis for active and former members of the Board of Management as at the reporting date are countered by plan assets of around €42.3m (previous year: €42.6m).

81 Auditor's fees

The following fees were recorded as expenses for the auditors of the consolidated financial statements in the reporting year:

€m	2011	2010	Change
Fees for			
Year-end audit services	2.9	2.7	0.2
Other auditing services	0.9	1.1	–0.2
Tax advisory services	0.1	0.1	–
Other services	5.9	2.8	3.1
Total	**9.8**	**6.7**	3.1

82 Additional miscellaneous information

The consolidated financial statements were approved for publication on 27 February 2012 by the Board of Management of DekaBank.

Assurance of the Board of Management

We assure that to the best of our knowledge, the consolidated financial statements prepared in accordance with the applicable reporting standards convey a true and fair view of the net assets, financial position and results of operations of the Group and that the management report conveys a true and fair view of the business performance including the business results and position of the Group and suitably presents the material risks and opportunities and likely development of the Group.

Frankfurt/Main, 27 February 2012

DekaBank
Deutsche Girozentrale

The Board of Management

Waas | Behrens | Dr. Danne

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 2011. 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, 27 February 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Roland Rausch	Stefan Palm
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Shareholders, associated companies and committees

Shareholders of DekaBank *(as of 1 March 2012)*

DSGV ö. K.[1]	**50%**
thereof:	
Savings Banks Association Baden-Wuerttemberg	15.41%
Rhineland Savings Banks and Giro Association	13.12%
Savings Banks Association Lower Saxony	12.92%
Savings Banks Association Bavaria	12.63%
Savings Banks Association Westphalia-Lippe	12.35%
Savings Banks and Giro Association Hesse-Thuringia	11.62%
Savings Banks Association Rhineland-Palatinate	6.41%
Savings Banks Association Berlin/Landesbank Berlin	3.79%
East German Savings Banks Association	3.66%
Savings Banks and Giro Association for Schleswig-Holstein	3.56%
Savings Banks Association Saar	2.74%
Hanseatic Savings Banks and Giro Association	1.81%
Deka Erwerbsgesellschaft mbH & Co. KG	**50%**
thereof:	
Savings Banks Association Baden-Wuerttemberg	16.28%
Rhineland Savings Banks and Giro Association	15.32%
Savings Banks Association Lower Saxony	4.07%
Savings Banks Association Bavaria	16.80%
Savings Banks Association Westphalia-Lippe	7.37%
Savings Banks and Giro Association Hesse-Thuringia	10.94%
Savings Banks Association Rhineland-Palatinate	3.73%
Savings Banks Association Berlin/Landesbank Berlin	3.13%
East German Savings Banks Association	16.00%
Savings Banks and Giro Association for Schleswig-Holstein	2.96%
Savings Banks Association Saar	0.86%
Hanseatic Savings Banks and Giro Association	2.53%

[1] Guarantor

Subsidiaries and associated companies of DekaBank[1)] *(as of 1 March 2012)*

Business division Asset Management Capital Markets	
Deka Investment GmbH, Frankfurt/Main	100.0%
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.0%
Deka International S.A., Luxembourg	100.0%
International Fund Management S.A., Luxembourg	100.0%
DekaTreuhand GmbH, Frankfurt/Main	100.0%
VM Bank International S.A., Luxembourg	100.0%
Deka(Swiss) Privatbank AG, Zurich	80.0%
S PensionsManagement GmbH, Cologne	50.0%
Sparkassen PensionsBeratung GmbH, Cologne	50.0%
Sparkassen Pensionsfonds AG, Cologne	50.0%
Sparkassen Pensionskasse AG, Cologne	50.0%
Deka Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.0%
Dealis Fund Operations GmbH, Frankfurt/Main	49.9%
Heubeck AG, Cologne	45.0%
S Broker AG & Co. KG, Wiesbaden	30.6%
S Broker Management AG, Wiesbaden	30.6%
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	10.0%
Dealis Fund Operations S.A., Luxembourg	5.0%
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 Real Estate Lending k.k., Tokyo	100.0%
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.0%
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.0%
Deka Verwaltungs GmbH, Frankfurt/Main	100.0%
Deka Immobilien Luxembourg S.A., Luxembourg	100.0%
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.0%
Deka Investors Investment AG mit TGV, Frankfurt/Main	100.0%
Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main	100.0%
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.7%
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.9%
Deka-S-PropertyFund No.1 Beteiligungs GmbH & Co. KG, Frankfurt/Main	12.5%
HELICON Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	8.3%
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%
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.0%
Global Format GmbH & Co. KG, Munich	18.8%
True Sale International GmbH, Frankfurt/Main	7.7%
RSU Rating Service Unit GmbH & Co. KG, Munich	6.5%
SIZ Informatikzentrum der Sparkassenorganisation GmbH, Bonn	5.0%
Liquiditäts-Konsortialbank GmbH, Frankfurt/Main	2.1%

[1)] The shares are held directly or indirectly.

