Security creates confidence

Annual Report 2008
DekaBank Group

Olympia Partner Deutschland

Finanzgruppe

DekaBank

DekaBank Group at a glance

Business development indicators		31.12.2008	31.12.2007	Change %
Total assets	€m	138,609	106,482	30.2
Assets under management (AMK and AMI)	€m	142,456	165,201	– 13.8
of which: Asset Management Capital Markets (AMK)	€m	123,515	147,476	– 16.2
of which: Asset Management Property (AMI)	€m	18,941	17,725	6.9
Number of securities accounts	thousand	5,024	5,205	– 3.5
		1.1.–31.12.2008	**1.1.–31.12.2007**	
Net sales (AMK and AMI)	€m	1,938	12,447	– 84.4
of which: Asset Management Capital Markets (AMK)	€m	520	12,434	– 95.8
of which: Asset Management Property (AMI)	€m	1,418	13	(> 300)
Performance indicators				
Total income	€m	880.4	1,213.6	– 27.5
of which: Net interest income	€m	390.5	203.0	92.4
of which: Net commission income	€m	958.5	984.5	– 2.6
Total expenses	€m	808.9	699.5	15.6
of which: Administrative expenses (incl. depreciation)	€m	808.2	692.1	16.8
Economic result	€m	71.5	514.1	– 86.1
Net income before tax	€m	– 49.2	523.8	– 109.4
Key ratios				
Return on equity [1]	%	2.2	17.4	– 15.2%-points
Cost/income ratio [2]	%	68.9	58.6	10.3%-points
Key regulatory figures		**31.12.2008**	**31.12.2007**	
Capital and reserves	€m	3,862	3,733	3.5
Core capital ratio (incl. market risk positions)	%	8.4	6.9	1.5%-points
Core capital ratio (excl. market risk positions)	%	10.5	8.5	2.0%-points
Total capital ratio	%	12.5	12.2	0.3%-points
Risk ratios				
Total risk-bearing capacity	€m	5,043	5,683	– 11.3
Group risk (value-at-risk) [3]	€m	3,292	2,392	37.6
Utilisation of risk-bearing capacity	%	65.3	42.1	23.2%-points
Non-guaranteed rating (short-term/long-term)				
Moody's		P–1/Aa2	P–1/Aa2	
Standard & Poor's		A–1/A	A–1/A	
Key employee figures				
Number of employees		3,920	3,553	10.3
Average number of positions occupied		3,355	3,089	8.6

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

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

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

Security creates confidence

Annual Report 2008
DekaBank Group

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

Foreword by the Board of Management

Dear Shareholders and Investors,

In year two of the financial market crisis, DekaBank has maintained its course despite the considerable turmoil in the capital markets. Unlike many other banks that suffered heavy losses or some that were even forced to abandon their business models as a result of the massive slump in confidence, the impact on the central asset manager for the *Sparkassen-Finanzgruppe* has been less severe.

In 2008, we made considerable progress towards our goal of being the number one in the German asset management market and closed the gap on our competitors. Pleasingly high gross sales in mutual funds contributed particularly to this advance. These not only indicate that the confidence of our sales partners, the savings banks and *Landesbanken,* and their customers in our products is intact, but also testify to the viability of our business model.

The DekaBank Group closed financial year 2008 with an economic result of €71.5m. This does not quite match our ambitious target, but is nonetheless satisfactory given the extremely difficult framework conditions.

The close cooperation between DekaBank and its partners in the *Sparkassen-Finanzgruppe* impressively proved itself once more in 2008. Along with the cooperative banks, the savings banks are the only group of banks in Germany that have not had any notable difficulties in coping with the repercussions of the financial market crisis and recession to date.

In this regard, the savings banks in Germany are benefiting from the high level of trust that people place in them. They are also reaping the benefits of having a central asset manager that delivers tailored solutions for their own business and that of their customers. Consequently, the *Sparkassen-Finanzgruppe* is repeatedly able to demonstrate its ability to act even in times of crisis, not least thanks to DekaBank.

It is the combination of two success factors that come together here to form our business model: the offer of a comprehensive product and service portfolio in asset management for savings banks, their customers and institutional investors as well as the provision and guarantee of liquidity at all times for funds and also for savings banks and *Landesbanken*. These tasks become extremely important in a market phase that calls for security and trust, just as they were 90 years ago when Deutsche Girozentrale was established with the task of equalising liquidity between regional clearing centres.

We also take account of our investors' need for security on the product side. This is why we are further expanding our offering in the guaranteed funds and retirement provisioning product segments. However, private investors are not just looking for security, but also for simple and transparent products. Our task is to develop tailored solutions that meet these needs and create added value for customers. The winners of the future will be those who are currently responding best to the change in markets, risk structures and customer expectations. Our ability to do this is reflected in our claim and is also documented in our mission.

With regard to the future, we are additionally well positioned in fund accounting and fund administration. Together with Allianz Global Investors, we achieved a milestone here in 2008 with the establishment of the joint venture Dealis Fund Operations GmbH. The new company, which commenced operations at the start of 2009, went from a standing start to the undisputed market leader in Germany with assets under management of more than €275bn.

We extended our portfolio of products and services for institutional customers in 2008 with exchange traded index funds which are launched by our subsidiary ETFlab Investment and precisely track key stock exchange indices. For public sector customers, we offer asset management services and expert advice from under one roof, the latter through our new acquisition Deka Kommunal Consult (formerly WestKC).

The impact of the financial market crisis on our industry, the economy and investor strategies is severe and will remain so in 2009 and beyond. But every crisis also offers opportunities. The past year has shown that DekaBank's business model is resilient even in times of crisis. This gives us, our partners in the *Sparkassen-Finanzgruppe* and our shared customers the security that is essential to build trust. "Security creates confidence" – is therefore also the motto for this year's Annual Report 2008.

Sincerely,

Franz S. Waas, Ph.D.

Oliver Behrens

Dr. Matthias Danne

Walter Groll

Hans-Jürgen Gutenberger

Dr. h. c. Friedrich Oelrich

You make safer progress, if you don't just rely on your own strengths.

As asset manager for the *Sparkassen-Finanzgruppe*, DekaBank is a central service provider in the largest financial network in the world. Its activities are based on a consistent, integrated business model: our banking operations have a high level of liquidity and provide comprehensive expertise and precisely-tailored services for the Asset Management business divisions. This is how we add value for our customers along the entire value-creation chain.

When the going gets tough, working together is the only way forward.

We have one goal, we are one bank. This is why the individual business divisions work hand in hand rather than in parallel. With the support of the financing side, the integration of capital market and property-based Asset Management consequently creates a broad spectrum of precisely-tailored product solutions for our customers.

Every challenge calls for experience. But also new solutions.

Private and institutional investors are used to us providing the right product – for every market phase and fine-tuned to suit every conceivable investment strategy. Consequently, our remit includes identifying capital market trends at an early stage and developing corresponding solutions. We are now in a particular market phase that demands particular answers. Solutions which are rapid, tailored and of high quality.

To build trust, you need a firm grasp and the ability to tackle difficult situations.

Money is the fuel of the global economy. Provided that it flows. We keep markets, companies and public sector bodies liquid through traditional lending and financing transactions, as well as the creation of liquid assets for asset management solutions. With its focused positioning in the capital market and experience and expertise in risk management, DekaBank is fit for the future.

We bear a dual responsibility: for our customers and for our sales partners.

The savings banks are our exclusive sales partners and have been since 1956. We are rightly proud of such a long-standing cooperation built on trust. This is why it is our duty but also our claim to offer the savings banks products that are attractive and effective in every market situation – both for them and their customers. The formula for our success: we pursue a rapid, expert and solution-oriented approach.

Trust is more precious than ever. Building it is part of what we do.

We believe in sophisticated risk management and control. Calculated risks are after all part and parcel of every bank's core business, whether in the customer portfolio or the bank's transactions for its own account. We ensure that these risks remain within strictly defined limits so that we can continue to operate, even in turbulent times. We only take on as much risk as we can bear – as is clearly reflected in the results presented in this Annual Report.

Group management report 2008

At a glance

In 2008, the global economy and more specifically the financial sector faced major challenges. The dramatic worsening of the financial market crisis, in particular in the weeks following the insolvency of US investment bank Lehman Brothers, put extraordinary pressure on the markets and brought the entire financial system to the brink of a systemic crisis. The decline in assets originating in the subprime segment of the US real estate market spread rapidly, affecting practically all segments of the money and capital markets. Due to the significant level of distrust among financial institutions, the interbank market and major sections of the capital market dried up. The resulting funding difficulties threatened the existence of many banks across the globe. This in turn fuelled the crisis of confidence further and seriously unsettled investors. It was only extensive government rescue packages and concerted efforts by the central banks which were able to prevent the collapse of the system as a whole.

Against the backdrop of a largely disrupted market for capital market credit products, an outflow from investment funds on a massive scale, especially during the critical month of October, and difficult market conditions for property funds, the DekaBank Group could not achieve its original income target. However, the positive economic result of €71.5m testifies to the stability of our business model in the most difficult circumstances. Our consistent risk management has proved particularly helpful in these extreme market conditions. As part of Group-wide risk and income management, the economic result, which largely reflects the financial instruments in terms of their market values, and the economic risk on the basis of our comprehensive risk-bearing capacity model represent central control variables. Together, the two management concepts ensure a high level of transparency and enable us to identify risks at an early stage and analyse changes in income even in difficult market conditions. We did not need to take recourse to the Special Fund for Financial Market Stabilisation (SoFFin) set up by the German government and this fact highlights the stability and strength of our business model.

As an integrated and innovative service provider, we offer a comprehensive product portfolio in asset management and make liquidity available at all times for the funds and our partners within the *Sparkassen-Finanzgruppe* (Savings Banks Finance Group). Consequently, we have provided the best possible support to the savings banks and their customers and contributed to maintaining the stability and liquidity of the finance group in times of turmoil.

Despite the financial market crisis, net sales of €1.9bn for 2008 on the basis of our sales activities remained in the positive range without matching the previous year's figure of €12.4bn.

In the Asset Management Capital Markets (AMK) business division, safety-oriented products such as bond funds, mixed funds and guaranteed funds performed particularly well, despite the crisis month of October. At the same time, multi-asset funds established themselves as an attractive new asset class. However, as a result of the financial market crisis, the expected positive sales impact ahead of the introduction of the final withholding tax did not materialise to the extent anticipated.

In the Asset Management Property (AMI) business division, our strategy of strictly apportioned and investor-specific issuance of new unit certificates proved successful once again in financial year 2008. Despite the pressured environment, the bottom line is a positive sales performance for open-ended mutual property funds with comfortable liquidity ratios. In property finance, growth in the lending volume was intentionally below the scheduled figure. Nevertheless, syndication was expanded as scheduled despite the difficult conditions in the market. New subsidiaries and representative offices abroad have strengthened the presence of AMI at international level.

The Corporates & Markets (C&M) business division actively pursued its role as service provider and provider of impetus for Asset Management as well as its function as liquidity provider to the savings banks and *Landesbanken*. The traditional loan portfolio was managed successfully based on a risk-aware approach. We used the high credit spreads and a portion of free liquidity for providing secured finance to counterparties with good credit-standing. This enabled us to achieve positive income contributions and safeguard these for the coming years. Conversely, market developments resulted in valuation discounts on capital market credit products in the Liquid Credits portfolio and made higher risk provisions necessary, which impacted heavily on the result for the business division. The launch of institutional business with exchange traded index funds (ETFs) in the year under review was in line with our expectations.

At Group level, net interest income was significantly up on the previous year while net commission income was slightly down, mainly as a result of lower commission on existing business given market conditions. With regard to net financial income, net trading income increased thanks in part to the sharp rise in repo/lending business as well as income contributions from the investment of free liquidity while non-trading financial income reflects the impact on the Liquid Credits portfolio as a result of the worsening of the financial market crisis.

In financial year 2009, DekaBank intends to introduce a series of new focal points into its proven business model. The plans in place include enhancing the range of AMK products for safe cash investments, establishing the new international AMI locations and expanding secured business and the repo/lending activities of C&M. The overriding objective remains to provide centralised services for the *Sparkassen-Finanzgruppe* by combining banking business with asset management, and offer professional support to its customers through every market phase. DekaBank is able to build on the continued high level of confidence placed in it by private and institutional customers and is well-positioned to recover asset losses recorded in 2008.

Profile of the DekaBank Group

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

Legal structure and corporate governance

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

The DekaBank Group strictly adheres to the principles of responsible company management. The corporate governance principles for Group management and supervision define clear and distinct responsibilities for boards and committees and promote rapid decision-making. The Board of Management, which comprises six members, has overall responsibility for managing DekaBank. The members of the Board of Management are supported by management committees at business division level and Sales. The objective is to ensure that all activities are closely integrated, which results in efficient investment management. DekaBank also integrates the expertise of the *Sparkassen-Finanzgruppe* into its decision-making via several advisory boards and sales committees. In mid 2008, the German capital investment companies within the DekaBank Group implemented the amended Investment Act by appointing external Supervisory Board members with extensive experience of the markets. This step has further strengthened the investor perspective of the Supervisory Boards.

The close cooperation of the Board of Management and Administrative Board is based on trust. The Administrative Board of DekaBank has 30 members in accordance with the Bank's statutes. These include representatives from the *Sparkassen-Finanzgruppe*, employee representatives and representatives from the *Bundesvereinigung der kommunalen Spitzenverbände* (German Federal Organisation of Central Municipal Organisations), the latter in an advisory capacity. The work of the Administrative Board is processed in part by the full Board and in part by various expert committees. To this end, the Administrative Board has formed the General Committee and the Audit Committee from its members.

The German Federal Minister of Finance has overall government responsibility.

Subsidiaries and locations

The business of DekaBank is managed from its head office in Frankfurt/Main. Most of the Group's capital investment and associate companies in Germany are also based here. In addition, WestInvest Gesellschaft für Investmentfonds mbH is based in Düsseldorf. Important banks in international financial centres include DekaBank Deutsche Girozentrale Luxembourg S.A. in Luxembourg and Deka(Swiss) Privatbank AG in Zurich. Business activities previously carried out in Ireland (capital investment company Deka International Ireland Ltd.) were relocated to Luxembourg in the year under review and business has now been pooled at Deka International S.A.

In addition to the established international locations in Luxembourg and Zurich, two companies were added in Tokyo in financial year 2008: Deka Immobilien k.k. which, in its capacity as a consulting firm, supports Deka Immobilien GmbH in Frankfurt in buying and selling property in the Asian market, and Deka Real Estate Lending k.k. which was established as a wholly-owned subsidiary of DekaBank and whose business operations once launched will focus on property finance in the Asian market. The DekaBank Group has representative offices in Vienna, Madrid, Milan and Paris. In financial year 2008, new locations included Amsterdam, Brussels, London and New York. Furthermore, DekaBank Advisory Ltd. was established in London to act as an arranger and consultant for public sector finance.

Together with the public sector insurance companies, DekaBank offers consultancy and services relating to company pension schemes via its associated company, S Pensions-Management GmbH in Cologne (shareholding: 50%). S Broker AG & Co. KG in Wiesbaden (DekaBank shareholding: 30.6%) is an online broker. Acquired in the reporting year, DKC Deka Kommunal Consult GmbH (the former Westdeutsche Kommunal Consult GmbH) in Düsseldorf provides advice to local authorities and public sector companies in Germany. ETFlab Investment GmbH, a subsidiary based in Munich, is responsible for the development, issue, marketing and management of the index funds (ETFs) launched in the reporting year.

Organisational structure, business divisions and product and service range

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

Asset Management Capital Markets business division (AMK)

Asset Management Capital Markets (AMK) provides all-round solutions for private and institutional customers in capital market-based asset management. This facilitates the implementation of precisely-tailored investment strategies that meet all market expectations and encompass the major asset classes. In total, more than 5 million custody clients in Germany, Luxembourg and Switzerland use the fund-based products and services. Alongside the funds and structured investment products of the DekaBank Group, the range of products offered also comprises products from the Bank's renowned international cooperation partners.

For private investors, AMK offers a wide range of investment funds. Currently, 618 mutual funds (including funds of funds) facilitate investment in the major asset classes, including equity, bond, money market and mixed funds as well as funds of funds, capital protected funds and any combination of these, sometimes in conjunction with guaranteed, discount and bonus structures. The spectrum covers basic products such as DekaFonds and RenditDeka as well as products that meet specific requirements, such as Deka-OptiCash for securities account optimisation. As at year-end 2008, the DekaBank Group's mutual securities funds ranked in second place in the German market in terms of fund assets according to BVI.

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

While retail sales of mutual funds are processed by the savings banks, DekaBank also maintains direct sales activities in institutional sales. AMK manages 366 special funds as well as 109 advisory, management and asset management mandates. The range of services also includes the Master KAG activities (123 mandates), which institutional customers can use to pool their assets under management with one investment company.

Private retirement pensions are also managed by AMK. The range of relevant products encompasses the fund-based Deka-BonusRente (Riester) and Deka-BasisRente (Rürup).

As at 1 January 2009, fund book-keeping and administration for Germany, previously based within the AMK business division, was combined in Dealis Fund Operations GmbH. Established together with Allianz Global Investors in the reporting year, this joint venture is the largest provider in the German market with assets under management in excess of €275bn. In addition to synergies and cost advantages, the joint venture offers DekaBank accelerated migration of functions to a new fund administration platform.

Asset Management Property business division (AMI)

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

In investment fund business, the focus is on the purchase, value-oriented development and sale of commercial property suitable for third party use in liquid markets. Within the business division, the subsidiary Deka Immobilien GmbH is responsible for the acquisition, sale and management of property as well as rental management, and product development. The two capital investment companies within AMI, WestInvest Gesellschaft für Investmentfonds mbH and Deka Immobilien Investment GmbH, focus on active fund management. The product range includes five open-ended mutual property funds, eight special property funds, two individual property funds and two real estate equity funds of funds. The individual property funds are not subject to the German Investment Act. They are managed in the legal form of a German joint stock company and are therefore very flexible in terms of their investment policy and investment format. Another open-ended mutual property fund, WestInvest ImmoValue, is available for the proprietary investment of the savings banks.

With combined fund assets (according to BVI) of €18.3bn as at the 2008 year-end, distributed across 400 properties in Germany and abroad, we are the market leader in Germany and one of the leading property asset managers in Europe. With a view to focusing on active asset management, the management of the 220 German properties (commercial and technical property management) was outsourced to Hochtief Property Management and Strabag in the year under review.

In parallel, Real Estate Lending benefits from the existing expertise on commercial property and is broadening direct access to key market players, also in the interest of the funds, by focusing on major international property investors. Finance was provided in the same property categories and in the same countries where fund activities are based. Lending was exclusively restricted to loans that are suitable for the capital markets and a major proportion of which can be passed on to institutional investors in the form of investment products.

The synchronised interaction of investment fund business and finance enhances earnings power and efficiency while significantly enhancing market access for the business division.

Corporates & Markets business division (C&M)

The lending, trading and sales activities of the Capital Markets and Treasury business (asset/liability management, liquidity management and funding) are grouped together in the Corporates & Markets (C&M) business division. C&M acts as an investor, structurer and manager of risk products and provides access to primary and secondary markets. In addition, the business division offers innovative capital market and derivatives solutions, creating the basis for targeted expansion of DekaBank's Asset Management offering. Moreover, C&M supplies the *Sparkassen-Finanzgruppe* with liquidity and funds lending via the money and capital markets.

The Credits sub-division generates credit assets via syndicated business and international direct customer business. Within the core asset classes, a distinction is made between special and project financing (Structured & Leveraged Finance), financing for transport, export and trade (Transport & Trade Finance) and financing of infrastructure (Public Infrastructure). The Credits sub-division is complemented by Public Sector Finance, which mainly comprises financing for German savings banks and local and regional authorities. We offer local authority customers of the savings banks comprehensive advisory services, including asset management services, via DKC Deka Kommunal Consult GmbH.