The Group has further holdings which are, however, of minor significance.

Administrative Board and Board of Management of DekaBank

(as of 2 April 2012)

Administrative Board

Heinrich Haasis
Chairman
President of the German Savings Banks and Giro Association e. V., Berlin, and of the German Savings Banks and Giro Association – public law entity, Berlin
Chairman of the General Committee

Helmut Schleweis
First Deputy Chairman
Chairman of the Management Board of Sparkasse Heidelberg, Heidelberg
First Deputy Chairman of the General Committee
Member of the Audit Committee

Thomas Mang
Second Deputy Chairman
President of the Savings Banks Association Lower Saxony, Hanover
Second Deputy Chairman of the General Committee
Chairman of the Credit Committee

Representatives elected by the Shareholders' Meeting

Michael Breuer
President of the Rhineland Savings Banks and Giro Association, Düsseldorf
Member of the Audit Committee

Dr. Johannes Evers
President of the Savings Banks Association Berlin and Chairman of the Management Board of Landesbank Berlin AG, Berlin
Deputy Chairman of the Credit Committee

Dr. Rolf Gerlach
President of the Savings Banks Association Westphalia-Lippe, Münster
Member of the General Committee
Chairman of the Audit Committee

Volker Goldmann
Chairman of the Management Board of Sparkasse Bochum, Bochum

Gerhard Grandke
Managing President of the Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main
Member of the General Committee

Reinhard Henseler
Chairman of the Management Board of Nord-Ostsee Sparkasse, Flensburg

Walter Kleine
Chairman of the Management Board of Sparkasse Hannover, Hanover
Member of the Credit Committee

Beate Läsch-Weber
President of the Savings Banks Association Rhineland-Palatinate, Budenheim
Member of the Audit Committee

Harald Menzel
Chairman of the Management Board of Sparkasse Mittelsachsen, Freiberg
Member of the General Committee

Hans-Werner Sander
Chairman of the Management Board of Sparkasse Saarbrücken, Saarbrücken
Member of the Credit Committee

Eugen Schäufele
Chairman of the Management Board of Kreissparkasse Reutlingen, Reutlingen
Member of the Audit Committee

Siegmund Schiminski
Chairman of the Management Board of Sparkasse Bayreuth, Bayreuth
Member of the Audit Committee

Peter Schneider
President of the Savings Banks Association Baden-Wuerttemberg, Stuttgart
Member of the General Committee

Georg Sellner
Chairman of the Management Board of Stadt- und Kreis-Sparkasse Darmstadt, Darmstadt
Deputy Chairman of the Audit Committee

Dr. Harald Vogelsang
President of the Hanseatic Savings Banks and Giro Association and Spokesman of the Management Board of Hamburger Sparkasse AG, Hamburg

Johannes Werner
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

Alexander Wüerst
Chairman of the Management Board of Kreissparkasse Köln, Cologne
Member of the General Committee

Theo Zellner
President of the Savings Banks Association Bavaria, Munich
Member of the General 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
Member of the General Committee

Roland Schäfer
Mayor of the City of Bergkamen and President of the German Association of Towns and Municipalities, Berlin

Employee Representatives appointed by the Staff Committee

Michael Dörr
Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Heike Schillo
Savings Banks Sales South Germany, DekaBank Deutsche Girozentrale, Frankfurt/Main

(End of the term of office: 31 December 2013)

Board of Management

Franz S. Waas
Chairman (until 2.4.2012)

Oliver Behrens
Acting Chairman (from 2.4.2012)

Dr. Matthias Danne

Hans-Jürgen Gutenberger

Dr. h. c. Friedrich Oelrich

Executive Managers

Manfred Karg

Osvin Nöller

Thomas Christian Schulz

Fund-related committees

(as of 1 March 2012)

Business division Asset Management Capital Markets

Advisory Board Asset Management Capital Markets Retail

Jochen Brachs
Chairman of the Management Board of Sparkasse Hochschwarzwald, Titisee-Neustadt

Gerhard Döpkens
Chairman of the Management Board of Sparkasse Gifhorn-Wolfsburg, Gifhorn

Wilfried Groos
Chairman of the Management Board of Sparkasse Siegen, Siegen

Markus Groß
Chairman of the Management Board of Sparkasse Neunkirchen, Neunkirchen

Arendt Gruben
Chairman of the Management Board of Sparkasse Schwarzwald-Baar, Villingen-Schwenningen

Manfred Herpolsheimer
Chairman of the Management Board of Sparkasse Leverkusen, Leverkusen

Michael Horn
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Reinhard Klein
Deputy Spokesman of the Management Board of Hamburger Sparkasse AG, Hamburg

Hans-Peter Knoblauch
Chairman of the Management Board of Sparkasse Salem-Heiligenberg, Salem

Dr. Harald Langenfeld
Chairman of the Management Board of Stadt- und Kreissparkasse Leipzig, Leipzig