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

The Markets sub-division combines the strategic units for trading and sales activities, commission business and Treasury. C&M Sales was expanded in 2008 with a focus on Savings Banks Sales (custody account A management and refinancing), Institutional Sales (capital market-based supply for existing Deka Investment customers), Investor Sales (ideas and product supply to Deka Investment) and ETF Sales (privileged provider of the proprietary ETFlab product range and external ETF provider). Services encompass the asset classes of fixed income/bonds, money market (repo), credit and equities (cash/derivatives).

The C&M business division extended its product range for institutional investors inside and outside the *Sparkassen-Finanzgruppe* with the launch of passively-managed exchange traded index funds (ETFs) at the end of March 2008. While the ETFlab subsidiary is responsible for developing, setting up, selling and managing the products, market making, advisory and trading are pooled in the Linear Equity Risks and ETF Sales units at DekaBank in Frankfurt. The units work closely with Institutional Sales.

Trading activities centre on short term products (money market and securities finance), debt trading (bond, credit spread and interest rate derivatives trading) and share trading, in particular the expansion of derivatives business. The trading unit is rounded off by commission business, which comprises market price risk-free commission business relating to shares and bonds (including derivatives) on behalf and account of internal and external customers.

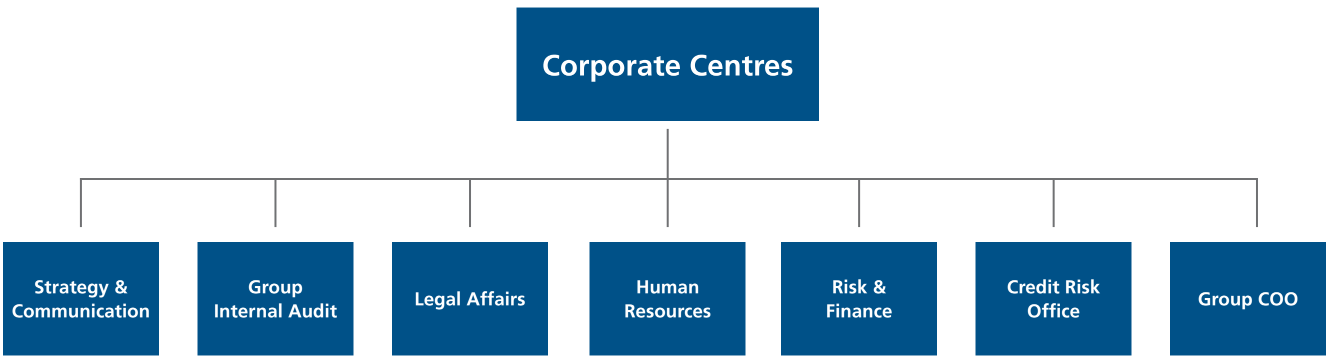
The Public Finance sub-division in Luxembourg was integrated into the C&M business division. This sub-division is developing diversified portfolios in the asset classes of Public Finance and Social Infrastructure (securitised and non-securitised loan receivables) as well as savings banks finance and linked with this, mortgage bond business based in Luxembourg (lettres de gage).

Savings Banks Sales and Corporate Centres

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

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

In the year under review, close cooperation between the Corporate Centres and the Group's other units has proved successful, especially in view of the worsening of the financial market crisis. For example, advisers in the savings



Corporate Centres *(Fig. 1)*

banks received prompt and comprehensive information via various communication channels, which they were then able to use effectively in meetings with customers.

Sustainability and social responsibility

DekaBank has responsibilities beyond its core business. In order to ensure that our business model is sustainable in the long term, we meet the challenges associated with global developments and our commercial decisions take into account environmental and social aspects.

Our comprehensive sustainability strategy is built on four central elements:

Sustainable banking and environmental management: DekaBank has set itself the task of providing services while protecting the environment and natural resources to the greatest possible extent. The Group has established environmental management procedures with a view to protecting natural resources. The environmental company audit in accordance with the valid standard (ISO 140001) for financial services providers essentially comprises five core areas: traffic, water, waste, energy and paper. This audit is a prerequisite for certification, as is an annual environmental assessment.

Sustainable HR management: In view of demographic changes, we attract highly qualified staff and ensure their loyalty to the Bank in the long term.

Sustainable banking products: DekaBank develops sustainable investment products, for example two sustainable funds of funds launched in January 2009. The Bank is also committed to advancing the development of environmental and social standards in financing, including to minimise the risk of damage to its reputation and default risks. Since the start of 2009, DekaBank has taken into account the Equator Principles as part of its project finance business. These principles encompass socially and environmentally responsible standards and are based on the relevant guidelines of the International Finance Corporation (IFC), a World Bank subsidiary. Against this backdrop, the existing negative list was extended to include any project finance that does not meet the requirements of the Equator Principles.

Social responsibility: As a corporate citizen, we are committed to social interests and create social capital through our comprehensive commitment to culture, sport, science and art. Our commitment is also aimed at benefiting our partners within the *Sparkassen-Finanzgruppe*.

Originally launched in cooperation with DekaBank and the German Museum of Architecture (DAM), the City of Frankfurt bestowed the International Highrise Award for the third time in November 2008. The award went to the Hearst Tower in New York and its architect, Lord Norman Foster. The proposals submitted were judged on the basis of efficiency criteria and urban integration, as well as sustainability aspects. The award was accompanied by the new series of Deka HighRise Lectures, as part of which architects who have designed high-rise buildings in Germany and abroad report on major international projects.

Our social commitment focuses on promoting contemporary art and science. We work closely with renowned arts and cultural institutions. Particularly notable is the Bank's collection of 21st century art which we again exhibited in 2008 during the days of corporate art collections in Hesse (Kunst privat!) and also showed for the first time at the Corporate Collections event in Luxembourg. The growing number of external visitors of our art collection highlights the interest shown by our alliance partners as well as interested experts. The external valuation of our art collection completed at the end of 2008 once again confirmed a significant increase in the value of works of art acquired by DekaBank.

Examples of DekaBank's social commitment in financial year 2008 include support for *Deutsche Krebshilfe e.V.* (German cancer charity) as the main sponsor of the Golf Charity Cup, which comprised 160 local tournaments across Germany, as well as for the Don Bosco Mission, which provides aid for refugees and war orphans in Africa. In addition, we implemented a large number of local measures suggested by employees as part of our *DekaBank – Engagiert vor Ort 2008* (DekaBank – making a local commitment in 2008) initiative.

Value-oriented strategy and management

Strategic focus of the DekaBank Group

DekaBank is the central asset manager for the *Sparkassen-Finanzgruppe*. It provides an extensive portfolio of solutions comprising Asset Management products and services for the savings banks and their customers, and makes liquidity and cross-divisional advisory services available to the *Sparkassen-Finanzgruppe*, using its extensive access to the capital markets. In all its services, DekaBank's claim is to be the partner of choice, **First Choice Deka**, for customers and sales partners. The Bank's business model closely integrates investment fund and capital market business, enabling DekaBank to offer asset management solutions tailored to individual requirement profiles from under one roof.

For the actual strategic implementation of the First Choice Deka claim to excellence, it is vitally important to pool the competences of the business divisions, Sales and the Corporate Centres in order to be able to offer integrated asset management from under one roof that is among the best in the market in terms of intelligent products and variety of asset classes. Our **One Deka** programme combines all the measures we use to further develop common potential along the value-creation chain and leverage earnings and cost synergies across the business divisions. Value creation stretches from acquiring attractive assets and investment options through structuring and enhancing these and placing them in the form of innovative products.

As **one** bank, we intend to provide investors with product solutions that enable them to implement individual investment strategies in all market scenarios and gear their portfolio to their own return expectations and risk affinity. This aim challenges us to identify capital market trends early and launch suitable innovative solutions in the market across all business divisions and asset classes within short development times.

With the **mission** developed in financial year 2008, we are anchoring our claim to be the integrated bank of choice in all units of the company. The mission sets the standard for employees in all Group units to continually improve their performance while ensuring customer focus and an all-round approach.

Strategy in the business divisions

Strategy in the AMK business division

The strategy in the AMK business division is geared to enhancing the contribution to added value for the *Sparkassen-Finanzgruppe* on an ongoing basis. It puts the needs of the savings banks and their advisers at the centre and covers all essential customer requirements using internal competences.

A key element of the Asset Management strategy is the continued development of the product portfolio. Based on the distinct structuring of core and specialist products, AMK intends to continually enhance product quality and fund performance, along with structuring the product range in line with customer requirements. This also involves the accelerated launch of innovative investment products, which, in the current market environment, is implemented with a focus on safe wealth accumulation. AMK will also be expanding its range of products for private and company retirement provision. With the help of these measures, the DekaBank Group aims to achieve a leading position in the market for mutual securities funds and consolidate its positioning among the top companies in fund-based asset management.

Furthermore, AMK is focusing on the expansion of Asset Management for institutional customers, in particular savings banks. Here, AMK continuously optimises its range of products and services. Institutional Sales now manages sales of the institutional products of all business divisions on a centralised basis. In cooperation with product specialists, Institutional Sales supports the savings banks in strategic issues, fund allocation, custody account and loan portfolio analysis as well as risk management.

Strategy in the AMI business division

The strategy in the AMI business division is based on the combination of Asset Management and Real Estate Lending. The available resources are used to buy, sell and manage property as well as for active property loan portfolio management.

On the strength of direct access to attractive property assets and investors in Germany and abroad, AMI ensures consistent product quality and reliable sales and income contributions. A particular focus of the business division is the expansion of its international presence. Since the fourth quarter of 2008, the new Deka Immobilien k.k. in Tokyo has been responsible for buying and selling property in Asia.

Deka Real Estate Lending k.k. was established as early as the second quarter of 2008 and has the relevant responsibility for property finance.

Property-based asset management

With regard to mutual property funds, AMI operates a strict stability-driven investment strategy. Investments focus primarily on core and core+ property with long-term rental income. At the same time, importance is attributed to balanced regional diversification.

With the exception of the ImmoValue fund of WestInvest, open-ended mutual property funds are consistently geared to private investors of the savings banks. Funds received from non-Group funds of funds and institutional investors are channelled into different types of investment. 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.

Furthermore, AMI has made all the necessary arrangements to promote property even more than in the past as a steady and tax-optimised asset class for institutional customers. This includes, for example, the development of property investments with alternative profiles such as the single sector funds in the WestInvest TargetSelect fund family.

Real Estate Lending

The strategic focus in Real Estate Lending within AMI is financing specific property types in countries in which the investment companies would also invest. The basic prerequisite for such financing is that the ability to access the capital markets is guaranteed in each case.

Strategy in the C&M business division

The C&M business division, which acts as a service provider and product innovator for Asset Management, plays a key role in the implementation of our integrated "One Deka" business model. In this respect, the savings banks and *Landesbanken* also benefit from DekaBank's strong liquidity and refinancing profile. In lending and capital market business, C&M is increasingly focusing on asset classes which could translate into attractive products for AMK and AMI. This is associated with the consistently implemented development process from traditional finance provider to credit investor and risk manager.

Following pleasing qualitative and quantitative growth in the Credits sub-division in 2008, C&M is only selectively taking on new commitments in the current difficult market environment. Alongside refinancing for the savings bank sector, the long-term focus is on financing international infrastructure investments, asset-backed financing, project financing and lending to companies with excellent credit standing. The aim is to integrate these with Asset Management. In particular, a proportion of suitable credit assets will be incorporated in special funds.

DekaBank's refinancing will be enhanced in future to include public sector mortgage bond issues (lettres de gage) on the basis of the Luxembourg Mortgage Bond Act. The set-up of the corresponding public finance activities has started. The future mortgage bond bank in Luxembourg will also make additional funding instruments and investment vehicles available to the *Sparkassen-Finanzgruppe*.

The portfolio of the Liquid Credits sub-division is being reduced significantly through active management and scheduled maturing of transactions.

In the Markets sub-division, C&M will continue to expand its offering in various product segments to precisely match the requirements of Asset Management and the *Sparkassen-Finanzgruppe*. This ensures an integral contribution to innovative solutions for private investors and institutional customers.

With regard to ETF index funds, the sub-division will focus on broadening its range of products, including by issuing bond index funds, in order to enhance its market position considerably. Processes and the structure will continually be adapted to the growing business.

Traditional equity business is being extended with the support of trading algorithms. Using these algorithms enables C&M to trade and coordinate higher volumes efficiently. With regard to expanding the derivatives offering via the derivatives platform launched in autumn 2007, the Markets sub-division will adopt a dual approach. On the one hand, the product range of equity derivatives will be expanded to meet the growing demand from Asset Management – especially in terms of guaranteed products – as well as from the savings banks and institutional customers. On the other hand, Markets will strengthen business based on bonds and interest rate and credit derivatives to offer institutional customers convincing fixed-income solutions from under one roof. This also represents an element of the planned expansion of the institutional customer platform with a focus on savings banks. Finally, Markets will further step up securities finance business with a focus on repo/lending and other activities relating to short term products, making optimum use of DekaBank's comfortable liquidity situation.

Strategy in Savings Banks Sales

Savings Banks Sales plays an important part in the Group's extensive market presence. It is the intermediary function between Asset Management and the customer advisers in the savings banks. Based on an in-depth understanding of end customer requirements, the Savings Banks Sales unit supports customer advisers in raising customer awareness of products, some of which are highly complex and require explanation, as well as the underlying trends.

Alongside providing prompt and transparent information about the financial market crisis to customer advisers and fund managers, another key aspect in financial year 2008 was DekaBank's participation in the savings banks' sales initiative *"1 Voraus 2008"* (One Step Ahead 2008). This included extensive training, some of which online, for customer advisers on tax-optimised investment products. More than three quarters of the savings banks took part in the initiative. This adviser training was flanked by a comprehensive marketing campaign about the final withholding tax. Although the inflow of funds was lower than expected as a result of the financial market crisis, the campaign contributed to raising the profile of the savings banks and DekaBank with investors.

Risk and profit management at the DekaBank Group

By consistently developing its business model, DekaBank intends to pursue sustainable and value-oriented growth, thereby achieving an appropriate risk/reward ratio in the long term as well as attractive return on equity. We use non-financial and financial performance indicators to measure our progress in this respect. Comprehensive reporting on the Group management indicates at an early stage whether strategic and operational measures are successful or if changes are required, and whether the risk/reward ratio is within the target range.

Non-financial performance indicators

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

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

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

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

- fund performance and fund rating to measure product quality;

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

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

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

In the AMI business division, the transaction volume is also monitored on the basis of property purchases and sales, as well as the rental income across all properties. Additional key indicators measure our success in Real Estate Lending, for example the new business result and the share of the credit volumes converted into investment products via syndication and other instruments.

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

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

Financial performance indicators

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

DekaBank's enterprise value is set to rise as a result of a sustained increase in the economic result. Together with economic risk, this key management variable forms the basis of Group-wide risk and profit management. The background to this is that given the mixed model approach, net income under IFRS is impacted by the different principles used for the valuation of the various assets and liabilities. As a result, not all income components that are required to assess the profit situation are taken into account. In addition to income before tax under IFRS, the economic result includes the relevant valuation result for financial instruments recognised directly in equity with no impact on profit or loss.

Other key indicators used are return on equity and the cost/income ratio. The total capital ratio in accordance with the Solvency Regulation (SolvV) and the core capital ratio are of primary importance for assessing the adequacy of the total amount of capital and reserves of the DekaBank Group. The Bank's total risk position is calculated on the basis of risk-bearing capacity. The DekaBank's Group risk and risk cover potential are determined as part of monthly analysis of the risk-bearing capacity.

Business development and profit performance

Economic environment

The financial market crisis dominated 2008 and worsened unexpectedly and dramatically over the course of the year. The real economy was unable to withstand the resulting pressure and many countries slid into a deep recession. Conditions for players in the securities markets were extremely difficult.

Financial market crisis and measures

The international financial market crisis worsened on an unprecedented scale in the year under review. Hopes that the worst of the consequences of the subprime crisis would be over at the end of 2007/beginning of 2008 were dashed as it became increasingly evident that the difficulties would affect the market throughout the rest of the year. As a result of the dislocations in the subprime segment of the US property sector, the markets recorded a sharp decline in the value of assets. Initially, this mainly affected securitised property loans below the investment grade, but the decline then rapidly spread to fixed-interest securities with a higher credit rating before affecting the equity markets in the form of serious price losses.

In the wake of these developments, banks and other financial services companies came under pressure across the board, including companies with no direct exposure to the US property market. With many financial institutions applying valuation allowances to their loan portfolios, a series of negative news reports followed in the financial sector. The imminent insolvency of Bear Stearns in March 2008 seemed to represent a temporary peak in the banking crisis. Bankruptcy, which would certainly have sent the market into disarray, could only be prevented by the significant joint efforts of J.P. Morgan and US central bank, the Fed.

The wave of depreciation amounting to billions at financial institutions continued unabated and eventually resulted in the US government being forced to develop an extensive rescue package for the country's financial industry. The crisis not only jeopardised the future of banks and broker firms: at the same time, government aid was required to save mortgage finance providers Fannie Mae and Freddie Mac from total collapse. Although the measures prevented direct payment default, a technical default was nevertheless triggered with the breach of agreed contractual terms and conditions. As a result, all credit default swap transactions (CDS) in the names of these two companies subsequently needed to be settled. Meanwhile, the anxiously anticipated knock-on effect on the counterparties concerned did not materialise, proving the strength of the settlement system in the CDS market. AIG, formerly the world's biggest insurance company, also required substantial support in the form of government funds. However, in this case technical default was averted so that AIG, an extremely important counterparty for credit market transactions, was spared from CDS settlement.

The news of the Lehman Brothers insolvency on 15 September 2008 sent the biggest shock waves through the markets. Since the TARP (Troubled Asset Relief Program) rescue programme was not yet in existence at this time, the US government was not in a position to prevent this insolvency.

Uncertainty about the extent to which individual banks were affected by the crisis resulted in a fundamental loss of confidence among banks and the refusal to grant unsecured interbank credit. Bond markets also largely ground to a halt. This tension in turn exacerbated the refinancing difficulties experienced by many banks and brought several financial institutions to the brink of collapse. When Lehman Brothers filed for bankruptcy protection in accordance with Chapter 11, highlighting serious systemic risks, lending between banks stopped almost entirely.

Monetary and financial policy responded promptly and categorically to hostility towards the overall economic stability and viability of the financial sector. Unlike the situation in the 1930s for example, comprehensive programmes to support the banking sector form the basis facilitating the financial sector's continued role as credit supplier to the economy in the ongoing phase of tidying up at the banks.

Resolved by the US Congress in October 2008, TARP enables an authority set up by the US Department of the Treasury to buy up ailing assets and supply equity up to a total volume of US$700bn. Shortly after the programme was launched, the governments of the EU member states also implemented comprehensive rescue measures for financial institutions, passing programmes which in most cases amounted to three-digit billion figures. In addition, short-selling was temporarily banned in a bid to stabilise the prices of shares of financial institutions.

In Germany, the federal government set up a Special Fund for Financial Market Stabilisation (SoFFin) worth €480bn to overcome the liquidity crisis and enhance the equity base of financial institutions based in the country. The special fund may grant guarantees for new bond issues and other liabilities of financial companies up to a total of €400bn. In addition, the special fund was provided with an amount of up to €70bn (plus a reserve of €10bn), earmarked for strengthening the core capital of financial institutions through a capital contribution and taking over risk positions. The government has made the granting of support measures relating to recapitalisation and risk assumption subject to certain restrictions. Several financial institutions have drawn on the Special Fund for Financial Market Stabilisation to date.