Matthias Nester
Chairman of the Management Board of Sparkasse Koblenz, Koblenz

Wolfgang Pötschke
Chairman of the Management Board of Sparkasse zu Lübeck AG, Lübeck

Dr. Birgit Roos
Member of the Management Board of Stadtsparkasse Düsseldorf, Düsseldorf

Werner Schmiedeler
Chairman of the Management Board of Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach

Harald Strötgen
Chairman of the Management Board of Stadtsparkasse München, Munich

Patrick Tessmann
Member of the Management Board of Landesbank Berlin AG, Berlin

Heinz-Dieter Tschuschke
Chairman of the Management Board of Sparkasse Meschede, Meschede

Axel Warnecke
Member of the Management Board of Taunus Sparkasse, Bad Homburg v. d. H.

Guest

Werner Netzel
Executive Member of the Management Board of the German Savings Banks and Giro Association e. V., Berlin

(End of the term of office: 31 December 2014)

Advisory Board Asset Management Capital Markets Institutional

Michael Beck
Member of the Management Board of Sparkasse Essen, Essen

Christian Bonnen
Member of the Management Board of Kreissparkasse Köln, Cologne

Michael Bott
Chairman of the Management Board of Sparkasse Waldeck-Frankenberg, Korbach

Frank Brockmann
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

Walter Fichtel
Deputy Chairman of the Management Board of Kreissparkasse München Starnberg Ebersberg, Munich

Bernd Gurzki
Chairman of the Management Board of Sparkasse Emden, Emden

Joachim Hoof
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

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

Günter Rauber
Chairman of the Management Board of Sparkasse Wolfach, Wolfach

Hubert Riese
Member of the Management Board of Kreissparkasse Eichsfeld, Worbis

Arthur Scholz
Chairman of the Management Board of Sparkasse Vogtland, Plauen

Christoph Schulz
Chairman of the Management Board of Braunschweigische Landessparkasse, Brunswick

Rolf Settelmeier
Chairman of the Management Board of Stadtsparkasse Augsburg, Augsburg

Hans-Joachim Strüder
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Carl Trinkl
Chairman of the Management Board of Kreissparkasse Ostalb, Aalen

(End of the term of office: 31 December 2014)

Co-operation Board Insurance

Gerhard Müller
Chairman
Chairman of the Management Board of SV SparkassenVersicherung Sachsen, Dresden

Helmut Späth
Deputy Chairman
Deputy Chairman 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

Hermann Kasten
Deputy Chairman 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

Barbara Schick
Member of the Management Board of Versicherungskammer Bayern, Munich

Manfred Steffen
Member of the Management Board of ÖSA – Öffentliche Versicherungen Sachsen-Anhalt, Magdeburg

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 December 2012)

Corporate Bodies of Subsidiaries – Business Division AMK

Deka Investment GmbH

Supervisory Board

Oliver Behrens
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Heinz-Jürgen Schäfer
Offenbach

Board of Management

Thomas Neiße
Chairman
Frank Hagenstein
Thomas Ketter
Andreas Lau
Victor Moftakhar
Dr. Ulrich Neugebauer
Dr. 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

Dr. Matthias Danne
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Rainer Mach
Managing Director of DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Rainer Mach
Managing Director
Wolfgang Dürr
Patrick Weydert

Deka(Swiss) Privatbank AG

Administrative Board

Oliver Behrens
President
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Alfred Schwarzenbach
Vice-President
Company Director, Erlenbach

Gabriele Corte
Head of Institutional Partnerships, Lombard Odier & Cie. Zürich, Zurich

Hans-Jürgen Gutenberger
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Richard Nahmani
Partner of the Privé Holding and Chairman of the Management Board of Lombard Odier & Cie. Zürich, Zurich

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Antonio Sergi
Former Member of the Management Board of Banca del Gottardo, Lugano

Board of Management

Michael Albanus
Dr. Andreas Suter

Business division Asset Management Property

Advisory Board Asset Management Property

Andrea Binkowski
Chairwoman of the Management Board of Sparkasse Mecklenburg-Strelitz, Neustrelitz

Toni Domani
Member of the Management Board of Sparkasse Regen-Viechtach, Regen

Peter Dudenhöffer
Deputy Chairman of the Management Board of Sparkasse Germersheim-Kandel, Kandel

Michael Grüninger
Chairman of the Management Board of Sparkasse Stockach, Stockach

Manfred Hegedüs
Chairman of the Management Board of Sparkasse Allgäu, Kempten

Lothar Heinemann
Chairman of the Management Board of Stadt-Sparkasse Solingen, Solingen

Jürgen Hösel
Chairman of the Management Board of Kreissparkasse Peine, Peine

Johannes Hüser
Chairman of the Management Board of Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück

Jürgen Kiehne
Chairman of the Management Board of Sparkasse Burgenlandkreis, Zeitz

Dirk Köhler
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

Heinrich-Georg Krumme
Chairman of the Management Board of Sparkasse Westmünsterland, Dülmen

Dr. Herbert Müller
Chairman of the Management Board of Sparkasse Pforzheim Calw, Pforzheim

Mike Stieler
Chairman of the Management Board of Sparkasse Sonneberg, Sonneberg

Dr. Hariolf Teufel
Chairman of the Management Board of Kreissparkasse Göppingen, Göppingen

Ulrich Voigt
Member of the Management Board of Sparkasse KölnBonn, Cologne

Jürgen Wagenländer
Member of the Management Board of Sparkasse Schweinfurt, Schweinfurt

Reinhold Wintermeyer
Deputy Chairman of the Management Board of Sparkasse Oberhessen, Friedberg

Rudolf Zipf
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

(End of the term of office:
31 December 2014)

Corporate Bodies of Subsidiaries – Business Division AMI

Deka Immobilien GmbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hans-Jürgen Gutenberger
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Ulrich Bäcker
Burkhard Dallosch
Torsten Knapmeyer
Thomas Schmengler

Deka Immobilien Investment GmbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Wolfgang G. Behrendt
Burkhard Dallosch
Torsten Knapmeyer
Dr. Albrecht Reihlen

WestInvest Gesellschaft für Investmentfonds mbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Burkhard Dallosch
Torsten Knapmeyer
Mark Wolter

Business division Corporates & Markets

Corporate Bodies of the Subsidiary – Business Division C&M

ETFlab 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

Steffen Matthias
Consultant, Berlin

Board of Management

Andreas Fehrenbach
Chairman
Rolf Janka

Savings Banks Sales

Regional Fund Committees for Savings Banks

Regional Fund Committee for Savings Banks North/East I

Erzgebirgssparkasse, Aue
Kreissparkasse Anhalt-Bitterfeld, Bitterfeld-Wolfen
Die Sparkasse Bremen AG, Bremen
Sparkasse Chemnitz, Chemnitz
Ostsächsische Sparkasse Dresden, Dresden
Sparkasse Oder-Spree, Frankfurt (Oder)
Sparkasse Mittelsachsen, Freiberg
Sparkasse Gifhorn-Wolfsburg, Gifhorn
Sparkasse Göttingen, Göttingen
Sparkasse Vorpommern, Greifswald
Saalesparkasse, Halle (Saale)
Hamburger Sparkasse AG, Hamburg
Sparkasse Harburg-Buxtehude, Hamburg
Sparkasse Hannover, Hanover
Sparkasse Hildesheim, Hildesheim
Sparkasse Westholstein, Itzehoe
Förde Sparkasse, Kiel
Sparkasse LeerWittmund, Leer
Sparkasse Leipzig, Leipzig
Sparkasse zu Lübeck AG, Lübeck
Sparkasse Lüneburg, Lüneburg
Stadtsparkasse Magdeburg, Magdeburg
Sparkasse Emsland, Meppen
Sparkasse Osnabrück, Osnabrück
Sparkasse Vogtland, Plauen
Mittelbrandenburgische Sparkasse in Potsdam, Potsdam
Sparkasse Meißen, Riesa
Sparkasse Schaumburg, Rinteln
Sparkasse Mecklenburg-Schwerin, Schwerin
Salzlandsparkasse, Staßfurt
Kreissparkasse Syke, Syke
Sparkasse Uelzen Lüchow-Dannenberg, Uelzen
Kreissparkasse Verden, Verden
Sparkasse Burgenlandkreis, Zeitz
Sparkasse Zwickau, Zwickau