In order to counter the uncertainty among private households, the German government issued an additional government guarantee of up to €568bn in October 2008 for all savings deposits, term deposits and credit balances on current accounts. This contributed to preventing a withdrawal of funds from German banks on a massive scale. Nonetheless, the government guarantee for deposits resulted in abrupt, substantial outflows from investment funds in October 2008. This was caused by many investors erroneously categorising these as unsafe investments because they were not covered by the government guarantee when in actual fact they represent secured separate trust assets.

The *Sparkassen-Finanzgruppe*, and consequently DekaBank, were also affected by the outflow from funds – however, to a lesser extent than the market as a whole. On the deposits side, the savings banks recorded a pleasing inflow of funds in the midst of the crisis. The unrivalled stability of the world's largest financial network induced a large number of investors and savers to transfer their funds from private financial institutions to the savings banks.

Overall economic trends and monetary policy

The substantial worsening of the financial market crisis also became the decisive event of last year for the real economy. Following the dynamic start to the year, global growth increasingly lost momentum over the course of 2008. While the focus was initially on the slowdown of growth caused by the sharp rise in commodity prices, the second half of the year saw the full effect of the financial market crisis. As at the year-end, most industrialised nations found themselves in a recession and some of the economies of the emerging markets had cooled considerably. The particularly aggravating aspect of this crisis is the fact that all national economies have been affected at the same time and all market players – companies, consumers and investors – are well aware of the seriousness of the financial market crisis and recession. Given the wait-and-see attitude of consumers and investors, the crisis in the real economy has become dangerously self-perpetuating.

On average, the inflation-adjusted rate of growth in GDP for 2008 slowed down to 1.2% (previous year: 2.9%) in the European Union (EU 27). The German economy, which was still strong at the beginning of the year, was gradually affected more and more by the downward trend during the course of 2008. The counting out had already started as a result of the global inflation episode in the summer of 2008, which had a dampening effect on consumption and exports, but then the financial market crisis proved to be the decisive negative impetus that sent the German economy into recession. Heavily dependent on exports and domestic investment activity, the

German industry was especially hard hit. Showcase sectors, in particular, such as the automotive industry, mechanical engineering and the electrical industry suffered particular losses. The chemical industry has also been affected by weak exports and, as a manufacturer of intermediate products, also by lower demand from other sectors of the economy.

Accordingly, hope is focused more than ever on the contribution to stability made by sectors that are not, or only slightly, susceptible to economic developments, such as the food and construction industries and retail. The latter has also benefited from stable private consumption in the current recession. Sales-related problems experienced by numerous industrial sectors were reflected by the downturn in economic output in the second half of the year. Growth in GDP for the year as a whole amounted to 1.3% (previous year: 2.5%).

Despite the sudden decrease in the autumn, exports for the full year rose by 3.1% in 2008 (previous year: 7.5%). Consumption by private households remained low throughout the year, first because of the rise in food and energy prices, and then as a result of the loss in the value of assets in the wake of the financial market crisis coupled with rising fears of job losses. Even the marked deceleration in the rate of price increases in the fourth quarter of 2008, triggered mainly by the spectacular decrease in oil prices, provided no particular impetus for domestic demand.

The employment market continued to develop positively in 2008. Past experience has nevertheless shown that it generally responds to changes in the economy with some delay. On average, the number of unemployed amounted to 3.3 million in 2008, which is significantly lower than in the previous year (3.8 million). The number of people employed therefore exceeded the previous year's level by 1.5%. In line with the higher employment rate, disposable income recorded a notable rise of 2.5%. The savings rate increased from 10.8% to 11.4% of disposable income.

In order to cope with the financial market crisis and to support the economy, the central banks have made substantial volumes of liquidity available and cut key lending rates.

The Fed introduced several new facilities to provide the banking sector with liquidity, making it easier to access central bank funds. The European Central Bank (ECB) expanded its long-term refinancing transactions, in particular. Ahead of the ECB, the Fed started to support the banking system and real economy with lower interest rates. In several steps, it reduced the key lending rate by a total of over 4.0 percentage points to 0.0% to 0.25% in 2008. Due to the imminent risk of inflation, the ECB decided as early as July to increase the euro key lending rate by 0.25 percentage points to 4.25%. On 8 October 2008, key lending rates were then lowered by 50 basis points in each case in a concerted campaign involving six central banks, including the Fed and the ECB. The move was aimed at supporting the banking sector and shoring up the economy. With inflationary pressure easing, the ECB was able to make further cuts in the key lending rate of a total of 125 basis points on 6 November and 4 December to 2.50%. In January 2009, a further cut to 2.00% brought the interest rate down to its lowest level for more than five years.

In addition, many countries have passed economic packages or are planning to implement such measures. The volume of these programmes ranges from 0.5% in relation to GDP (Germany) to 14% (China). Consequently, government budgets will face considerable unscheduled charges in the coming years. However, we believe that these will be absorbed. The debt level of the G7 countries (excluding Japan) is currently around 60% in relation to GDP. Despite rising in the past few years, indebtedness in many countries remains far below historical highs. The rescue packages to support the financial system may temporarily result in significant expense risks for government budgets. Nevertheless, the nature of such programmes means that the final burden on the public sector will not be evident for a few years, in fact not until such time as the assets acquired under these programmes are sold again.

While not welcome, these setbacks in the effort to ensure sustainable government finance are necessary because there is no alternative. Based on past experience, the risk of self-perpetuating economic weakness is simply too great and the price to be paid in this case in terms of low growth rates, high unemployment and low tax income is too high for governments not to attempt a rescue.

Trends in capital markets

Early in the year, the stock markets were still in a euphoric state, despite depreciation results of an already worrying level at international banks and broker firms. The DAX was just below the 8,000 mark at the start of the year and returning to the historical high of 8,105 points of the summer of 2007 only seemed a question of time. However, the first shock for the stock markets came as early as mid January when the high trading losses of Société Générale were reported in the news. This was followed by more bad news from the banking sector. The temporary relief following the rescue of Bear Stearns, which was accompanied by a considerably recovery in the stock markets, lasted for a short while only. Finally, the shock of the Lehman insolvency almost entirely destroyed any remaining investor confidence in the banking system. As a result, the stock markets fell to lows not seen for several years.

At the end of the year, the DAX recorded 4,810 points and was down 40.4% at the close of trading. The losses on US stocks were slightly lower, while shares from the emerging markets lost even more of their value. The overall decrease was as surprising as the extreme intermittent volatility. On 13 October 2008, the DAX recorded its highest ever daily gain with a rise of 11.4%. However, October as a whole proved particularly devastating and on 6 October, the DAX saw more than 7% wiped off its value, the eight-highest daily loss in its history.

Developments in the capital markets were roughly a mirror image of share performance. Here, the levels seen in the last weeks of the year were comparable to those of the Great Depression of the 1930s. Credit indices such as the iTraxx Europe and CDX in the USA have only existed for a few years, but the risk premiums currently demanded for companies have already reached historical levels.

As a result of the drastic cuts in the key lending rate and in expectation of further interest rate steps, the interest rate-based markets have also witnessed various records. In the USA, yields on US Treasuries fell to historically low levels. Quotations for ten-year government bonds were close to 3% and yields on two-year paper were down to significantly below 1% for the first time. In Germany, interest rates also reached the lowest levels seen to date. For instance, ten-year federal bonds fell to below 3%, the lowest ever. Nevertheless, the direction of interest rates at the very long end of the market proved particularly dramatic. For example, the level of volatility in swap rates over the last few weeks of the year ended was unprecedented.

The yield gap between ten-year federal bonds and the short-term interest on three-month money widened in the course of the year. This slightly steeper trend in the yield curve was mainly caused by aggressive central bank policy, in other words low interest levels at the short end of the market. Although the risk of inflation was perceptible up to the middle of the year, capital market yields themselves did not produce the steepness of the curve. In summary, investors in the money and bond markets were in the best position, while more risky paper recorded significant losses.

Trends in currency and money markets
Up to autumn 2008, the effects of the ECB's monetary support measures were limited to three month EURIBOR, the applicable interest rate for unsecured interbank loans. The difference between the EUREPO secured money market interest rate and the EURIBOR rose to 184 basis points at its maximum (10 October 2008), but returned to 109 basis points by the end of the year. Despite this, interbank trade had far from normalised by the end of 2008, given that liquidity was primarily made available by central banks. These distortions in the money market coupled with high refinancing costs in the capital market resulted in high interest on deposits for commercial banks, in some cases over 5%.

In the first half of 2008, the euro rose continually against the US dollar, continuing the dynamic trend of the previous year. At US$1.603 for €1, the currency reached a new record high on 15 July 2008. At this point, the US central bank had already more than halved the key lending rates and announced further easing while the ECB was pursuing its policy of higher key lending rates aimed at countering inflation. When the ECB signalled a change of direction in August, the euro fell sharply to as low as US$1.23 per euro at the end of October. The euro was additionally weakened by the financial market crisis, which hit the eurozone with all its might in mid September and triggered the economic crisis. Volatility remained high until the end of the year. The euro temporarily returned to a value of US$1.47. This was thanks in part to the surprising extent of the interest rate cut announced by the Fed on 16 December 2008 and the transition to quantitative easing of monetary policy.

Trends in property markets
Compared with the economic slowdown in the early 1990s and at the start of this decade, the current crisis is affecting the rental market at a relatively favourable time. Firstly, the volume of newbuilds in Europe has remained largely moderate in recent years. Secondly, the current liquidity squeeze is likely to reduce developer activity and the number of properties being put on the market. Thirdly, rising employment figures had a stabilising effect on the demand for floor space in the eurozone up to summer 2008 and in Germany, this effect even continued into the autumn of 2008. However, this does not apply to the USA, where a reduction in jobs started at the beginning of 2008. Locations whose sector structure depends heavily on banks and financial

services providers have been affected particularly severely by the financial market crisis.

In Germany, the pleasing situation in the employment market boosted the office property market in the first half of 2008, with demand dwindling subsequently. Industrial companies and company-oriented service providers were the principal customers. In Düsseldorf, the proportion of space taken up by public sector was exceptionally high, while in Berlin and Hamburg providers of healthcare and social services made a significant contribution to the result. In Frankfurt, the credit crunch was reflected in demand behaviour but far less so than in other financial centres, for example London. Top rents continued to increase up to mid-year, although in the third and fourth quarter this was the exception.

The US property markets were at the centre of developments. Performance in the commercial sector was subject to far less dramatic changes compared with the residential property segment. The US office property markets recorded progressively rising vacancy rates. Given the rise in new construction, this affected locations outside city centres in particular, where the rate increased to 14.9%. Despite the overall decrease in demand, vacancy rates in inner city locations rose only moderately to 8.9%. While rent levels outside city centres remained fairly strong thanks to generally lower fluctuation there, owners of properties in inner city locations saw a sharp decline in rent for the second quarter in a row of around 9% on an accumulated basis.

The main consequences of the current crisis are felt in the investment markets. Up to the summer of 2008, demand from highly leveraged investors fell in particular. In the meantime, equity investors are also showing restraint. In addition, the slump in transaction volumes suggests that supply and demand are not matched at present. This often happens when suppliers fail to adjust their price expectations at the same pace as potential buyers. Falling prices in other asset classes, cut-backs of credit lines, the rise in liquidity and risk premiums, poor growth prospects for rents and the rising probability of loss of rent have substantially reduced the willingness of buyers and investors to pay.

Investor attitudes and sector development

According to our estimates, the financial assets held by private households in Germany were down by approximately 1% in 2008, representing the first decrease for six years. Although at around €130bn, in line with our forecast, the formation of financial assets was significantly higher than in the previous year, price losses in the equity and bond markets exceeded the rise. In terms of inflows, time deposits and savings bonds were the big winners in the crisis. This segment has been posting record inflows since the start of the crisis. Although investment funds were still popular in the first half, this growth melted away in the last few months of the year, particularly in October 2008. Nevertheless, funds are better positioned than direct investments in stocks and bonds. With regard to shares, portfolios are being reduced for the eighth year running. Following the poor performance in 2007, bonds are expected to record a further decrease.

Fewer investors than the sector expected used 2008 to optimise their portfolios in advance of the introduction of the final withholding tax on 1 January 2009. Up to September, sales of corresponding tax-optimised money market and bond funds had been driven by this factor. In October, investors returned fund units on a large scale. This was motivated by growing fears in the face of the escalating financial market crisis, which were fuelled by unclear government statements regarding government guarantees for deposits and especially the bankruptcy-proof special assets of investment funds. Money market funds, in particular, suffered as a result of the general loss of confidence. The sales-supporting effect of the final withholding tax factor was initially cancelled out by this. Demand for portfolio-optimising products was not boosted until the very last days of the year in view of the imminent introduction of the final withholding tax.

The number of shareholders and fund unit holders in Germany declined once again in 2008. The *Deutsches Aktieninstitut* (German Equities Institute, DAI) recorded an annual average of only 9.3 million shareholders and fund investors, which represents a decrease of around 1.0 million compared with 2007. This means that more than a quarter of German private investors have turned their backs on investments in equities since 2001. Both categories recorded similar losses as investors lost confidence in the stock markets. In 2008, the number of direct shareholders was down to 3.5 million after 4.0 million in the previous year. The retreat from fund investments was similar. In 2007, the number of fund unit holders totalled 7.9 million whereas the figure was down to an average of 7.1 million in 2008.

The fourth and highest subsidy level for Riester pension products was attained in 2008 and provided renewed impetus in terms of the general volume of retirement provisioning. Since the beginning of 2008, all "Riester savers" have received a basic additional contribution of €154 per year. There is also a children's allowance of €185 per annum for every child entitled to child benefit. The consequences of the financial market crisis did not, however, stop short of the market for retirement provision products, which was affected towards the close of 2008. Following a steady increase in the number of new Riester pension plans taken out in recent years, this trend collapsed in October 2008 in the wake of the financial crisis.

Business development and profit performance in the DekaBank Group

Overall assessment by the Board of Management

The fact that the DekaBank Group closed a year of market dislocations of historic proportions with a positive economic result can only be assessed as a success. It reflects the stability of our integrated business model, which combines asset management with capital market business. The charges arising from the negative valuation result from capital market credit products and higher risk provisions were partially compensated by the income contribution from the investment of free liquid funds.

With the considerable worsening of the financial market crisis, especially in the second half of the year, DekaBank could not, however, achieve its original income targets for financial year 2008. At €71.5m, the economic result fell significantly short of the previous year's figure of around €371m, which was net of the non-recurring factor of the proceeds from the sale of the Trianon complex of buildings. Decisive factors primarily included the high valuation discounts on the Liquid Credits portfolio, which resulted from the extreme widening of credit spreads. Moreover, existing risk provisions in the C&M business division needed to be increased.

New business in Asset Management developed positively in the first three quarters of the year. By the end of September 2008, net sales of AMK and AMI totalled €9.4bn. This represents an increase on the previous year's figure of €8.2bn, despite the financial market crisis. Nevertheless, the announcement by the German government of guarantees for bank deposits of private investors triggered a return of shares in volumes never seen before. Although DekaBank was less affected by this than many of its competitors, it eroded a major proportion of sales growth. Consequently, Asset Management generated a net amount of only €1.9bn in 2008 as a whole (previous year: €12.4bn).

Despite performance remaining below expectations, the DekaBank Group expanded its market share of mutual securities funds, thanks in part to the strong sales performance of the savings banks. Gross sales of AMK and AMI mutual funds amounted to around €52bn and were therefore almost at the previous year's level (around €55bn). This pleasing performance also confirms that DekaBank's products, which focus on stability and capital preservation, meet the requirements of private investors and institutional customers, particularly in the current market environment, and that demand for these products is correspondingly high.

The ratio of intra-alliance business, or the share of our products in fund sales of sales partners, remained at a stable and pleasing level of approximately 87% as in the previous year. In terms of payments to the alliance partners, which represent our added value contribution in respect of the savings banks and *Landesbanken*, we almost matched the previous year's record value of €1.13bn with €1.11bn. Both figures reflect that DekaBank continues to be rooted firmly in the *Sparkassen-Finanzgruppe*.

With regard to AMK and AMI assets under management, we recorded a sharp, yet largely price-related, decrease from €165.2bn to €142.5bn in the course of the year. Fund assets of the mutual securities funds according to BVI totalled approximately €103bn, enabling the DekaBank Group to maintain its positioning in second place in the German market. In terms of fund-linked asset management, we reinforced our leadership. In the segment of open-ended mutual property funds, we also remain the market leader by a comfortable margin.

Financial strength and guaranteed risk-bearing capacity at all times are major competitive factors that have gained in importance as a result of the financial market crisis. DekaBank maintained its strong ratings from the leading international agencies in financial year 2008. Moody's confirmed its Aa2 rating for long-term unsecured debt and Standard & Poor's endorsed its A rating, with both agencies stating a stable outlook.

Profit performance in the DekaBank Group

The DekaBank Group's economic result was largely affected by the negative valuation result for the capital market credit products of the Liquid Credits sub-division.

Overall, the economic result of the DekaBank Group amounted to €71.5m. This comprises a charge against net income from the negative valuation result for the above-mentioned capital market credit products totalling around €–709m. The economic result for the previous year amounted to €514.1m and included the positive income contribution from the sale of the Trianon complex totalling approximately €143m.

Income totalled €880.4m. At €390.5m, net interest income significantly exceeded the previous year's figure of €203.0m. In particular, net margin income from customer business in the C&M business division and AMI's Real Estate Lending made a strong positive contribution.

In view of capital market developments, we increased risk provisions considerably. Following the positive balance of €31.9m in the previous year, which resulted from the reversal of valuation allowances that were no longer required, net allocations of €–291.9m represent a significant charge against net income in financial year 2008. The decisive factor for the higher risk provision requirement was a commitment in Iceland against the backdrop of the financial market crisis.

Net commission income of €958.5m once again represented a positive and strong contribution, although it did not quite match the very high previous year's figure of €984.5m. The 2.6% decrease was caused by a downturn in commission from investment and fund business, while commission from banking business was up. Here, commission relating to existing business recorded a loss, in particular, reflecting the weak capital market performance as well as a further downturn in the margin quality of assets under management. The background to this is that comparatively high-margin products, such as equity funds and products relating to fund-based asset management, made a smaller contribution to net sales and assets under management given the risk aversion displayed by investors.

At €–123.6m, net financial income, which is composed of trading and non-trading positions, remained negative at the end of the year (previous year: €–169.9m) due to the above-mentioned marked negative valuation result from capital market credit products. Benefiting from substantial demand for short-term liquidity from top rated counterparties, short-term products trading (money market business, currency and repo trading) generated positive income contributions that partially compensated the negative trend. In addition, we achieved a positive impact on income by investing free liquidity at attractive margins.

Other operating profit amounted to €–53.1m compared with the previous year's figure of €164.1m, which was positively impacted by the income contribution from the Trianon sale.

Administrative expenses rose by 16.8% to €808.2m (previous year: €692.1m). Personnel expenses increased from €329.9m to €352.0m, representing a rise of 6.7%. This increase resulted from the significantly higher annual average number of posts filled following the reorganisation of the DekaBank Group. Operating expenses of €435.9m were up considerably on the previous year (€341.7m). The rise resulted mainly from investments in the Group's infrastructure launched in the previous year. The focus here was on the expansion of our product range as the central asset manager for the *Sparkassen-Finanzgruppe*. As part of this, we made targeted investments in the back office and risk management systems of the C&M business division. At €20.3m, depreciation was virtually at the previous year's level (€20.5m); (Fig. 2).