Regional Fund Committee for Savings Banks North/East II

Stadtsparkasse Bad Pyrmont, Bad Pyrmont
Stadtsparkasse Barsinghausen, Barsinghausen
Kreissparkasse Bautzen, Bautzen
Kreissparkasse Bersenbrück, Bersenbrück
Bordesholmer Sparkasse AG, Bordesholm
Spar- und Leihkasse zu Bredstedt AG, Bredstedt
Kreissparkasse Wesermünde-Hadeln, Bremerhaven
Sparkasse Bremerhaven, Bremerhaven
Sparkasse Jerichower Land, Burg
Stadtsparkasse Burgdorf, Burgdorf
Kreissparkasse Grafschaft Diepholz, Diepholz
Sparkasse Elmshorn, Elmshorn
Sparkasse Emden, Emden
Sparkasse Goslar/Harz, Goslar
Stadtsparkasse Hameln, Hameln
Sparkasse Münden, Hann. Münden
Sparkasse Hennstedt-Wesselburen, Hennstedt and Wesselburen
Sparkasse Hohenwestedt, Hohenwestedt
Sparkasse Wittenberg, Lutherstadt Wittenberg
Kreissparkasse Melle, Melle
Sparkasse Mecklenburg-Strelitz, Neustrelitz
Sparkasse Nienburg, Nienburg
Kreissparkasse Grafschaft Bentheim zu Nordhorn, Nordhorn
Kreissparkasse Osterholz, Osterholz-Scharmbeck
Sparkasse Parchim-Lübz, Parchim
Kreissparkasse Peine, Peine
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 Westmünsterland, Ahaus und Dülmen
Sparkasse Bad Hersfeld-Rotenburg, Bad Hersfeld
Taunus Sparkasse, Bad Homburg
Sparkasse Rhein-Nahe, Bad Kreuznach
Sparkasse Mittelmosel – Eifel Mosel Hunsrück, Bernkastel-Kues
Sparkasse Bielefeld, Bielefeld
Kreissparkasse Köln, Cologne
Stadt- und Kreis-Sparkasse Darmstadt, Darmstadt
Sparkasse Paderborn-Detmold, Detmold and Paderborn
Sparkasse Düren, Düren
Stadtsparkasse Düsseldorf, Düsseldorf
Sparkasse Duisburg, Duisburg
Sparkasse Mittelthüringen, Erfurt
Sparkasse Essen, Essen
Sparkasse Oberhessen, Friedberg
Sparkasse Fulda, Fulda
Sparkasse Gera-Greiz, Gera
Sparkasse Gießen, Gießen
Kreissparkasse Groß-Gerau, Groß-Gerau
Sparkasse Hagen, Hagen
Sparkasse Hanau, Hanau
Sparkasse Starkenburg, Heppenheim
Sparkasse Herford, Herford
Kreissparkasse Steinfurt, Ibbenbüren
Kasseler Sparkasse, Kassel
Sparkasse Koblenz, Koblenz
Sparkasse Lemgo, Lemgo
Sparkasse Leverkusen, Leverkusen
Sparkasse Mainz, Mainz
Rhön-Rennsteig-Sparkasse, Meiningen
Kreissparkasse Schwalm-Eder, Melsungen
Sparkasse Minden-Lübbecke, Minden
Sparkasse am Niederrhein, Moers
Sparkasse Mülheim an der Ruhr, Mülheim an der Ruhr
Sparkasse Münsterland Ost, Münster
Sparkasse Neuwied, Neuwied
Sparkasse Vest Recklinghausen, Recklinghausen
Kreissparkasse Saarlouis, Saarlouis
Sparkasse Langen-Seligenstadt, Seligenstadt
Sparkasse Siegen, Siegen
Stadt-Sparkasse Solingen, Solingen
Sparkasse Trier, Trier
Sparkasse Wetzlar, Wetzlar
Nassauische Sparkasse, Wiesbaden
Sparkasse Worms-Alzey-Ried, Worms
Stadtsparkasse Wuppertal, Wuppertal

Regional Fund Committee for Savings Banks Mid II

Kreissparkasse Altenkirchen, Altenkirchen
Sparkasse Arnsberg-Sundern, Arnsberg
Sparkasse Wittgenstein, Bad Berleburg
Stadtsparkasse Bad Oeynhausen, Bad Oeynhausen
Sparkasse Beckum-Wadersloh, Beckum
Sparkasse Bensheim, Bensheim
Sparkasse Bottrop, Bottrop
Sparkasse Burbach-Neunkirchen, Burbach
Stadtsparkasse Delbrück, Delbrück
Wartburg-Sparkasse, Eisenach
VerbundSparkasse Emsdetten·Ochtrup, Emsdetten
Sparkasse Odenwaldkreis, Erbach
Sparkasse Erwitte-Anröchte, Erwitte
Verbandssparkasse Goch-Kevelaer-Weeze, Goch
Sparkasse Grünberg, Grünberg
Sparkasse Gütersloh, Gütersloh
Stadt-Sparkasse Haan (Rheinl.), Haan
Herner Sparkasse, Herne
Kreissparkasse Saarpfalz, Homburg
Sparkasse Jena-Saale-Holzland, Jena
Sparkasse Kamen, Kamen
Sparkasse Germersheim-Kandel, Kandel
Kreissparkasse Kusel, Kusel
Kreissparkasse Limburg, Limburg/Lahn
Kreissparkasse Mayen, Mayen
Sparkasse Meschede, Meschede
Sparkasse Neunkirchen, Neunkirchen
Sparkasse Olpe-Drolshagen-Wenden, Olpe
Sparkasse Radevormwald-Hückeswagen, Radevormwald
Stadtsparkasse Rahden, Rahden
Stadtsparkasse Remscheid, Remscheid
Sparkasse Rietberg, Rietberg
Kreissparkasse Saalfeld-Rudolstadt, Saalfeld
Kreissparkasse Schlüchtern, Schlüchtern
Stadtsparkasse Schmallenberg, Schmallenberg
Sparkasse Sonneberg, Sonneberg
Sparkasse Sprockhövel, Sprockhövel
Sparkasse Stadtlohn, Stadtlohn
Sparkasse Unna, Unna
Stadtsparkasse Versmold, Versmold
Sparkasse Werl, Werl
Verbands-Sparkasse Wesel, Wesel
Stadtsparkasse Wetter (Ruhr), Wetter

Further Members Mid I + II

Rhineland Savings Banks and Giro Association, Düsseldorf
Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main and Erfurt
Savings Banks Association Rhineland-Palatinate, Budenheim
Savings Banks Association Westphalia-Lippe, Münster
Savings Banks Association Saar, Saarbrücken

Regional Fund Committee for Savings Banks South I

Kreissparkasse Ostalb, Aalen and Schwäbisch Gmünd
Sparkasse Amberg-Sulzbach, Amberg
Vereinigte Sparkassen Stadt and Landkreis Ansbach, Ansbach
Sparkasse Bayreuth, Bayreuth
Kreissparkasse Biberach, Biberach
Kreissparkasse Böblingen, Böblingen
Sparkasse Kraichgau, Bruchsal
Sparkasse Dachau, Dachau
Stadt- und Kreissparkasse Erlangen, Erlangen
Kreissparkasse Esslingen-Nürtingen, Esslingen
Sparkasse Bodensee, Friedrichshafen and Konstanz
Sparkasse Fürstenfeldbruck, Fürstenfeldbruck
Kreissparkasse Göppingen, Göppingen
Sparkasse Heidelberg, Heidelberg
Kreissparkasse Heilbronn, Heilbronn
Sparkasse Karlsruhe Ettlingen, Karlsruhe
Sparkasse Allgäu, Kempten
Kreissparkasse Ludwigsburg, Ludwigsburg
Sparkasse Rhein Neckar Nord, Mannheim
Sparkasse Memmingen-Lindau-Mindelheim, Memmingen
Sparkasse Altötting-Mühldorf, Mühldorf
Stadtsparkasse München, Munich
Sparkasse Neumarkt i. d. OPf.-Parsberg, Neumarkt
Sparkasse Neu-Ulm - Illertissen, Neu-Ulm
Sparkasse Offenburg/Ortenau, Offenburg
Sparkasse Pforzheim Calw, Pforzheim
Kreissparkasse Ravensburg, Ravensburg
Kreissparkasse Reutlingen, Reutlingen
Kreissparkasse Rottweil, Rottweil
Sparkasse Schwäbisch Hall - Crailsheim, Schwäbisch Hall
Sparkasse im Landkreis Schwandorf, Schwandorf
Sparkasse Niederbayern-Mitte, Straubing
Baden-Württembergische Bank, Stuttgart
Sparkasse Tauberfranken, Tauberbischofsheim
Kreissparkasse Tuttlingen, Tuttlingen
Sparkasse Schwarzwald-Baar, Villingen-Schwenningen
SWN Kreissparkasse Waiblingen, Waiblingen
Sparkasse Hochrhein, Waldshut-Tiengen
Sparkasse Mainfranken Würzburg, Würzburg

Regional Fund Committee for Savings Banks South II

Sparkasse Berchtesgadener Land, Bad Reichenhall
Sparkasse Bühl, Bühl
Sparkasse im Landkreis Cham, Cham
Sparkasse Deggendorf, Deggendorf
Kreis- und Stadtsparkasse Dinkelsbühl, Dinkelsbühl
Sparkasse Engen-Gottmadingen, Engen
Sparkasse Forchheim, Forchheim
Sparkasse Freising, Freising
Kreissparkasse Freudenstadt, Freudenstadt
Sparkasse Freyung-Grafenau, Freyung
Sparkasse Gengenbach, Gengenbach
Sparkasse Haslach-Zell, Haslach im Kinzigtal
Kreissparkasse Heidenheim, Heidenheim
Kreissparkasse Höchstadt a. d. Aisch, Höchstadt/Aisch
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
Kreissparkasse München Starnberg Ebersberg, Munich
Sparkasse Markgräflerland, Müllheim and Weil/Rhein
Sparkasse Neuburg-Rain, Neuburg
Vereinigte Sparkassen Eschenbach i. d. OPf. Neustadt a. d. Waldnaab Vohenstrauß, Neustadt/Waldnaab
Sparkasse Regen-Viechtach, Regen and Viechtach
Sparkasse Rothenburg o. d. T., Rothenburg
Sparkasse Schopfheim-Zell, Schopfheim
Stadtsparkasse Schrobenhausen, Schrobenhausen
Sparkasse Singen-Radolfzell, Singen
Sparkasse St. Blasien, St. Blasien
Sparkasse Staufen-Breisach, Staufen
Sparkasse Stockach, Stockach
Sparkasse Schönau-Todtnau, Todtnau
Kreis- und Stadtsparkasse Wasserburg am Inn, Wasserburg/Inn
Sparkasse Oberpfalz Nord, Weiden
Sparkasse Wolfach, Wolfach

Further Members South I + II

Savings Banks Association Bavaria, Munich
Savings Banks Association Baden-Wuerttemberg, Stuttgart

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, the advisory/management and asset management mandates as well as advisory from the master fund.