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

€m	2008	2007	Change	
Net interest income	390.5	203.0	187.5	92.4%
Risk provision	–291.9	31.9	–323.8	(<–300%)
Net commission income	958.5	984.5	–26.0	–2.6%
Net financial income	–123.6	–169.9	46.3	27.3%
Other income	–53.1	164.1	–217.2	–132.4%
Total income	**880.4**	**1,213.6**	**–333.2**	**–27.5%**
Administrative expenses (including depreciation)	808.2	692.1	116.1	16.8%
Restructuring expenses	0.7	7.4	–6.7	–90.5%
Total expenses	**808.9**	**699.5**	**109.4**	**15.6%**
Economic result	**71.5**	**514.1**	**–442.6**	**–86.1%**

Business development and profit performance in the AMK business division

AMK dealt well with the phase of extreme market jitters and dwindling investor confidence in financial year 2008 in general and specifically in October. Net funds outflows from mutual securities funds were below the sector average. Accordingly, market share rose slightly. Bond funds and capital protected funds performed particularly well. In contrast, we recorded outflows from money market funds and in fund-based asset management. In close cooperation with the savings banks, DekaBank confirmed its position as a reliable and trustworthy partner for private and institutional investors.

Net sales performance and assets under management

Despite the slump in October, the month of crisis, AMK's net sales performance amounted to €0.5bn (previous year: €12.4bn). Net funds inflow into mutual securities funds according to BVI, which is used for market comparisons, was in the negative range in the reporting period. The DekaBank Group accounted for around 17% of the funds outflow across the sector totalling €27.7bn. In terms of market positioning, the extent to which the mutual securities funds of DekaBank were affected by funds outflows was therefore below average.

Uncertainty among investors in the wake of the financial market crisis and the sharp decline in prices on the stock markets resulted primarily in a negative sales performance for equity funds. However, compared with the previous year (€–4.1bn) outflows were limited to €–1.2bn.

In the first nine months of the year, our money market funds still recorded clearly positive figures. Demand for the Deka-OptiCash fund was particularly high here. In October 2008, driven by the government guarantee for deposits, funds outflows from money market and bond funds totalled almost €5bn. Subsequently, invested sums were increasingly moved into bank deposits. However, as early as November, the trend started to stabilise noticeably again. Thanks in part to the strong sales performance of the savings banks and *Landesbanken*, bond funds achieved substantial funds inflows in the last two months of the year.

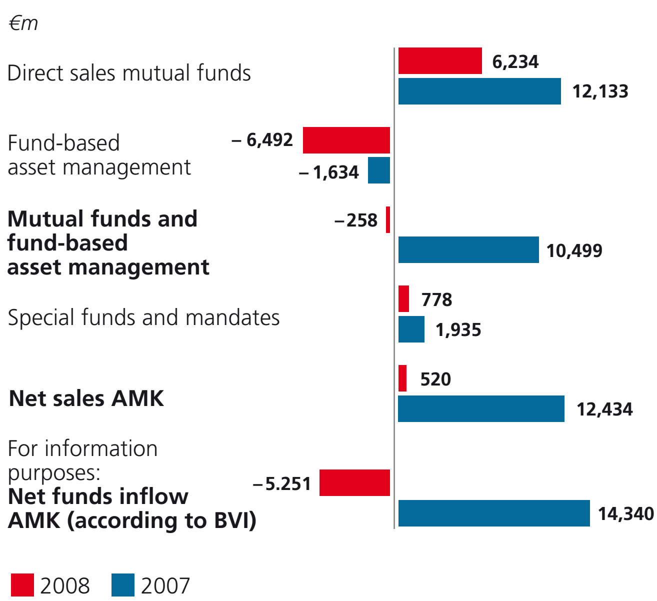
In view of the final withholding tax, new investor money was placed, in particular, in the fixed-term funds of the Deka-OptiRent series over the course of the year. These funds are currently invested mainly in discount and index certificates, secured by options, and are performing well despite the capital market turmoil. On an aggregated basis, the various guaranteed funds also recorded a positive net sales performance. Nevertheless, the marketing campaign in relation to the final withholding tax did not produce the expected sales growth overall.

With regard to asset classes, we succeeded above all in expanding multi asset fund (MAF) business. In particular, the safety-oriented variant based on a total return approach attracted many investors. As at year-end 2008, we managed as many as 59 MAF mandates, which represents an increase of 28 on the figure recorded 12 months earlier.

In terms of fund-based asset management, a drive to step up sales in the difficult market conditions did not generate the intended growth. Funds outflows rose compared with the previous year (€–1.6bn) to €–6.5bn, an almost four-fold increase. This development reflects the high level of uncertainty among investors. The funds outflows were mainly attributable to the sales performance of the Sparkassen-DynamikDepot. However, funds of funds also fell short of expectations.

Net sales performance of the special securities funds and mandates overall failed to match the previous year's level. Funds inflows relating to the advisory/management mandates (€1.7bn) and Master KAG mandates (€3.2bn) were countered by funds outflows from special funds totalling €–4.1bn (Fig. 3).

AMK sales performance *(Fig. 3)*



Assets under management of mutual funds and in fund-based asset management decreased from €108.0bn to €88.8bn over the course of the year. Of this, €82.3bn (previous year: €94.4bn) was attributable to owned mutual funds. In fund-based asset management the volume of assets under management was down to €27.1bn, representing a decrease of 34.9% on the previous year's figure of €41.6bn. In summary, DekaBank maintained its positioning as No. 2 in the market for mutual securities funds and was also even able to expand its market share in terms of fund assets according to BVI from 19.8% at the end of 2007 to 20.9%.

Assets under management in special funds and relating to advisory/management mandates (excluding Master KAG mandates) diminished by €4.8bn to €34.7bn compared with the 2007 year-end. The decline in assets was attributable in approximately equal shares to sales and performance (Fig. 4).

Expanded offering

In financial year 2008, DekaBank launched a series of new fund products and expanded its offering, especially in the segments of capital protected and mixed funds. This meets the heightened requirements from customers for safe investments and the high demand for investment instruments for market phases characterised by weak performance and high volatility.

Key product launches related to guaranteed funds. These offer attractive yield opportunities while guaranteeing preservation of the paid-in capital at the end of the investment period of several years. Accordingly, they target investors who attach particular importance to the safety aspect.

The successful Deka-WorldGarant series was continued with two additional product variants. Investors participate in the performance of a share index basket which covers the world's key economic regions. Deka-WorldTopGarant 1 and 2, also newly launched in the market, guarantee capital preservation at the end of every investment period as well as the highs achieved by the underlying share basket during the six-year investment period. To this end, the average values are established for each quarter. DekaStruktur: Garant is a new guaranteed fund concept which combines guaranteed preservation of capital with active asset management on the basis of broad regional diversification of investments in equity funds.

Assets under management AMK *(Fig. 4)*

€m	31.12.2008	31.12.2007	Change	
Equity funds	15,586	29,723	–14,137	–47.6%
Capital protected funds	5,814	4,374	1,440	32.9%
Bond funds	30,899	28,592	2,307	8.1%
Money market funds	24,982	27,118	–2,136	–7.9%
Other mutual funds	5,039	4,616	423	9.2%
Owned mutual funds	**82,320**	**94,423**	**– 12,103**	**– 12.8%**
Partner funds, third party funds/liquidity in fund-based asset management	5,193	11,170	–5,977	–53.5%
Partner funds from direct sales	1,296	2,361	–1,065	–45.1%
Mutual funds and fund-based asset management	**88,809**	**107,954**	**–19,145**	**– 17.7%**
Special securities funds	25,980	31,730	–5,750	– 18.1%
Advisory/management mandates	8,726	7,792	934	12.0%
Special funds and mandates	**34,706**	**39,522**	**–4,816**	**–12.2%**
Assets under management AMK	123,515	147,476	–23,961	–16.2%
For information purposes:				
Fund assets – mutual funds AMK (according to BVI)	102,591	128,485	–25,894	–20.2%
Fund assets – special funds AMK (according to BVI)	41,804	46,708	–4,904	–10.5%

In addition to the guaranteed products, investors also showed interest in funds based on discount and bonus structures. The Deka-BonusStrategie 3y fund, set up in June 2008, invests in bonus structures on a European share index. The investors are still in profit even if the underlying index loses up to 40% of its value as at the time the fund was set up. The Deka-DiscountStrategie 5y and Deka-DeepDiscount 2y (III) funds, launched in January and October respectively, generate additional income through a discount strategy and offer investors a comfortable buffer without their having to forego the chance of rising prices.

In terms of equity funds, we enhanced our offering by including the Deka-Convergence Small MidCap fund, which exploits the opportunities offered by economic convergence of Central and Eastern Europe with the European industrialised nations and invests mainly in second-tier stock. The new Deka-Recovery fund enables investors to make targeted investments in the shares of sound companies whose share prices have come under significant pressure and which therefore offer corresponding recovery potential.

We expanded our portfolio of retirement pension products with the launch in January 2008 of Deka-BasisRente, the first fund-based offering of "Rürup" pensions, which links the benefits of a state-subsidised investment with the yield opportunities of an optimised asset structure. Investors can choose between a growth-oriented and a safety-oriented investment concept.

Fund performance and rating

In an extremely difficult market environment, the DekaBank funds as a whole did not continue the previous year's performance. Only 23% of the equity funds (previous year: 74%) outperformed their relevant benchmark. With regard to bond funds, the proportion of outperformers reduced to 30% (previous year: 40%). At the 2008 year-end, 28% of our funds received a top rating from Morningstar, compared with a proportion of more than 30% one year earlier.

Important accolades confirmed the quality of our asset management and fund products once again in 2008. A major achievement was winning the *"Aufsteiger des Jahres"* (Rising Star of the Year) accolade at the €uro Fund Awards 2008. This resulted from the fact that 11 Deka investment funds received the prestigious fund awards, a considerable improvement on the previous year. At the Morningstar Awards ceremony in Vienna, DekaBank was named winner in the "Energy Stocks" sector and also came second in the "Small Fixed Income Fund House" ranking in Austria. At the Lipper Fund Awards Germany 2008, DekaBank was ranked first in three different investment categories.

In January 2009, business magazine Capital named Deka Investment top investment company for the first time, giving it the highest score of five stars in all five categories judged. Only 9 of the 100 investment companies assessed achieved this top rating. DekaBank convinced the judges with the quality of its equity, bond and mixed funds over different periods of time as well as with a very good result in the management category.

Our company retirement pension products also received awards. The Deka-ZeitDepot for long-term savings based on depositing salary components in long-term notice accounts and lifetime working hours accounts was awarded the quality mark of "recommended without qualification" for the second time by the *Fuchsbriefe* sector service. Praise was given, in particular, for the precisely-tailored product range and the service provided in terms of management and advice provided to individual employees. Customers include major conglomerates as well as SMEs and very small businesses.

Profit performance in the AMK business division

The €221.2m contribution by the AMK business division to the Group's economic result was down on the previous year's level (€319.5m).

The main reason for this was the decrease in net commission income, which was affected by the substantial turmoil in the financial markets. After €736.4m in the previous year, the figure for the year under review amounted to €665.3m. This reflects the high level of sensitivity to the markets. A key component of net commission income is portfolio-related commission. Alongside the weaker sales performance and a price-driven reduction in assets under management, the poorer margin structure of the portfolio of existing business also impacted negatively on portfolio-related commission.

Other income amounted to €–56.2m (previous year: €–17.6m) and is largely attributable to negative income effects of start-up costs for newly launched funds (€–29.9m) and impairment of a shareholding (€–14.6m).

Administrative expenses in the AMK business division were reduced by 2.5% to €387.7m (previous year: €397.8m). The AMK business division more than compensated for the slight increase in costs in connection with making our fund book-keeping systems future-proof and stepping up sales activities by achieving a reduction in costs, particularly in custody business (Fig. 5).

Business trend and profit performance in the AMI business division

The AMI business division performed well in the difficult market environment during the reporting year, achieving an increase in the economic result on the adjusted previous year's figure net of the proceeds from the Trianon sale. The restriction of sales of open-ended mutual property funds to fixed limit quotas coupled with the consistent focus on private investors has paid off. In terms of the year as a whole, net sales performance and assets under management rose and even in the severely affected month of October 2008, the reduction was below the sector average. Over the course of the full year, mutual property funds recorded comfortable liquidity ratios and used developments in the property markets to make targeted purchases. With very positive development in the market for properties to let, vacancy rates were reduced across the board, almost without exception. In Real Estate Lending, new business was limited deliberately. The resultant effects on income were more than compensated by higher margins.

Net sales performance and assets under management

Following the relatively balanced net sales performance in the previous year, the AMI business division was back on course for controlled growth in the year under review. Net sales performance amounted to €1.4bn, of which approximately €1.3bn was attributable to mutual property funds. The real estate private equity fund of funds launched at the end of April 2008 also made a perceptible contribution to net sales with €117m.

The high level of demand for open-ended mutual property funds with an international focus, in particular, would have facilitated a far higher sales performance. Nevertheless, as was already the case in the previous year, the focus was on ensuring the profitability of the funds and liquidity management. The quotas for the Deka-ImmobilienEuropa, Deka-ImmobilienGlobal and WestInvest InterSelect funds were already completely exhausted in the first six months of 2008. Many savings banks also utilised the option of using returned units in the second half of the year towards a replacement quota. The quotas for funds which are geared more towards Germany were only partially used, despite general conditions being better in Germany.

The consistent exclusion of institutional capital from our open-ended mutual property funds has proved particularly successful in times of crisis. While some German capital investment companies were forced to suspend acceptance of returned units in October 2008 in order to secure

AMK profit performance *(Fig. 5)*

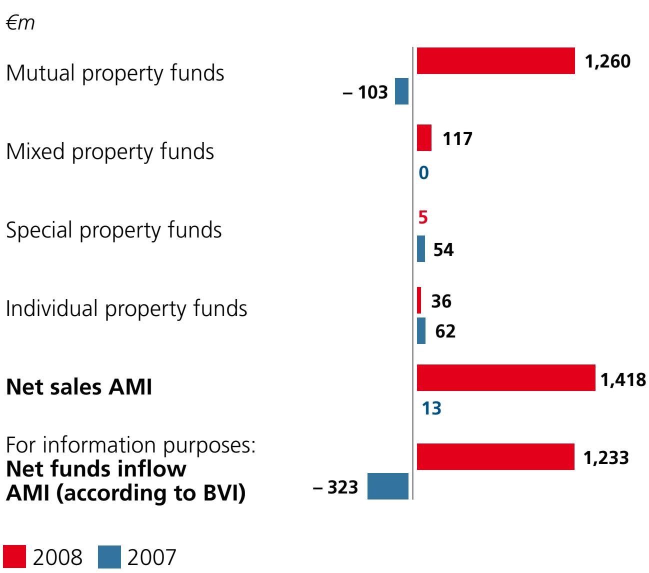
€m	2008	2007	Change	
Net commission income	665.3	736.4	−71.1	−9.7%
Other income	−56.2	−17.6	−38.6	−219.3%
Total income	**609.1**	**718.8**	**−109.7**	**−15.3%**
Administrative expenses (including depreciation)	387.7	397.8	−10.1	−2.5%
Restructuring expenses	0.2	1.5	−1.3	−86.7%
Total expenses	**387.9**	**399.3**	**−11.4**	**−2.9%**
Economic result	221.2	319.5	−98.3	−30.8%

their own liquidity supply, the DekaBank Group products remained open without interruption. Here, outflows remained significantly below the sector average. The absolute liquidity ratios for the DekaBank Group's open-ended mutual property funds were reduced according to schedule compared with the 2007 year-end. This means that they were within, or slightly above, the target range.

Since the Group's competitors suffered higher outflows of funds in 2008 as a whole, AMI was able to further strengthen its leading market position. In addition to net sales, the good performance also made a contribution towards this achievement.

With regard to special property funds and individual property funds for institutional investors, we achieved balanced net sales. In the third quarter of 2008, WestInvest TargetSelect Logistics was the first fund from the TargetSelect series to be launched. The hotel fund and retail fund were scheduled for imminent launch at the end of 2008 (Fig. 6).

AMI sales performance *(Fig. 6)*



Assets under management in mutual property funds totalled €17.2bn at the year-end (previous year: €16.0bn). On the basis of fund assets according to BVI, the market share increased from 19.2% to 20.4%. Overall, assets under management rose by €1.2bn to €18.9bn (Fig. 7).

In the wake of the financial market crisis, property prices everywhere fell sharply over the course of the year. The AMI funds exploited the greater financial leeway offered with a high level of quota utilisation, acquiring some properties with attractive yield potential. However, the key concern was to guarantee that investors would be able to return their units at all times.

In the UK for example, the property market provided an increasing number of attractive opportunities throughout the year. The Deka-ImmobilienGlobal fund invested in an office property in London while Deka-ImmobilienEuropa acquired two mixed-use office and shop buildings in London as well as a retail property in Cambridge. After a long period of time, the Japanese market also became more attractive again from early 2008 onwards. Here, the Deka-ImmobilienGlobal fund invested in the German Centre for Industry and Trade in Yokohama as well as in two properties located in Osaka. In addition, the fund invested in Santiago de Chile for the first time and expanded its portfolio in Mexico.

WestInvest InterSelect took on measured commitments in Central and Eastern Europe, including properties in Warsaw, Kaunas (Lithuania) and Vienna. We acquired two retail properties in Turku via WestInvest ImmoValue, entering the Finnish market. The first acquisition of the WestInvest TargetSelect Logistics fund was a development project in Schwerte. All transactions were handled on a centralised basis by Deka Immobilien GmbH.

Expanded offering

In financial year 2008, AMI expanded its range of funds by adding two attractive new products. In this context, AMI made use of the wider scope offered by the new Investment Act.

A real estate private equity fund of funds launched in April 2008 specially for private banking customers of the savings banks invests in the leading open-ended and closed-end real estate private equity funds worldwide. From a minimum investment of €50,000, individuals of high net worth can participate in this investment concept which is so far unique in Germany. As a result of the low level of correlation with other asset classes such as equities or bonds, the fund, which is established under Luxembourg law, is ideal for optimising the wealth structure of private banking customers.

Launched in July 2008, the new WestInvest TargetSelect product family is aimed at institutional investors, intending to make tailored, individual investments in logistics, hotel and retail property. A special fund is set up for each sector under German law, and its investment policy in the first stage concentrates on European core markets and primarily on core and core+ real estate. The first special fund launched was WestInvest TargetSelect Logistics.

Fund performance and rating

The DekaBank Group's open-ended mutual property funds achieved a volume-weighted yield of 4.4% under difficult market conditions in 2008 (previous year: 5.3%). Vacancy rates calculated on the basis of gross target rent were significantly reduced across all regional markets and for almost all of the funds over the course of the year.

The agency Scope Analysis GmbH gave our open-ended property funds another very good rating in financial year 2008. The funds were in top positions in three out of six categories. WestInvest 1 and Deka-ImmobilienFonds came first and second for funds with a stronger focus on the German property market. We took first and third place for funds with an investment focus on Europe. WestInvest ImmoValue also received the best rating of AAA. This fund is aimed at institutional investors and invests in real estate in Europe and was judged to be the best of all the property funds under review. With regard to the new stability-oriented fund category introduced by rating agency Scope in 2008, the DekaBank Group took all five top places. In addition, WestInvest maintained its top placing as the company with the best fund management in the segment of open-ended property funds. Deka Immobilien Investment came a very pleasing third in this category. This outcome means that WestInvest received the Scope Award for the second time in a row. High praise was given for its liquidity management systems and the quality of investor support provided through the broad network of the *Sparkassen-Finanzgruppe*.

DekaBank's property portfolios were also awarded top marks by the analysts at BulwienGesa. Deka-Immobilien-Global ranked first with second place going to Deka-ImmobilienEuropa. All six open-ended property funds were placed in the top 10 and therefore in the upper third of the property portfolios assessed.

Real Estate Lending

In the Real Estate Lending (REL) sub-division, we continued to strengthen our international activities. In October, a new representative office opened in London. Deka Real Estate Lending k.k. was established in Tokyo and was granted a licence for lending business in January 2009. The company, originally set up in the second quarter of 2008, is scheduled to start business operations in the first quarter of 2009. In addition, preparations are underway to expand Milan as a location, where we already conduct AMK and AMI activities.

Assets under management AMI *(Fig. 7)*

€m	31.12.2008	31.12.2007	Change	
Mutual property funds	17,151	16,047	1,104	6.9%
Mixed property funds	117	0	117	n/a
Special property funds	1,477	1,518	– 41	– 2.7%
Individual property funds	196	160	36	22.5%
Assets under management AMI	**18,941**	**17,725**	**1,216**	**6.9%**
For information purposes:				
Fund assets AMI (according to BVI)	18,284	17,046	1,238	7.3%

The new loans granted in the financial year under review totalled €3.5bn (previous year: €2.7bn). REL focused mainly on properties that facilitate third party use and are therefore ideally suited for passing on to institutional investors. Although the markets for syndication virtually dried up in the course of the year, the Group succeeded in placing around €1.1bn as a long-term profitable investment, largely within the *Sparkassen-Finanzgruppe*.

As at the year-end, the gross loan volume in this sub-division amounted to €7.4bn (previous year: €5.2bn). The amount was mainly divided between office and retail property.

Profit performance in the AMI business division

In financial year 2008, AMI achieved an economic result of €105.1m, which significantly exceeded the previous year's figure of approximately €59m (excluding the non-recurring factor from the sale of the Trianon complex).

Income amounted to €227.3m, outstripping the previous year's figure of around €169m (not taking into account the Trianon sale) by some 35%.

Net interest income climbed 85.1% from €24.9m to €46.1m. Higher margins and one-off commission as a result of favourable market conditions for property finance mainly accounted for this increase.

As at the reporting date, the risk provision of €38.4m was up on the previous year's figure of €16.3m.

Net commission income of €158.4m exceeded the previous year's level (€135.5m) by 16.9%. This item includes, in particular, portfolio-related commission, acquisition and construction fees, property management fees and appreciable commission from property finance business. Around two thirds of the increase was generated by investment fund business, especially as a result of the €9.9m rise in portfolio-related commission and an increase of €3.5m in sales-related commission. Commission from property finance was up from €9.7m to €16.9m.

Net financial income rose from €–11.1m to €1.7m. The increase stemmed from the valuation result of Deka-ImmobilienFonds units held by the Bank and the valuation result from hedging transactions in connection with foreign currency loans.

Other income was primarily affected by the set-up of a precautionary provision amounting to €15.0m for potential risks in investment fund business. The previous year's figure reflected the proceeds from the sale of the Trianon complex of around €143m.

Expenses totalled €122.2m (previous year: €109.5m). The 11.6% rise was mainly attributable to higher costs for premises. Outsourcing of property management to external providers had a lesser impact on this figure. Higher expenses for implementing the growth strategy coupled with the associated preparations for the establishment of subsidiaries and representative offices abroad were additional factors (Fig. 8).

AMI profit performance *(Fig. 8)*

€m	2008	2007	Change	
Net interest income	46.1	24.9	21.2	85.1%
Risk provision	38.4	16.3	22.1	135.6%
Net commission income	158.4	135.5	22.9	16.9%
Net financial income	1.7	–11.1	12.8	115.3%
Other income	–17.3	146.4	–163.7	–111.8%
Total income	**227.3**	**312.0**	**–84.7**	**–27.1%**
Administrative expenses (including depreciation)	121.7	107.9	13.8	12.8%
Restructuring expenses	0.5	1.6	–1.1	–68.8%
Total expenses	**122.2**	**109.5**	**12.7**	**11.6%**
Economic result	**105.1**	**202.5**	**–97.4**	**–48.1%**

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

In financial year 2008, the C&M business division was particularly affected by the financial market crisis. High valuation losses on capital market credit products and transfers to the risk provision had a negative impact on the economic result of the C&M business division. It emerged that some transactions, in particular CSO transactions, were subject to higher default risks. In view of these developments and the associated loss in value, DekaBank has decided to reduce the portfolio of structured credit products.

Business development in the C&M business division

The C&M business division achieved a higher gross loan volume in traditional lending business (Credits), while at the same time recording an improvement in the risk and credit-rating structure in new business. The gross loan volume which is the responsibility of C&M increased by 22.3% to €143.5bn (previous year: €117.3bn). In the Structured & Leveraged Finance segment, DekaBank expanded structured finance and project finance as scheduled. The financing volume in the Transport & Trade Finance segment also increased in the year as a whole. The Public Infrastructure segment, which was set up in the previous year, was also on course for growth.

As at the 2008 year-end, the Liquid Credits portfolio amounted to a net volume of €11.8bn (previous year: €7.5bn). Around two thirds of the portfolio was attributable to standard products, such as bonds, CDS and index transactions. To benefit from market interest rate developments and credit spreads, the portfolio of corporate bonds was expanded with a focus on top rated counterparties. The major proportion of the Liquid Credits portfolio has retained its good rating.

The Markets sub-division expanded its trading activities in many respects. Securities finance was advanced, in particular, during the financial year ended with a focus on repo/lending transactions. In addition, the enhanced range of equity derivatives for innovative product combinations in Asset Management and for institutional customers was increasingly used during the financial year under review via the derivatives platform launched in autumn 2007.

The start of sales of passively-managed exchange traded funds (ETFs) at the end of March 2008 also made a favourable impact. This represented an expansion of the range of products for institutional investors within and outside the *Sparkassen-Finanzgruppe*. The subsidiary, ETFlab, already managed a volume totalling €1.8bn across ten ETFs as at the year-end.

Thanks to the continued strong liquidity supply at DekaBank, refinancing activities in the capital market were again implemented selectively and in most cases in order to meet specific customer demand. The use of the existing Euro Commercial Paper Programme (ECP) was restricted to a minimum as in the previous year. In foreign exchange trading, activities centred mainly on classic spot and forward exchange dealings. Our objective was to provide customers with optimum order execution with regard to quality and price. In proprietary trading, we continued to hold open equity and interest rate positions to a small extent and within prescribed limits.

Profit performance in the C&M business division

The further worsening of the financial market crisis resulted in a negative income contribution by the C&M business division overall in the reporting period. Alongside increasing the risk provision to €–330.3m, another major factor was the negative valuation result for credit capital market products in the Liquid Credits portfolio, which totalled around €–709m. Following €–90.9m in the previous year, the economic result for 2008 amounted to €–331.1m.

The above charges against earnings from the Liquid Credits portfolio produced negative net financial income of €–97.5m. Conversely, positive income contributions were achieved on the basis of customer-induced trading. Moreover, some free liquid resources were invested with the aim of achieving attractive margins with counterparties of good credit standing.

The positive development of net interest income resulted from the margin income in the Credits and Liquid Credits sub-divisions. At €183.6m, it was around 90% up on the previous year's figure of €96.7m. In new business, the sub-divisions achieved higher margins overall than in the previous year. The market trend towards significantly higher risk and liquidity premiums impacted in this respect.

By comparison, the rise in net commission income of 17% to €132.6m (previous year: €113.3m) was moderate and was based in part on the steady contribution from commission business and a positive performance by the Credits sub-division.

Administrative expenses rose from €139.1m in the previous year to €219.0m. This increase of 57.4% resulted from the strategic development of the C&M business division (Fig. 9).

Financial position and assets and liabilities

Balance sheet changes

Compared with the previous year, total assets of the DekaBank Group rose by approximately 30%, or €32.1bn to €138.6bn. The total due from banks and customers amounted to around 53% of total assets. Financial assets valued at fair value totalled €55.8bn (previous year: €33.6bn) and accounted for approximately 40% of total assets. The increase resulted mainly from the realignment of the C&M business division and the associated expansion of securities and derivatives transactions.

On the liabilities side, amounts due to banks and customers still accounted for almost half of liabilities. At around €64bn, the two items together represented an increase of €12.1bn on the previous year and amounted to around 46% of total liabilities. The determining factor here was a rise in the volume of time deposits and securities repurchase transactions. Financial liabilities valued at fair value rose by €22.3bn to €40.1bn. This is mainly attributable to the expansion of activities relating to derivatives business.

On-balance sheet equity remained virtually unchanged at €3.2bn in the reporting year. This figure does not include silent capital contributions which, in accordance with IFRS, are not reported under equity but instead under subordinated capital or atypical silent capital contributions. However, silent capital contributions are included in the cover funds for our risk-bearing capacity. In analysing risk-bearing capacity, we differentiate between primary and secondary risk cover funds. The primary cover funds principally comprise equity as defined under IFRS and net income for the financial year. The secondary cover funds contain items of a hybrid capital nature. In addition to silent capital contributions, these include profit participation capital and subordinated liabilities, each with a residual maturity of at least one year.

Change in regulatory capital

The DekaBank Group's capital and reserves in accordance with the German Banking Act (KWG) amounted to approximately €3.9bn as at 31 December 2008, which represents an increase of €0.1bn compared with the previous year. The regulatory capital and reserves differ from equity according to IFRS and consist of core capital, supplementary capital and Tier III capital. Core capital also includes the silent capital contributions (around €0.6bn). The items to be deducted in accordance with Section 10 Sub-sections 6 and 6a of the German Banking Act (KWG) are deducted in equal measure from core and supplementary capital. The previous year's figures have been adjusted accordingly.

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

€m	2008	2007	Change	
Net interest income	183.6	96.7	86.9	89.9%
Risk provision	−330.3	15.6	−345.9	(<−300%)
Net commission income	132.6	113.3	19.3	17.0%
Net financial income	−97.5	−175.7	78.2	44.5%
Other income	−0.5	−0.2	−0.3	−150.0%
Total income	**−112.1**	**49.7**	**−161.8**	**(< −300%)**
Administrative expenses (including depreciation)	219.0	139.1	79.9	57.4%
Restructuring expenses	0.0	1.5	−1.5	−100.0%
Total expenses	**219.0**	**140.6**	**78.4**	**55.8%**
Economic result	**−331.1**	**−90.9**	**−240.2**	**−264.2%**

Capital adequacy is determined in accordance with the Solvency Regulation (SolvV), which came into force in 2007. In addition to default risks and market risk positions, amounts for operational risks are taken into account when calculating capital adequacy. The offset amount for default and market price risks increased slightly while operational risks decreased as a result of the application of the AMA approach. The calculation of the core capital ratio (including market risk positions) includes 50% of the items to be deducted in accordance with Section 10 Subsections 6 and 6a of the German Banking Act (KWG).

The capital and reserves principle under banking supervisory law was complied with at all times throughout 2008, both at Bank and Group level. DekaBank's liquidity ratio was between 1.3 and 1.7 in the year under review, remaining above the minimum requirement of 1.0 at all times (Fig. 10).

Employees

Changes in the staff complement

In financial year 2008, the DekaBank Group created a number of new jobs. As at the year-end, we employed 3,920 staff, 367 more than at the end of 2007 (3,553). This number included 67 (previous year: 75) trainees. 86.2% of the 3,630 staff employed on average for the year (previous year: 86.6%) were in full-time posts. The average number of positions filled increased by 8.6% to 3,355 (previous year: 3,089). The average age of staff was 38.9 years (previous year: 38.8 years).

The growth in the number of jobs is a direct consequence of the DekaBank Group's realignment and the strategic development of the business divisions. The AMK business division significantly increased institutional sales, in particular, while the establishment of international locations especially impacted on AMI. In the C&M business division, the staff increase was largely attributable to the launch and progressive expansion of ETF index fund business. Additionally, the PPP specialist DKC Deka Kommunal Consult GmbH was included for the first time with 14 employees.

A counter-effect was produced by the transfer of 115 employees, who since 1 January 2009 have been employed by Dealis Fund Operations, DekaBank's joint venture with Allianz Global Investors for investment fund book-keeping and administration. Outsourcing the property management of real estate held by the property funds in Germany to external service providers also

Breakdown of equity *(Fig. 10)*

€m	31.12.2008	31.12.2007	Change
Core capital	2,595	2,099	23.6%
Supplementary capital	1,267	1,634	−22.5%
Tier III capital	–	–	–
Capital and reserves	**3,862**	**3,733**	**3.5%**
Default risks	23,213	22,613	2.7%
Market risk positions	6,113	5,738	6.5%
Operational risks	1,688	2,250	−25.0%
%			**Change % points**
Core capital ratio (including market risk positions)	8.4	6.9	1.5
Core capital ratio (excluding market risk positions)	10.5	8.5	2.0
Total capital ratio	12.5	12.2	0.3

resulted in a slight decrease in the number of positions filled. Further restructuring measures in the financial year related to the discontinuation of business activities in Ireland and their relocation to Luxembourg. Employees, who had previously worked in Ireland, were offered equivalent employment elsewhere in the Group. All measures aimed at increasing efficiency and optimising processes were developed in close cooperation with the employee representatives in the DekaBank Group and based on a socially responsible approach.

New mission

Employee management focused on the development of the new mission and its implementation throughout the organisation. The mission makes ongoing performance improvements, customer focus and an all-round approach in all Group units binding criteria for all employees. To this end, a tailored system for measurement based on ratios has been introduced to make the results transparent for all units and employees. At all DekaBank locations and supplemented by a new section on the Intranet, screens display the mission statement and provide an overview of the key ratios which reflect DekaBank's current business trend as well as the targets achieved to date. In addition, success charts show any new awards and the latest ratings for DekaBank. Employees were made aware of the new mission during a series of events.

Transparent remuneration system

The reorganisation of our remuneration system was completed at the start of the reporting year. Success and performance-related remuneration at the DekaBank Group is based on a system of agreed targets and performance appraisals. Following the introduction of the total compensation approach in the previous year, the modernised social security and fringe benefits came into effect at the beginning of 2008. A portion of social security and fringe benefits has been converted into a budget for rewarding individual performance.

Equal opportunities and a family-friendly policy

DekaBank is committed to equal career opportunities for men and women and has further enhanced the general conditions for workers with family responsibilities. One of the objectives of the new equal opportunities plan, which has been in force since the beginning of the year, is to increase the proportion of women in management positions in the long term, including by taking greater account of this group when new employees are appointed. At the end of 2008, 15% of managers were women. An extensive catalogue of measures provides a framework for future developments and is consistently reviewed.

In 2005, DekaBank was already awarded with the basic certificate of the Hertie Foundation as a family-friendly company. In November 2008, a new certificate was issued following a comprehensive renewed audit. The official award ceremony is scheduled for mid-2009.

Occupational health management

DekaBank pursues a life cycle-based Human Resources policy. Demographic change and the increase in lifetime working hours necessitate a stronger focus on maintaining and promoting the physical and mental fitness of all employees. Modern health management makes an important contribution to competitiveness. The Deka Health Centre was opened in May 2008 and around 3,000 employees in Frankfurt have access to the facilities. The centre is run by rehabilitation and prevention specialists, Medical Park, and the Olympic Training Centre in Hesse also has access to the facilities. In addition to fitness and training opportunities, the Health Centre offers the latest treatment options as well as outpatient services, such as massage and physiotherapy. This new service was accompanied by the sponsorship of the *Firmenfitness – Frankfurt macht mit* (Corporate fitness for Frankfurt) campaign and a symposium on occupational health management organised by DekaBank in summer 2008.

Professional training and studying while in employment

As an employer offering training, DekaBank once again fulfilled its duties comprehensively in financial year 2008. Alongside investment fund sales staff, DekaBank trains young employees to become property experts and IT specialists in application development, and provides the opportunity of studying for Bachelor of Science degrees (in applied information technology) as well as promoting an office communications qualification. DekaBank also offers Bachelor degrees for which employees can study alongside their job and supports employees studying for a degree in investment *(Investmentfachwirt)* at the Frankfurt School of Finance & Management.

As part of the nationwide *Fit für die Bewerbung* (Perfecting your job application) campaign, we gave careers advice to pupils from secondary schools that do not qualify for university entry. We also participated once again in the Girls' Day event and provided information to many young women about jobs for which training is available and the opportunities offered by DekaBank.

Post balance sheet events

No major developments or events of particular significance occurred after the 2008 balance sheet date.

Forecast report

Overall bank strategy

DekaBank will continue to develop its business model in 2009, taking into account the different framework conditions in the wake of the financial market crisis and the fundamental changes in the sector. Providing the best possible support to the *Sparkassen-Finanzgruppe* as the central asset manager will remain a primary objective in a challenging market environment. To achieve this, DekaBank will continue to build on its unique combination of two success factors in future. These comprise making an extensive range of products and services in Asset Management available to the savings banks and their customers as well as providing and guaranteeing access to liquidity at all times for funds, savings banks and the *Landesbanken*. The Bank does this by benefiting from access to capital markets and asset classes, and applying its approach of cross-divisional consultancy.

The focus is the further optimisation of our core business comprising mutual funds, special funds, fund-based asset management and ETFs, using synergies across the business divisions, arising from the infrastructure and sales for example. We are committed to ensuring the stability, safety and ongoing liquidity of our funds. We also invest in new asset classes and product solutions, in order to make these available to the savings banks and their customers, and provide substantial start-up finance for such solutions.

The comprehensive use of existing platforms means benefiting from economies of scale. We intend to expand Asset Management for the savings banks as institutional customers, offering them a favourable liquidity and refinancing base in the long term.

Forward-looking statements

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

Anticipated external conditions

Expected macro-economic trends

Negative economic news from all global regions mounted in the first few weeks of 2009. According to our estimates, global economic growth is likely to have reached its low point in the six-month winter period of 2008/2009. The fact that the recession is expected to end this year is a result, on the one hand of the decisive action on the part of the central banks due to cut interest rate, and on the other of the comprehensive economic packages implemented worldwide. After global economic growth of 3.1% in 2008, we expect global GDP to stagnate (0.1%) in 2009, but to record growth again in 2010 of almost 3%.

The German economy is in the deepest post-war recession it has faced to date. Sales markets for German products are disappearing at breakneck speed. The weak export situation became very evident at the year-end of 2008 and start of 2009. In view of worsening sales prospects, companies are holding back when it comes to investing in equipment, mainly for fear that additional capacity may not be utilised.

If business expectations and investments diminish, jobs tend to be cut. However, there is justified hope that the rise in unemployment during the current recession will be less marked than in previous phases of decline. The employment market reform should provide support and, in particular, also the fact that companies have recently experienced a shortage of skilled staff. Companies will be making every effort to retain their established teams of core staff for as long as possible, for example by settling hours of overtime worked or implementing short-time working.

The extension of the short-time working allowance from 12 to 18 months will underpin such measures. Although the successes in the employment market will not prevent a rise in the rate of unemployment this year, they will ensure that new record unemployment levels are avoided, which in the past were seen in every recession.

Although the rising unemployment levels are affecting consumption, the high pay rate levels agreed are still impacting positively in conjunction with decreasing inflation, which is resulting in a stabilisation of real disposable income and ultimately consumption. Consequently, we anticipate a minor downturn in 2009 und therefore a similar trend to that of the year under review.

All in all, GDP in Germany is likely to shrink significantly in 2009. Since the impetus from international markets required to facilitate a recovery in export business has yet to materialise, we expect growth to remain below average in 2010. However, the outlook is more positive for Germany as an export nation in the longer term. German companies operate in the world markets with a range of high quality and technologically sophisticated products. Together with their employees, they have succeeded in recovering lost price competitiveness and have consolidated their balance sheets, which is reflected by the extraordinarily high self-financing ratio of investments in an international comparison. These advance measures should pay off in the next global recovery, with German companies benefiting above average.

The global perspective also offers a series of counterweights and enough political options to prevent the real economic crisis from taking an even less favourable turn. Companies in most national economies are set up on a sustainable basis and there are no excessive levels of indebtedness or unhealthy cost structures and, with very few exceptions, no structural excess capacity. In view of the further foreseeable development requirement in the new industrialised countries of Asia, Eastern Europe and Latin America, the global economy continues to offer growth potential. The US economy also offers upward potential in terms of a growing population, technological progress and flexible markets. In order for these factors to take hold again, the spiral of negative expectations will need to be broken while decreasing overall economic demand must temporarily be balanced and the banking sector swiftly consolidated.