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 from the ratio of total expenses (excluding restructuring expenses) to total income (before risk provision) in the financial year.

Credit default swap (CDS)
A credit default swap is a credit derivative for trading default risks on loans, bonds or borrower names. Normally, the protection buyer pays a regular (often quarterly or half-yearly) fee and when the credit event defined on contract conclusion takes place, e.g. default on a payment due to the insolvency of the borrower, the protection buyer receives a compensation payment from the protection seller. The CDS is similar to a loan insurance transaction and gives banks and other investor groups a flexible instrument for trading credit risks and hedging portfolios.

ECA cover
Cover for receivables under export credit agreements provided by a state-organised export credit agency (ECA). With regard to export financing, DekaBank focuses on ECA-covered business.

Economic result
As a central control variable, together with economic risk, the economic result forms the basis for risk/return management in the DekaBank Group and is, in principle, determined in accordance with IFRS accounting and measurement policies. As well as net income before tax, the economic result includes changes in the revaluation reserve before tax as well as the interest rate and currency related valuation result from original lending and issuance business, which are not recognised in the income statement under IFRS but are, however, relevant for assessing the income situation. The economic result is therefore a control variable on an accrual basis whose high level of transparency enables recipients of the external financial reporting to consider the company from the management perspective.

Equity method
The shares in associated companies or joint ventures are included in the consolidated balance sheet when they have a material impact on acquisition costs. In subsequent years, the equity figure carried in the balance sheet is updated by the Group share of changes in the associated company's equity. The proportional net income of the relevant company is posted to the consolidated income statement as income from equity investments.

Exchange traded fund (ETF)
Exchange traded investment fund, which is usually managed passively and often reflects a market index (index fund). ETFs are suitable for implementing different investment concepts and they facilitate targeted strategies, such as core-satellite investments, reporting portfolios as liabilities and interest management. They offer added value, particularly for institutional investors.

Exposure
In the monitoring of credit risks, exposure is understood as the sum of all risk positions involved in the transactions of an economic borrower group with the constituent partners.

Fair value
The amount at which an asset is exchanged between knowledgeable, willing parties in an arm's length transaction or the amount at which a liability can be paid. Depending on the case in question, the value concept is fleshed out by measures of value, such as market value, or in the absence of such a benchmark, by internal valuation models.

Fair value hedge
This primarily concerns fixed-interest items (e.g. loans or securities) that can be hedged against changes in fair value by derivatives.

Fund assets (according to BVI)
Fund assets according to BVI comprise the fund assets of the mutual and special funds and funds-of-funds as well as the master fund. Direct investments in co-operation 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.

Funding matrix (FM)
The funding matrix divides the incoming and outgoing cash flows from all transactions into maturity bands based on maturity dates for all portfolios and adds these to the net payment flows. This is compared to the liquidity potential and forms the balance.

Fund-of-funds
Investment funds that invest indirectly in securities, i.e. via other funds. The investment policy of funds-of-funds is mostly geared to the steady reproduction of a certain portfolio structure on the basis of a defined chance/risk profile.

Goodwill
In a shareholding acquisition or a company takeover, the difference arising from offsetting the acquisition cost against the fair value of assets and liabilities is called goodwill.

Hybrid capital
Mixed form of borrowed capital and equity making it possible to find an optimum position in balancing interests between the desire to assume risk and the constraints placed on corporate management. Typical representatives of hybrid capital are secondary loans, silent capital contributions or participating certificates.

IFRS (International Financial Reporting Standards)
In addition to the standards designated as IFRS, "IFRS" also includes the existing International Accounting Standards and the interpretations of the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC), as well as the Standards and Interpretations to be published by the IAS Board in the future.

Impairment
Unplanned write-down of asset values such as goodwill, receivables and property, plant and equipment due to anticipated decline in value of the corresponding assets.

MaRisk (German minimum requirements for risk management)
Mandatory requirement by the German Federal Financial Supervisory Authority (BaFin) for the risk management practices of German credit institutions. As the supervisory authority, BaFin provides concrete details regarding Section 25a Para. 1 of the German Banking Act (KWG) in the minimum requirements for risk management.

Master KAG
An investment company functioning as a specialised service KAG (capital investment company) in which it outsources portfolio management tasks for individual mandates to various external asset managers but prepares a consistent series of reports for institutional investors. This enables institutional investors to bundle all their administered assets with a single investment company.

Multi asset fund
Mixed fund which invests in a broad mix of different asset classes – for example, equities, fixed-interest securities and commodities – and uses a comprehensive range of instruments, such as direct investments, funds and derivatives. The portfolios of fund products can therefore be aligned with the most attractive investment options in the various market phases.