At the end of January, the new President announced extensive measures in the USA, which should provide considerable support for the country's economy. In Europe, the rescue packages announced to date will certainly prove helpful. Nevertheless, many of the supposedly new measures relate to relief which was planned anyway and will undoubtedly require subsequent improvement. After initial hesitation, the government in Germany is now willing to be inspired by the rescue packages implemented in the USA and put in place effective measures to support the economy. With the help already announced, but even more with the excepted economic rescue packages still to come, it may be possible to mitigate the sharp downward trend in the economy. Accordingly, there is hope that the economy will at least gradually return to a growth course in the second half of the year.

Expected trends in the capital markets

Following the deterioration in the capital markets in the wake of the crisis leading up to the end of 2008, investors are focusing on safety in 2009 as well. The money and bond markets remain popular, while property funds and guaranteed products also meet the high need for security. A stable base will be established in 2009, although volatility in the capital markets is likely to remain relatively high initially, partly due to the continuing ambivalent news situation and nervous investors.

The comprehensive measures taken by central banks and defined by financial policy worldwide will progressively have an effect on the financial markets in the course of the year. The rescue packages for financial institutions have already contributed noticeably to calming the situation. The option of increasing equity and guarantees in relation to new bank issues for refinancing has at least resulted in share prices stabilising somewhat and significantly improved the development of risk premiums for banks in the credit market compared with industrial companies.

Provided that the government's economic packages prove effective, the stock markets should gain renewed confidence and be able to recover some of the losses recorded. Against this backdrop, stock markets will be able to unlock their potential over the course of the year, especially if the equity markets anticipate next year's moderate growth and profit expectations of companies become more positive again.

With regard to fixed-income markets, low yields are expected for most of this year given the continued low key lending rates set by the central banks. We do not anticipate yields to start rising again before there are signs of an economic recovery. By the end of 2009, we expect 10-year federal bonds to have made some progress towards returning to their normal level of around 4% and therefore generate higher yields than at present. Taking into account the economic rescue packages, it is obvious that these will result in higher deficits in public budgets. The major industrialised nations will certainly be in a position to finance this increased indebtedness and it does not in principle put their creditworthiness in question. However, the issue volumes arising from the economic rescue packages are substantial and have an adverse impact on prices in the bond markets. There is a potential risk that this will cause yields on government bonds to rise a little higher and faster.

Overall, 2009 is unlikely to be a good year for bonds. The focus will return to more risk-oriented investments, such as stocks, corporate bonds and investments in emerging markets. Later in the year, it will be possible to include higher risk paper in the portfolio, since more risky investments tend to record above-average performance towards the end of an economic crisis.

Expected trends in property markets

Regardless of structural growth in the service sector, the recession-driven job losses worldwide in 2009 will result in a cyclical downturn in demand, rising vacancy rates and decreasing rent levels in the next two years. Locations whose sector structure is highly dependent on banks and financial services providers will be particularly affected by the financial market crisis. While finance and company-oriented service providers originally drove up demand for space and rental prices, they now account for the greatest downward potential. We expect to see the sharpest fall in rents in financial centres, such as London and New York, where investment banking plays a more significant role than in Luxembourg, for example. In the City of London, the cyclical surplus construction is also adversely affecting the rental market. In view of the initially continued substantial construction levels and the deep recession, we also anticipate a sharp decline in rents in the Spanish locations of Madrid and Barcelona.

Within the Asian markets, a marked correction in rents is expected in the financial centres of Hong Kong and Singapore. As very outward-looking national economies which are highly dependent on the export sector, these locations are also severely affected by the global recession. In Singapore, a significant expansion in the supply of space will exacerbate the situation in the coming years. In Beijing and Shanghai, the trend in demand is also downward while a high level of construction activity is generating more floor space.

In the retail segment, locations which have benefited from a very high level of private consumption in recent years will be especially hard hit. Falling house prices and difficult financing conditions will contribute to high savings rates in many countries, dampening prospects for retail markets. This will be the case in the USA, in particular, and within Europe, mainly in Spain, the UK and the Baltic countries.

The main consequences of the current crisis are being felt in the investment markets. We anticipate an increasing number of emergency disposals in the coming months, with previously strong counterparties also needing to put attractive properties in good locations on the market. This reason contributes to our assumption that further marked price corrections will be implemented in the coming year. In top European locations, which recorded particularly sharp decreases in yields before, significant increases of up to 175 basis points have been observed since autumn 2007. By comparison, the cap rates in the USA have seen a moderate upward movement. In terms of a trend, the rise in yields will be higher for properties of lower quality than for top properties. As a result, differentiation will increase.

Falling prices and decreasing rents will result in a loss of earnings in office property markets in 2009 and 2010. Yet the current crisis does not change the positive medium-term earnings potential of property investments. Although we are currently seeing the most marked price corrections in a historic comparison, these will mark a return to normality in the property sector following the previously overinflated prices which were triggered by a liquidity surge. Dwindling demand, higher risk awareness and lower growth expectations in terms of rent are likely to result in exaggerated initial yields in the next two years. In the medium term, however, yields will also remain at a higher level than in 2007 and do so on a sustained basis. As a result, regular income from property management will be back in focus.

Expected sector development and regulatory conditions

Ultimately, the financial market crisis will not be overcome until such time as it is foreseeable that the financial system can absorb the losses arising from mortgage-backed securities and possibly other loan commitments. In phases of an economic downswing, default risks rise systematically not only in relation to mortgages but all other forms of consumer and corporate loans. In this respect, the knock-on effect from the financial markets on the real economy and vice versa cannot be ignored. In this context, the government support programmes and related liquidity measures taken by the central banks must be aimed at reducing the extent and speed with which the expected deleveraging process in the banking system unfolds, in order to limit its effects on the real economy.

Ensuring the viability of key financial markets will be decisive in preventing a further overall deterioration in terms of the ability and willingness of banks to grant credit and assume risk. To this extent, nobody should expect the public sector rescue packages to be an instant solution to all the problems arising in the financial system. Their task is rather to restore confidence in the stability of the financial system. This gives financial institutions more time to process the risks built up in the past on the basis of a structured approach, which will create the conditions for the financial system to heal itself in the medium term.

The credit markets will remain depressed for some time. In the long term, the securitisation market will lose some of its importance compared with the situation prior to the financial market crisis. In this segment, in particular, the various committees and expert panels will introduce regulations to minimise the risk of any future financial market crisis. This means that even if the markets completely overcome this crisis in the next few years, the architecture of the financial markets will be different. According to current assessments, there will be simpler and more transparent products with a clear structure in terms of the parties assuming risks. Viable business models will no longer be able to rely exclusively on capital market-based financing. Instead, they will additionally require substantial deposit-taking. This will certainly be supplemented by regulations being developed further in cooperation with the central banks, not least to ensure that they remain in a position to fulfil their monetary policy remit. After all, highly volatile and susceptible financial markets make it more difficult to guarantee stable monetary conditions for national economies.

In the current first year of the final withholding tax, old-age provision products for Riester and Rürup pension plans are likely to attract more interest. Capital protection and exemption from final withholding tax are strong arguments, making it attractive to invest above-average levels in savings plans under the new regulations, even if these plans are not subsidised. Such plans offer opportunities for profitable investments.

Expected business development and profit performance

In financial year 2009, the DekaBank Group aims to achieve an increase in net sales and in assets under management, assuming a largely normalised market environment. On the basis of our stable business model, we intend to achieve positive income contributions from Asset Management at levels which will be sustainable in subsequent years.

A key concern of customers is the safety of their cash investments in the wake of the serious market dislocations seen in recent months. In other words, investors want to be able to forecast the yields they will achieve on the basis of securities as well as the level of their private retirement pensions. This customer requirement determines the sales focus and product development of DekaBank's Asset Management. However, the asset structure via funds of funds or fund-linked asset management, for example, will also represent an important investment criterion, which we will address accordingly.

AMK business division

In the AMK business division, DekaBank will focus on products for safe securities income which can be planned, including for private old-age provision. Here, the Bank can build on the high level of trust customers place in the *Sparkassen-Finanzgruppe* even in times of crisis. Accordingly, a comprehensive sales campaign on safe investments is planned, which will be flanked by targeted product developments. In institutional sales, AMK also intends to remain on course for growth.

With regard to old-age provision, DekaBank will make the Deka-ZukunftsPlan available to customers from the beginning of 2009. This additional fund-based Riester pension product provides for individual customer-based investment management. It is an alternative investment to Riester-subsidised products, which enables all investors to make unlimited deposits in future that are exempt from final withholding tax but benefit from capital protection from the start of disbursement and favourable tax rates on disbursements.

In addition to optimising the range of investments, AMK also plans to internationalise sales in order to support organic growth.

Due to the low starting level of assets under management, AMK expects only moderate growth in portfolio-related commission in 2009. Nevertheless, AMK still intends to make a clearly positive contribution at a steady level to the economic result of the DekaBank Group.

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

AMI business division

AMI will consistently continue to limit the issue of new units in open-ended mutual property funds, with the aim of achieving cautious liquidity management and ensuring attractive yields for investors. When specifying quotas, we took adequate account of the fact that funds are applying prudence on the buyer side in the current market environment and that the market for property sales is only receptive to a very limited extent. In view of the high level of interest displayed, a fixed term will now also be specified for quotas of German funds and funds with an international focus.

As was the case in the previous year, AMI aims to develop new attractive and innovative Asset Management products in 2009. For example, a fund is to be launched which will enable institutional investors to participate in the yield opportunities offered by property finance.

The REL sub-division continues to focus its activities on loans to customers of strong creditworthiness, which are collateralised with charges. In new business, REL will pursue its prudent and income-oriented approach and exclusively acquire loans that are suitable for the capital markets.

Overall, AMI aims to continue to make a positive contribution to the economic result of the DekaBank Group.

In the AMI business division, opportunities arise, for example, from the market launch of new products for private and institutional investors. There is also the chance of channelling a portion of financial resources parked in money market funds in the short term into long-term high-yield property funds, which provide a better return for our customers, the savings banks and *Landesbanken*, as well as for us. We continue to record considerable uncovered demand in respect of both open-ended mutual property funds and institutional products for obvious reasons. Risks exist in the potential further deterioration of market conditions. In addition, there is a risk of a higher number of loan defaults in the strained market environment.

C&M business division

The C&M business division will continue to focus on its role of supporting Asset Management in financial year 2009 by making available innovative capital market and derivatives solutions. At the same time, it will supply the *Sparkassen-Finanzgruppe* with liquidity. With the implementation of the integrated business model of DekaBank, C&M will continue to play a key role.

In traditional lending business, the division will focus on the active management of existing business. With regard to new commitments, the Credits sub-division will aim to increase usability for Asset Management as well. Thanks to the broad diversification of business, we again expect a positive income contribution in 2009.

The Liquid Credits portfolio will be partially reduced through active management and the scheduled maturity of certain transactions.

In the Markets sub-division, one of C&M's focuses will be to further strengthen its market position in ETF business on the basis of the strategic measures implemented. We expect these favourably priced, transparent and default-proof index funds to benefit from the current market environment. In addition, we anticipate high demand for equity and fixed-income derivatives as backing for safety-oriented products in Asset Management and for institutional business, taking into account regulatory framework conditions. C&M has substantially expanded secured business and repo/lending activities in response to high levels of demand from customers for short-term liquidity.

In the new Public Finance sub-division, the set-up of diversified portfolios will continue in line with relevant market conditions in each case. The associated activities include establishing a mortgage bond bank for issuing public sector mortgage bonds under the Luxembourg Mortgage Bond Act.

C&M plans to make a positive contribution to the DekaBank Group's economic result in financial year 2009 by focusing lending business on the asset classes which can be used by Asset Management, as well as expanding repo/lending business with institutional customers and increasing the volume of ETF-based asset management solutions.

Risks exist in the potential continuation or worsening of the financial market crisis, in particular. In addition, there is a risk of a higher number of loan defaults in the strained market environment.

Risk report

Risk-oriented overall bank management

Risk policy and strategy

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

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

DekaBank is the central asset manager for the *Sparkassen-Finanzgruppe*. We offer tailored products, solutions and services for implementing individual investment strategies in a variety of market scenarios. Our fund products cover all key asset classes for private investors and institutional clients. In addition, our range of services encompasses lending, capital market-related trading and sales activities and Treasury business (asset/liability management, liquidity management and funding). In principle, DekaBank does not take any unforeseeable risks, even when related to extraordinary earnings opportunities. DekaBank has set limits for all quantifiable risks and implemented a consistent risk management system.

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

Organisation of risk management and control

Risk management

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

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

In accordance with the limits prescribed by the Board of Management, the Asset Liability Management Committee (ALMC) specifies the framework for the management of strategic market price risk positions. The ALMC includes

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

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

[1] ALMC = Asset Liability Management Committee (composition: head of Markets, head of Risk & Finance, responsible members of Board of Management and Macro Research (AMK))

the members of the Board of Management responsible for the Corporate & Markets (C&M) business division and for the Corporate Centres as well as the managers from the Markets unit in the C&M business division and the Corporate Centre Risk & Finance. The Committee also includes a representative from the Macro Research unit of the Asset Management Capital Markets (AMK) business division. The C&M business division then implements the strategic guidelines independently. Responsibility for the Group-wide management of credit risks is held by the C&M business division. The Corporate Centre Credit Risk Office assumes the role of administration office for early risk identification. This office is also responsible for the market-independent second recommendation, the approval of credit rating analyses and ratings, checking specific items of collateral, setting up limits and regularly monitoring the credit ratings of default risks as well as monitoring the transaction management of non-performing and troubled loans. The respective managers in the Group units are responsible for the operational risks in their units. Details of risk management are given under the different risk types.

Risk control

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

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

Risk reporting

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

Internal Audit

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

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

Overall risk position of DekaBank

Risk types and definitions

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

Market price risk

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

Both the strategic positions in the banking book and the more short-term positions in the trading book entail market price risks. These include interest rate risks and share price risks, as well as credit spread risks and option risks, and, to a very small extent, currency risks.

Credit risk
We understand credit risk as the risk that a borrower, issuer or counterparty does not fulfil his contractually agreed services or fulfil them on time and DekaBank incurs a financial loss as a result.

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

Credit risks arise primarily in the C&M business division, in which the lending, Pfandbrief business and sales and trading activities and Treasury business are pooled, as well as to a lesser extent in the AMI and AMK business divisions.

The C&M business division is divided into five sub-divisions comprising Credits, Liquid Credits, Public Finance, Exchange Traded Funds and Markets. The main task of the Credits sub-division relates to syndicated loans, club deals and direct business. In the Liquid Credits sub-division, credit risks arise primarily from investments in structured capital market credit products, bonds and credit derivatives. This sub-division is being reduced over the next few years through the scheduled expiry of transactions and active management. Credit risks arise in the Public Finance sub-division from lending to the public sector. The counterparty and issuer risks originating in the Markets sub-division from trading activities relate in particular to financial institutions, funds and corporates. In the Exchange Traded Funds unit, credit risks arise from the trading and market maker function for our listed index funds. Further credit risks result from German and international property finance in the AMI business division as well as the guarantee fund in the AMK business division.

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

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

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

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

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

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

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

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

Risk measurement concepts

Risk-bearing capacity

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

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

When calculating the VaR with a holding period of one year, DekaBank adopts a prudent and conservative approach. In the risk-bearing capacity analysis, risk is determined for various confidence levels, particularly 99.9%. In addition, the diversification effects across the individual risk types are disregarded when aggregating the individual risks as these would otherwise reduce the reported Group risk. The conservative approach is in line with DekaBank's risk-aware business policy.

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

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

Stress tests

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

Overall risk position in financial year 2008

The risk-bearing capacity of the DekaBank Group was guaranteed at all times during financial year 2008. Nevertheless, at 65.3%, the utilisation ratio for the overall risk-bearing capacity has increased significantly compared to the previous year (42.1%). This was due on the one hand to considerably higher Group risk and on the other to the reduced risk cover potential following the adjustment of the net income contribution and the terminated typical silent capital contributions which are no longer included in the risk cover potential.

In detail, Group risk increased from €2,392m (end 2007) to €3,292m at the end of 2008, which corresponds to a rise of 37.6%. This was countered by an overall risk-bearing capacity of €5,043m (end 2007: €5,683m). The primary cover potential stood at €3,414m and the utilisation rate as at the end of year was 96.4%. At the height of the financial market crisis in October 2008, Group risk exceeded the primary cover potential.

The sharp rise in Group risk is attributable not least to the movement in market price risk, which at €1,027m was up 55.1% on the previous year (€662m). Overall, the traditional market price risk (interest rate, share price and currency risk) was only slightly higher than in the previous year. However, there has been a notable rise in the spread risk resulting from the Liquid Credits portfolio in particular. This was mainly due to the extraordinary widening of credit spreads and their volatility in connection with the massive dislocations in the capital markets.

The increase in the credit risk following the investment of liquidity and the respective expansion of our business volume was also significant at 44.1%, At the year-end, this amounted to €1,491m (previous year: €1,035m).

At €436m (previous year: € 358m), the higher business risk reflects the current extensive changes in the framework parameters in the economic and product environments which could impact on the development of costs and earnings.

Operational risk, shareholding risk and property and property fund risk recorded relatively moderate changes and played a lesser role (Fig. 12).

Market price risks

Risk management and monitoring

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

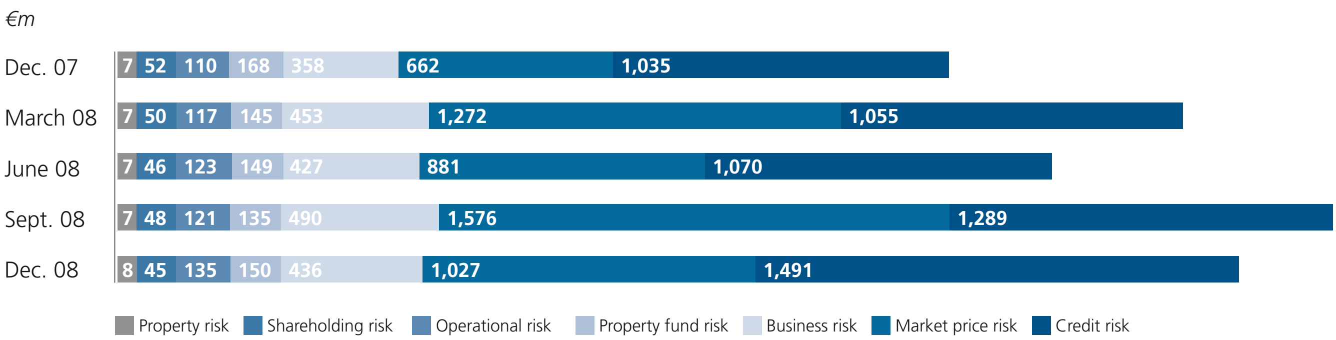
The market risk strategy is viewed holistically in conjunction with the liquidity risk strategy. However, the individual risk components are reported and managed separately. The trading strategy forms an integral part of the market and liquidity risk strategy.

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

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

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

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



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

Quantifying market price risks

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

Scenario analyses

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

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

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

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

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

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

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

In light of the turmoil in the financial markets, we have defined an additional subprime scenario for spread risk. The model parameters were stipulated based on the movement in credit spreads for various asset and rating classes in the period June 2007 to March 2008. The potential loss arising from expected changes in market value in the subprime scenario is calculated using extreme risk premiums on various capital market credit products against swap rates. The risk positions are limited at portfolio level using risk ratios derived from the extended scenario analyses and the VaR procedure.