Net funds inflow (according to BVI)
Difference between the funds inflow from the sale of units and the outflow from the redemption of units. Unlike net sales performance, this figure does not include the funds of cooperation partners or advisory/management and asset management mandates. However, the net sales from own investments and fund-of-funds are taken into account in the net funds inflow.

Net sales performance
Performance indicator of sales success. This results essentially from the total of direct sales of mutual and special funds, fund-based asset management, the funds of co-operation partners and the master fund, advisory/management and asset management mandates. Sales generated through own investments are not taken into account.

Non-core business
Positions from credit and capital market business that are not suitable for Asset Management or to release synergies with Asset Management constitute non-core business. At the DekaBank Group, these positions have been separated internally. They are reported separately from core business and reduced while safeguarding assets at the same time.

OR claim
From the standpoint of the DekaBank Group, an OR claim is an unintended event which is associated with a negative change in assets (payment-related amounts, internal use of resources and/or opportunity costs) and which primarily results from the materialisation of an operational risk.

Payments to the alliance partners
Payments made by the DekaBank Group to the savings banks and Landesbanken. These include the transfer of the front-end load from the sale of funds as well as the corresponding sales performance compensation, asset management fee and sales commission.

Primary/secondary cover potential
The primary cover potential is composed of the annual net income contribution, IFRS balance-sheet equity and atypical silent capital contributions. The secondary cover potential consists of subordinated debt capital positions that can also be used to cover primary liabilities.

Primary/secondary market
The primary market (otherwise known as the new issue market) is the capital market for the initial issue of securities. Trading of issued securities, especially bonds and shares, occurs on the secondary market (usually in organised trading on securities exchanges).

Rating
Standardised creditworthiness/risk assessment of companies, countries or the debt instruments that they issue based on standardised qualitative and quantitative criteria. From a bank's point of view, the result of the rating process provides the basis for establishing the probability of default, which must in turn be incorporated in calculating equity requirements for the credit risk. Ratings can be issued by the bank itself (internal ratings) or by specialised rating agencies such as Standard & Poor's or Moody's (external ratings).

Ratio of intra-alliance business
Proportion of DekaBank Group products in the total fund sales of the savings banks and *Landesbanken* as a measure of acceptance in the *Sparkassen-Finanzgruppe*.

Repo/lending transactions
Repo transactions are repurchase agreements (securities repurchase agreements). As part of repo transactions, securities are sold and at the same time repurchase is agreed at a fixed date and price stipulated ex ante. Securities lending involves lending securities for a specific period of time in return for payment. In some cases, the lender makes securities available.

Residential mortgage-backed securities (RMBS)
Securities collateralised by the cash flows from a mortgage or a pool of mortgages on residential property.

Return on equity (RoE)
Economic result divided by equity including atypical silent capital contributions. The RoE also reflects the payment of interest on capital provided by shareholders.

Revaluation reserves
Revaluation reserves include fair value valuation effects from financial instruments in the available for sale category and deferred tax effects, while not affecting net profit.

Scenario analysis
A scenario analysis focuses on the material risks identified during the self-assessment and uses tree diagrams to provide a detailed description and analysis. In particular, risk indicators need to be taken into account, which facilitate the derivation of ideas for the active management of operational risks.

Securities finance
Covers all repo and securities lending transactions as well as securities lending substitute transactions with derivatives. Repos are repurchase agreements concluded as part of a repurchase agreement transaction (securities repurchase agreement). Under a repo, securities are sold and an agreement is reached at the same time to repurchase them on a fixed date at a price defined ex ante. In securities lending transactions, securities are loaned for a limited period of time in return for a fee. If necessary, the borrower furnishes collateral.

Self-assessment
Within the scope of the DekaBank Group's scenario-based self-assessment, assessors regularly identify operational risks on a structured basis in the form of loss scenarios and, using interval estimates, assess the probability of those scenarios occurring as well as the amount of the loss.

Sensitivities
Sensitivities are ratios which reflect changes in market value in response to the change in an individual risk factor.

Sensitivity-based Monte Carlo simulation
Method used to determine the value-at-risk. As part of this approach, the portfolio-related risk factors are simulated as random (stochastic) processes. The variations in the risk factors are assumed to be on the basis of normal distribution, although they also reflect historically observed correlations between risk factor changes.

Spread
Difference between the purchase price and the selling price of certain financial products (e.g. foreign currency, certificates, futures etc.).

Sustainability
DekaBank uses the definition of the term by the World Commission on Environment and Development, a United Nations organisation, from 1987 as the guiding principle of its activities relating to developing a sustainable business model: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Syndication/syndicated loan
A loan collectively awarded by a group of banks (consortium), otherwise known as a consortium loan. Syndication provides an opportunity for several banks to share the overall risk involved in a loan.

Utilisation of risk-bearing capacity
Indicator of the relationship between the group risk (business, market price, credit, shareholding, property, property fund risk and operational risk) and the cover potential.

Value-at-risk (VaR)
The VaR of a portfolio identifies the maximum possible 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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