Value-at-risk

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

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

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

In addition to the general market price risk, we determine a separate VaR ratio for the spread risk in our portfolio of capital market credit products. The spread risk of the banking book is based on an analysis of historic changes in the individual asset classes. The specific interest rate risks based on the movement in price of the individual paper are taken into account in the trading book and included in the corresponding VaR ratios for the trading book.

Backtesting of VaR ratios

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

Scenario-matrix procedure

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

Reporting of market price risks

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

Current risk situation

On average, traditional market price risks (interest rate, share price and currency risk) consistently increased during 2008 compared to the previous year. In contrast, the risk ratios fell compared to the end of 2007 by 9% for interest rate risk and by 24% for share price risk. Taking correlations into account, the value-at-risk from market price risks has risen year-on-year from €23.1m to €27.4m (Fig. 13).

Value-at-risk at the DekaBank Group[1] *(Fig. 13)*

€m	Holding period in days	Year-end 2008	Average 2008	Min./Max. 2008	Year-end 2007	Average 2007	Min./Max. 2007
Interest rate risk							
Trading	1	4.43	3.04	1.56/8.13	1.57	1.32	0.50/2.53
Treasury	10	12.39	24.55	9.92/44.04	22.58	15.05	8.26/25.05
Group	10	22.27	31.59	14.43/54.14	24.52	17.06	9.54/26.63
Share price risk							
Trading	1	1.30	2.83	0.33/6.48	0.40	0.93	0.29/2.82
Treasury	10	2.85	13.60	2.85/23.81	7.90	10.39	5.58/21.78
Group	10	6.49	17.18	6.49/38.22	8.60	11.50	5.92/23.25
Currency risk							
Trading	1	1.69	0.36	0.01/1.90	0.05	0.10	0.02/0.28
Treasury	10	9.91	2.17	0.81/10.35	0.79	0.63	0.18/1.54
Group	10	4.81	2.19	0.71/9.14	0.48	0.79	0.27/1.88

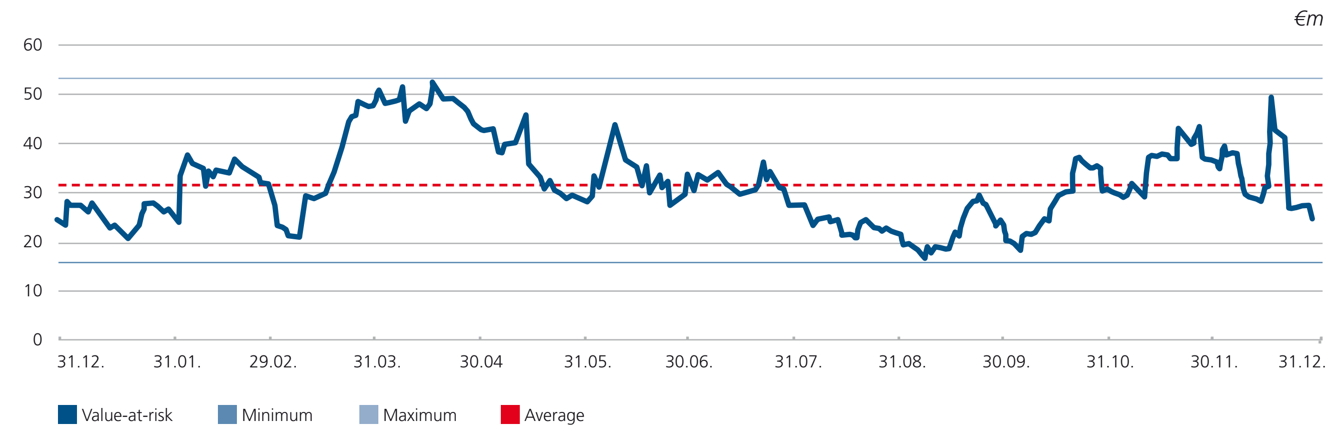
[1] All VaRs were calculated on the basis of parameters used for internal risk calculation.

The general interest rate risk was dominated in particular by the extreme volatilities in the first quarter and start of the second quarter, as well as following the Lehman insolvency. Especially towards the year-end, we considerably reduced open interest rate positions, particularly in short and medium-term maturities, thereby more than offsetting the high level of volatility. On average, the interest rate risk at Group level (value-at-risk, confidence level 95%, holding period ten days) rose considerably from around €17.1m in 2007 to around €31.6m in 2008. As at 31 December 2008, the general interest rate risk for the Group stood at €22.3m and was still lower than the figure at the 2007 year-end (€24.5m). Around 68% of the interest rate risk (previous year: 58%) was again largely attributable to euro positions (Fig.14).

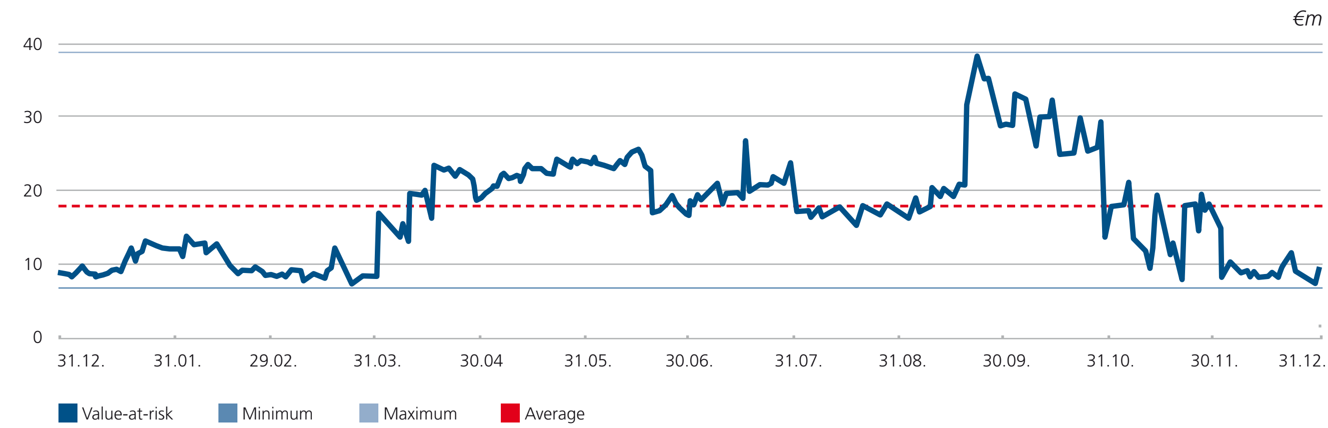
The share price risk at year-end 2008 resulted primarily from start-up financing for mutual funds. At around €6.5m, the Group share price risk as at 31 December 2008 was down on the previous year's figure of €8.6m. In financial year 2008, volatilities increased sharply in the equity market. In the fourth quarter, we increased the reduction of open risk positions, thereby countering the increase in risk caused by volatility. On average for the year, risk in the Group rose by nearly 49% to €17.2m in 2008. At the end of 2008, around 30% (previous year: 56%) of Group-wide share price risk related to the eurozone (Fig.15).

At around €2.2m, the average currency risk for 2008 was higher than the low level at the end of the previous year (€0.8m). At the year-end, the Group risk stood at €4.8m. DekaBank's main currency positions relate to sterling and the US dollar (Fig. 16).

Value-at-risk – Interest rate risk for the Group during 2008 *(Fig. 14)*



Value-at-risk – Share price risk for the Group during 2008 *(Fig. 15)*



The spread risk from Liquid Credits positions stood at €73.1m (confidence level 95%, holding period ten days) as at 31 December 2008.

Of the total nominal value (net) of the Liquid Credits portfolio amounting to €11.8bn (previous year: €7.5bn), around 64% was attributable to non-structured plain vanilla products such as bonds and credit default swaps (CDS) on single names or indices. As well as the bond portfolio, we also increased the portfolio of single name CDS during the financial year. In contrast, there was a reduction in the portfolio of index transactions.

The remaining portion of the portfolio related to structured credit products such as asset backed securities (ABS), residential and commercial mortgage-backed securities (RMBS and CMBS), collateralised loan obligations (CLOs), synthetic CDOs (CSOs) and to a lesser extent structured finance collateralised debt obligations (CDOs). While there was a slight increase in structured cash products, synthetic products (CSOs) were reduced. Around 91% of the overall portfolio focused on European counterparties and with an average rating of A– to BBB+, most of the portfolio carried a good rating.

The change in the spread VaR therefore reflects the overall change in the portfolio, increased market volatility and simultaneous widening of spreads as well as the further development of the VaR model.

Credit risks

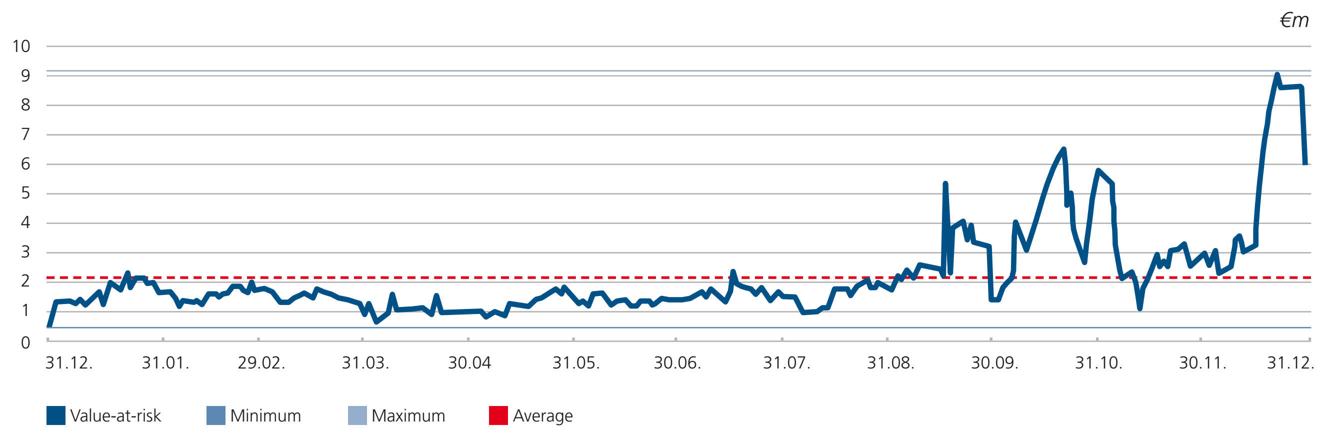
Risk management and monitoring

Organisation of credit risk management

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

In line with the 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 identifica-

Value-at-risk – Currency risk for the Group during 2008 *(Fig. 16)*



tion and is responsible for market-independent second recommendation for loan decisions as well as for checking and approving creditworthiness and ratings. In addition, the Corporate Centre Credit Risk Office checks the quality of the credit processes and monitors the transaction management of non-performing and troubled loans as a permanent member of the Monitoring Committee. This committee is responsible for managing and monitoring the transaction management of troubled loans and in addition to the head of the Corporate Centre Credit Risk Office, its members include the heads of the sub-divisions Credits, Markets and Liquid Credits from the C&M division, the head of the sub-division Real Estate Lending in AMI and the head of the Corporate Centre Legal Affairs. The Corporate Centre Credit Risk Office has a right of veto in the Monitoring Committee.

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

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

Management, monitoring and limiting of credit risks

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

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

Special risk-limiting standards apply in the Credits sub-division depending on the type of financing. In acquisition financing, for example, care is taken to ensure the availability of meaningful market surveys and for project financing on technical security and appropriate price risk and cost reserves. In transport financing, the assessment of the assets financed and the operator play a key role, while for export and trade financing the country and supplier risks are particularly relevant. In the Liquid Credits sub-division for structured capital market investments we look at aspects such as the expertise and reputation of the parties to the transaction, an analysable market environment for the underlying transaction and an appropriate credit enhancement as well as compliance with an external minimum rating of A–. The composition of the portfolio as well as the concentration in individual portfolio segments is also limited by the Investment Directive for Structured Capital Market Products. 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 location, quality and profitability of the property as well as adequate advance sales 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 event of guarantees and sureties, the value carried for the collateral is based on the creditworthiness of the party providing the collateral, in the event of asset collateral, the market or fair value or lending value of the financed property. In principle, the valuation of the collateral is checked annually. In trading, we minimise credit risk by using offsetting agreements via derivatives and repo transactions. The main types of collateral are cash and securities, especially framework agreements in repo/lending transactions and collateral management agreements.

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

Assessing creditworthiness

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

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

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

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

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

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 using simulated macro and micro scenarios for the relevant risk driver with regard to the expected cash flows. One module determines the probability of default using a portfolio approach. In addition to the modules indicated above, expert modules are also used for particular types of financing (e.g. structured trading finance).

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

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

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

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

Quantifying credit risks

Limit monitoring

Counterparty-related credit risks are monitored at economic borrower and borrower unit level for all transactions conducted throughout the Group. The main exposures from lending and trading count towards the utilisation of the limits for advance performance risk, position risk and overall risks managed by Credit Risk Control at head office. Off-balance sheet items such as irrevocable lending commitments or guarantees provided are included. In principle, the market value of the respective transaction is used. Where this is not directly evident in the market, we use the present value or the maximum current or future drawdown.

Limit overruns at economic borrower unit level are reported to the Board of Management immediately. Portfolio-related limits such as rating-dependent country limits or limits under the Investment Directive for Structured Capital Market Investments are 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 in default by over 90 days and accounting for more than 2.5% of the overall risk position (Section 125, Solvency Regulation).

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

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

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

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

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

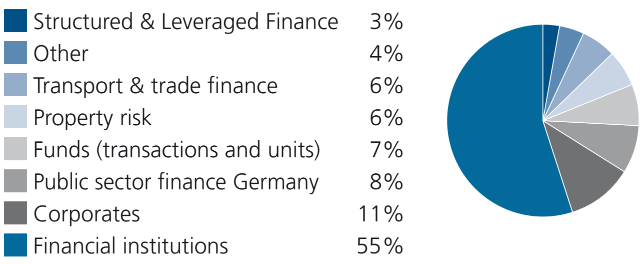
Moreover, Credit Risk Control prepares a credit risk report as at the end of each quarter showing DekaBank's credit portfolio for the whole Group by segment in accordance with the definition under Section 19 (1) of the German Banking Act (KWG). This report includes a comprehensive structural analysis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

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

Current risk situation
DekaBank expanded its loan portfolio again in financial year 2008. The gross loan volume rose by €28.3bn to €151.4bn. The increase was largely attributable to bonds and derivatives and a simultaneous reduction in repo and lending transactions.

At €83.6bn (previous year: €79.9bn), or 55.2% (previous year: 64.9%) at the year-end, financial institutions continued to account for the largest share of the gross loan volume (Fig. 17).

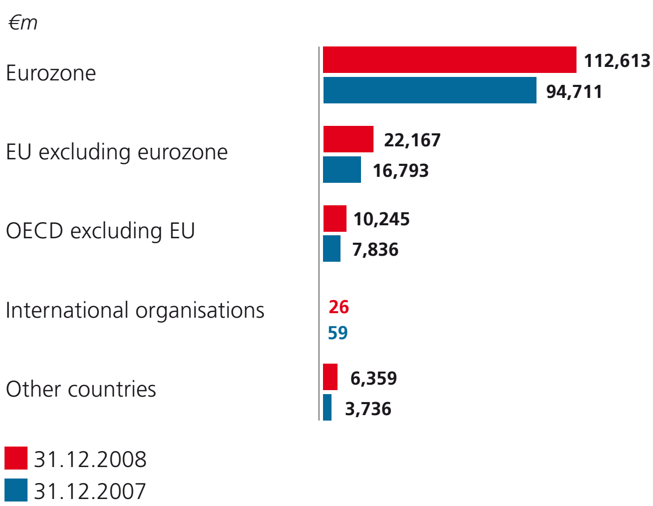
Gross loan volume by risk segment *(Fig. 17)*



However, growth in the gross loan volume was disproportionately low in this risk segment. In contrast, significant increases were recorded in the corporates risk segment (€9.9bn or 133%) and, as a result of the portfolio increase in structured finance and project and special finance, in the transport & trade finance (€4.9bn or 123%) as well as the structured & leveraged finance segments (€2.1bn or 79%).

In terms of regional distribution, 74.4% of the gross loan volume (previous year: 76.9%) was granted to borrowers in the eurozone. Of this, 74.8% was attributable to Germany. Again only a small proportion of the gross loan volume (14.6%) related to EU countries outside the eurozone. Countries with a rating between 6 and 15 on the DSGV master scale are monitored using global country limits. At the year-end, only 15.8% of this limit had been utilised (Fig. 18).

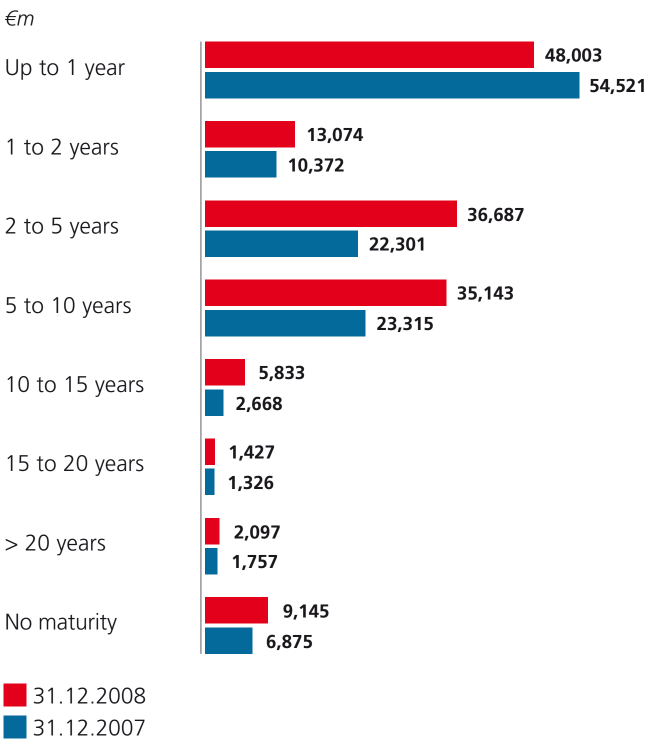
Gross loan volume by region *(Fig. 18)*



The average remaining maturity of the gross loan volume rose from 3.1 years to 3.8 years during the financial year. This was due above all to the sharp fall in repo/lending transactions with a maturity of less than one year as well as the increase in loans with longer maturities (Fig. 19).

Gross loan volume by remaining maturity

(Fig. 19)

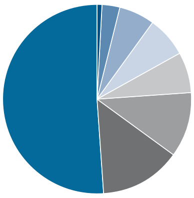


While the gross loan volume was €28.3bn, or 23.0%, higher than at the end of 2007, the net loan volume increased by €23.4bn, or 51.8%, to €68.5bn. This was mainly driven by the rise in the financial institutions risk segment, which was up by €12.4bn at €35.0bn. The higher percentage rise in the net loan volume compared to the gross loan volume is essentially due to the further decline in the risk-reducing effect of the guarantor's liability. Nevertheless, the guarantor's liability is still the most important form of collateral; this shows the importance of lending to savings banks and *Landesbanken*. The reduction in risk relating to claims on the public sector were also significant. The changes in risk reductions from offsetting agreements (especially netting) essentially reflect the movement in business volume; overall the level was approximately the same as the previous year. (Fig. 20).

With €35.0bn (previous year: €22.6bn), which corresponds to 51.0% of the total volume, financial institutions also constitute the most important segment in the net loan volume (Fig. 21).

Net loan volume by risk segment *(Fig. 21)*

Public sector finance Germany	1%
Transport & trade finance	3%
Property risk	6%
Structured and leveraged finance	7%
Other	7%
Corporates	11%
Funds (transactions and units)	14%
Financial institutions	51%



The ten biggest borrowers accounted for a share of 24.4% (previous year: 23.0%) of the net loan volume.

In terms of regional distribution, the eurozone dominates in the net loan volume as well. The share of borrowers from EU countries which do not use the single currency was down on the previous year (18.3%) at 11.9%.

The borrower ratings have deteriorated slightly compared to financial year 2007. With regard to the net loan volume, the average rating is 3 using the DSGV master scale (previous year: A–).

For 93.2% of this volume the rating class is unchanged. The rating has improved for 1.9% and 4.9% moved down to a lower rating class.

Overall, as at the reporting date, 74.3% (previous year: 75.0%) of the net loan volume has a rating of A– or better. This is primarily due to the high net loan volume to financial institutions; these have an average rating of A+. In contrast, the probability of default in segments such as transport & trade finance and structured & leveraged finance is naturally higher (Fig. 22).

As at year-end 2008, the credit VaR (risk horizon one year, confidence level 99.9%) stood at €1.49bn, up €0.46bn on the comparable figure for the previous year. The reasons for the rise include the increased overall exposure as a result of the investment of liquidity. During 2008, the CVaR remained within the €1.03bn to €1.49bn range. Around 38% of the

Reconciliation of gross loan volume to net loan volume *(Fig. 20)*

€m	31.12.2008	31.12.2007
Gross loan volume	151.4	123.1
Claims on federal government, states and municipalities	8.8	9.1
Guarantor's liability	22.1	30.8
Personal and material collateral	11.1	7.1
Netting of financial future transactions	8.0	1.8
Covered securities	5.9	5.2
Netting of reverse repos	11.3	14.5
Netting in securities borrowing/sale and resale transactions	3.4	2.7
Lending/sale and resale transactions	1.0	5.9
Other risk reductions	11.3	0.9
Net loan volume	68.5	45.1

CVaR is attributable to financial services providers. With 46.7% of the CVaR, the portfolio has a high concentration of borrowers from Germany while a further 38.4% refers to borrowers in other European countries.

The provisions for loan losses reported on the balance sheet totalled €360.5m (previous year: €130.7m). Of this €274.3m (previous year: €35.3m) relates to specific valuation allowances for loans and securities, €24.2m (previous year: €20.0m) to portfolio valuation allowances for country risks, €48.0m (previous year: €63.2m) to portfolio valuation allowances for creditworthiness risks and €14.0m (previous year: €12.2m) to provisions for creditworthiness risks in off-balance sheet lending.

The allocation of provisions for loan losses and securities to the segments is shown in the table below (Fig. 23).

As collateral for the impaired individual exposures, in the financial institutions risk segment, securities were taken into account and charges on property in the property risk segment and aircraft mortgages and sureties were included for the transport & trade finance risk segment. Sureties were taken into account when determining portfolio valuation allowances for country risks. Portfolio valuation allowances for creditworthiness risks were determined taking the collateral of sustainable value into account. In the past financial year, charges on property provided as collateral were realised and sureties utilised. The total amount of the collateral utilised amounts to €1.5m (previous year: €9.0m).

Operational risks

Risk management and monitoring

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

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

€m	Average PD in bps	Average Rating 31.12.2008	31.12.2008	31.12.2007
Financial institutions	6	A+	34,980	22,628
Corporates	24	4	7,495	6,445
Public finance	2	AA+	3,349	1,383
Public sector finance Germany	1	AAA	498	571
Public infrastructure	38	5	984	537
Transport & trade finance	44	5	2,113	1,300
Structured & leveraged finance	51	6	4,708	2,628
Property risk	41	5	4,081	3,030
Retail portfolio	2	AA+	918	821
Funds (transactions/units)	2	AA+	9,291	5,620
Equity investments	71	6	107	170
Total result	**15**	**3**	**68,526**	**45,133**

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

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

To identify, measure and manage operational risks, DekaBank uses cause-based risk categorisation.

Business continuity management

DekaBank has put in place a Group-wide framework as well as organisational and technical regulations to ensure a standard Group-wide approach in the event of a disaster. To ensure an appropriate and direct response, DekaBank has established a business continuity plan which meets various problems with centralised and decentralised measures in a defined escalation procedure. Depending on the extent and severity of the failures, these are reported directly to the crisis management team which includes the Group Board of Management. Defined reinstatement teams comprising employees from all specialist departments are in place for the emergency operation of critical business processes and reinstatement of operations. These teams restore the business processes interrupted by the disaster and ensure that business operations continue as smoothly as possible.

Premises-related failure or loss

To ensure against premises-related failure or loss, DekaBank pursues an internal recovery strategy both in and outside Germany by using its own buildings and infrastructures. In terms of Germany, this means for example that the two locations Frankfurt-City and Frankfurt-Niederrad serve as back-ups for each other. This ensures that the specialist divi-

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

€m	Financial institutions	Funds	Transport & trade finance	Structured & leveraged finance	Property risks	Public infrastructure	Equity investments	Corporates	Other	31.12.2008	31.12.2007	31.12.2006
Impaired gross loan volume[1]	**538.5**	**2.8**	**165.2**	**60.0**	**44.5**	**0.0**	**0.0**	**0.0**	**0.0**	**811.0**	**171.5**	**343.8**
Collateral at fair value	**173.8**	**0.0**	**95.8**	**0.0**	**22.7**	**0.0**	**0.0**	**0.0**	**0.0**	**292.3**	**83.8**	**179.4**
Impaired net loan volume[1]	**364.7**	**2.8**	**69.4**	**60.0**	**21.8**	**0.0**	**0.0**	**0.0**	**0.0**	**518.7**	**87.7**	**164.4**
Provisions for loan losses[2]	**213.4**	**1.8**	**53.2**	**51.1**	**34.8**	**2.3**	**3.0**	**0.6**	**0.3**	**360.5**	**130.7**	**201.0**
Specific valuation allowances	206.0	1.4	14.1	31.8	21.0	0.0	0.0	0.0	0.0	274.3	35.3	106.6
Provisions	0.0	0.0	7.1	3.1	0.8	0.0	3.0	0.0	0.0	14.0	12.2	21.0
Portfolio valuation allowances for country risks	0.0	0.0	24.2	0.0	0.0	0.0	0.0	0.0	0.0	24.2	20.0	20.0
Portfolio valuation allowances for creditworthiness risks	7.4	0.4	7.8	16.2	13.0	2.3	0.0	0.6	0.3	48.0	63.2	53.4

[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.

sions concerned have all the information and resources they need at their emergency workstations to facilitate emergency business operations.

IT failure or loss

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

Quantifying operational risks

DekaBank has a comprehensive management and controlling system for operational risks. The methods used are decentralised self assessment and Group-wide loss documentation and scenario analysis. DekaBank does not use the risk indicators as a standalone method but uses them to support the self assessment and scenario analysis as well as for risk quantification. Based on the data generated through these methods, using an advanced quantification model recognised by the Federal Financial Supervisory Authority (BaFin), we determine the operational risk as a value-at-risk ratio which is used both for internal management as well as external reporting.

Self assessment

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

Scenario analysis

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

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

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

Loss documentation

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

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

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

Reporting of operational risks

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

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

Current risk situation

At €135m, the value-at-risk determined in accordance with the advanced measurement approach (risk horizon one year, confidence level 99.9%) was up 22.8% on the comparable figure for the previous year (€110m). The figure moved within the €109m to €135m range. The rise results from the expansion of business activities, the significantly more volatile market environment and the losses incurred in 2008 (Fig. 24).

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

(99.9%, 1 year), in €m

This was based on information comprising the data on losses incurred by the external loss syndicates on the one hand and internal loss documentation on the other. The number of internal losses fell from 66 cases in 2007 to 61. In contrast, at €5.4m for realised losses and €15m for provisions for potential losses, total losses were significantly higher than the previous year (€2.0m).

The potential losses from operational risks determined as part of the risk inventory (ex-ante assessment) rose over the course of the year by 34.8% to €53.6m. This assessment reflects the higher loss potential as a result of the current situation in the banking environment.

Liquidity risks

Risk management and monitoring

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

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

Quantifying liquidity risk

Liquidity status

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

Funding matrices

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

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

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

The normal business operations funding matrix is used to regularly monitor and manage liquidity risks. Modelling and renewal assumptions are made to illustrate the cash flows on certain product types (e.g. securities or deposits eligible as collateral for ECB borrowings or repoable). The sum total of the cash flows produces a liquidity gap in each maturity band. In addition to this, the liquidity potential is calculated which takes into account freely available funds such as assets which can be readily converted into liquid funds such as securities, surpluses in cover registers and other funding sources.

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

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

Stress scenarios

Through stress scenarios carried out every two weeks or each quarter, we investigate the influence of various scenarios on the liquidity position. We divide the underlying models into a scenario that directly affects DekaBank (e.g. downrating through cut in DekaBank's rating by rating agencies) as well as other scenarios (e.g. funds and banking crisis). Depending on the stress scenario, various modelling and renewal assumptions are made and different financing requirements assumed.

As a result of the turmoil caused by the financial market crisis, the banking crisis funding matrix is also used to manage and monitor the liquidity position and has also been used on a daily basis in the Funding/Liquidity Management unit in the Markets sub-division since October 2008.

Liquidity ratio under the Liquidity Directive

DekaBank liquidity risk mitigation measures are also guided by the liquidity requirements of the Liquidity Directive (Section 11, German Banking Act). The liquidity ratio pursuant to the Liquidity Directive is calculated as the ratio of short-term cash inflows and outflows of DekaBank with a maturity of up to one month. Monitoring ratios for up to one year are also calculated. Potential payment obligations, e.g. in relation to credit line commitments or deposits, are included in the individual maturity bands and weighted according to their drawdown probability (call-off risk) in accordance with the regulatory weighting factors. Certain product types, such as derivatives, are not included in line with regulatory requirements.

Reporting the liquidity risk

The funding matrix based on normal business operations as well as the banking crisis funding matrix, the latter in light of the financial market crisis, are prepared at least every two weeks by Market Risk Control as part of independent monitoring and includes a verbal assessment of the liquidity situation by the Funding/Liquidity Management unit to the full Board of Management, the Asset Liability Management Committee and the head of the Markets and Risk & Finance units. In this regard, early warning limits are defined in relation to the liquidity balance (= accumulated liquidity gap plus accumulated liquidity potential) which are also monitored by Market Risk Control. Overruns are reported to the Board of Management via the ALMC.

In the wake of the financial market crisis, the extent and frequency of risk reporting was modified together with the group of recipients for the reporting. Consequently, the banking crisis funding matrix was prepared daily and reported to the Bundesbank and German Federal Financial Supervisory Authority (BaFin) together with the funding matrix based on normal business operations.

Moreover the liquidity ratio pursuant to the Liquidity Directive is monitored daily in the reporting system of the Corporate Centre Risk & Finance and passed on to Funding/Liquidity Management and Short Term Products in the Markets sub-division for management.

Current risk situation

DekaBank continued to have a very sound level of liquidity in financial year 2008. As a result of the high volume of liquid securities (often eligible as collateral for central bank borrowings) and the surplus cover in the cover pool, but also through the corresponding repurchase agreement transactions, DekaBank has extensive potential liquidity that can be made liquid at short notice.

During the reporting period, DekaBank continued to strategically use its available surplus liquidity to increase its investments in selected asset classes on a sustained basis. Here the Bank achieved high margins as a result of the steady rise in spreads over the course of the year and secured these on a permanent basis for the next few years. The liquidity surplus has been reduced as a result since the start of 2008.

The accumulated liquidity balance at the short end (less than a month) as at 31 December 2008 totalled €13.7bn (31 December 2007: €17.5bn); (Fig. 25).

The regulatory requirements of the Liquidity Directive were clearly exceeded at all times in financial year 2008. The liquidity ratio of the first maturity band determined on a daily basis stood at between 1.25 and 1.66. The figure at the close of the year amounted to 1.43 in 2008 with an average of 1.43 for the year.

Other risks

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

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

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

The business risk has increased by €65m to €423m compared to the previous year (€358m). Essentially, the increase resulted both from higher volatilities and a higher general risk.

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

As at the end of 2008, the shareholding risk amounted to €45m, down on the previous year's figure (€52m) by 13.5%. A decline in the book value of equity investments, including as a result of amortisation of the shareholding in S Broker AG & Co. KG and consolidation of the subsidiary ETFlab Investment GmbH, was countered by a slight increase in volatility.

Property risk
Measurement of the property risk is based on the IFRS book values of the property held in the Bank's portfolio and the volatilities in relative changes in value of the property in the respective location.

Normal business operations funding matrix of DekaBank as at 31 December 2008 *(Fig. 25)*

€m	<=1M	>1M-12M	>12M-7Y	>7Y	Total
Securities, loans and promissory note loans[1]	10,572	17,640	46,425	11,509	86,145
Other money market transactions (lending)[2]	16,565	7,149	1,929	103	25,746
Derivatives	–153	–2,991	–4,819	–213	–8,175
Refinancing funds[3]	–26,948	–17,338	–46,449	–9,005	–99,740
Other balance sheet items[4]	0	–89	–111	–2,707	–2,906
Liquidity balance (acc. gap + acc. liquidity potential)					
DekaBank	13,660	6,371	–2,328	–114	
DekaBank Luxembourg	–458	3,999	5,271	–175	

[1] Including irrevocable credit commitments and guarantees
[2] Of which approx. €14bn collateralised
[3] Including in particular short-term products, own certificates and funding
[4] Including silent capital contributions and equity

The property risk was virtually unchanged at around €8m (previous year: €7m) and was therefore of only secondary importance.

Property fund risk

The property fund risk results above all from the units taken of the fund Deka-ImmobilienFonds into the Bank's own portfolio. It is measured using the volatilities of historic, relative changes in value of the properties in the portfolio of the respective property funds. The value changes are recorded separately by location and usage type and weighted with the associated property values. This results in an aggregate volatility of the value changes in the property portfolio.

The property fund risk continued to decline in the reporting year. At €150m, it was down 10.7% on the level at the end of 2007.

Structured capital market credit products

DekaBank conducts structured credit substitute transactions in the Liquid Credits sub-division. These are included in full in DekaBank's risk management as outlined above. We intend to reduce this portfolio over the coming years through both active management and the scheduled expiry of transactions. We will only enter into new transactions to improve the structure on a selective basis and in accordance with particular requirements. The reduction aims to achieve an average rating of A.

Managing, monitoring and limiting

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

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

The Investment Directive initially defines a global limit for capital market products structured as securities such as ABS, MBS, CLO, as well as another global limit for synthetic products such as index tranches. The two limits are also supported by a limit system which differentiates the limits by product type and risk class. Furthermore, there is a global limit for alternative investments such as CPPI.

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

Rating overview

Overall, the creditworthiness of the portfolio is good to very good. The rating overview below shows the external ratings on a conservative basis, to the effect that in the event of several external ratings for a transaction, the overview shows the lower rating.

More than 85% of the structured capital market credit product positions have an external rating of AA– or better.

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

Product		AAA	AA	A	BBB	Non investment grade	unrated	Total
Structured	ABS	310.0	25.6	100.9	0.0	3.6	6.8	446.9
	RMBS	363.6	164.4	144.1	0.0	0.0	0.0	672.1
	CMBS	471.6	117.8	62.8	8.9	0.0	0.0	661.1
	CLO	723.9	267.0	93.9	0.0	0.0	0.0	1,084.8
	CSO[1)]	50.0	50.0	0.0	0.0	230.0	321.9	651.9
	Structured finance CDO	20.0	10.0	0.0	0.0	0.0	0.0	30.0
	Balance sheet lending	0.0	990.0	0.0	0.0	0.0	0.0	990.0
Alternative	CPPI	0.0	100.0	0.0	0.0	0.0	0.0	100.0
Total		**1,939.1**	**1,724.8**	**401.7**	**8.9**	**233.6**	**328.7**	**4,636.8**

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

Only the bespoke CSO transactions in the portfolio were affected by significant downgrades in the fourth quarter following the defaults in the markets, for example the Icelandic banks and Lehman Brothers (Fig. 26).

Country overview

DekaBank does not have any US subprime or Alt-A exposure. All of the RMBS and CMBS transactions in the portfolio are concentrated on Europe. There is exposure to the USA through CLO and bespoke CSO transactions (Fig. 27).

IFRS categorisation

In financial year 2008, DekaBank allocated most of the structured capital market credit products to the IFRS valuation category at fair value (afv) or designated at fair value (dafv). The realised and unrealised valuation result in this IFRS category is reported in the income statement. In particular, the product groups CSO and structured finance CDO which suffered considerable losses in fair value as a result of the financial market crisis, are taken into account in full in the income statement. Individual transactions in the ABS, RMBS, CMBS and CLO product groups, which in principle were cash transactions, were allocated to the IFRS category loans and receivables (lar) in 2008. In this IFRS category, the transactions were measured at amortised cost. The paper allocated to the lar category, were reviewed for impairment as a result of changes in creditworthiness. The total for the fair values (afv/dafv category) and amortised cost (lar category) is shown in the following overview in the "Book value" column (Fig. 28).

Valuation procedure

As a result of the ongoing market turmoil as at the reporting date, the fair values for selected non-synthetic securitisations were determined for the first time using a modified discounted cash flow model. Where the current spreads for the relevant transactions are deemed to be valid, the parameters available as at the cut-off date were used as the inputs for the discounted cash flow model. Where indicative prices were available from price service agencies, these were used to check the plausibility of the calculated fair values.

Against the backdrop of the financial market crisis, and the resultant inactive markets as well as the partial significant liquidity spread developments, an increased number of securities were identified for which external prices were deemed to be invalid and no fair value could therefore be determined using current market parameters. For these securities, the fair value on the reporting date was determined on the basis of a modified discounted cash flow model. The underlying discounting rate in the model was determined using the current swap curve, implied historic spread, which was determined on the basis of the last available active (liquid) market price – and an adjustment for changes in creditworthiness where applicable. The value calculated in this way was also adjusted by a factor, determined via an indicator model, which reflects how the most recently monitored market price would have had to change (liquidity factor). In our opinion, the resultant fair value represents the price on which rational market players would reach agreement.

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

Product			Structured					Alternative	Total
Country	**ABS**	**RMBS**	**CMBS**	**CLO**	**CSO**	**Structured finance CDO**	**Balance sheet lending**	**CPPI**	
Germany	224.9	32.4	172.5	47.0	0.0	0.0	594.0	0.0	1,070.8
UK	12.6	164.5	292.1	17.0	0.0	0.0	0.0	0.0	486.2
Spain	12.6	131.7	0.0	0.0	0.0	0.0	0.0	0.0	144.3
Italy	60.9	165.1	13.0	0.0	0.0	0.0	0.0	0.0	239.0
Benelux	8.2	114.4	171.5	0.0	0.0	0.0	0.0	0.0	294.1
Scandinavia	52.0	0.0	12.0	21.7	0.0	0.0	0.0	0.0	85.7
Rest of Europe	27.5	64.0	0.0	542.2	250.0	20.0	396.0	0.0	1,299.7
USA	39.0	0.0	0.0	239.6	351.9	10.0	0.0	50.0	690.5
Other/global	9.1	0.0	0.0	217.3	50.0	0.0	0.0	50.0	326.4
Total	**446.8**	**672.1**	**661.1**	**1,084.8**	**651.9**	**30.0**	**990.0**	**100.0**	**4,636.8**

The fair value of synthetic securitisation transactions is determined using Copula models, which were calibrated on the market prices of liquid tranches. These are also shown in the fair value hierarchy as "based on derived parameters", as the correlation assumptions of the underlying CDS portfolios represent the main parameters for the measurement.

Market price risk

In addition to the standard scenarios used in the market price risk, we examine the specific interest rate risk from structured capital market credit products. The specific risk of these products results from the variability of the product-specific or counterparty-specific spread. To quantify this part of the market price risk, the counterparty-specific spread curves are shifted in line with the portfolio-specific degree of diversification. The specific interest rate risk across all individual transactions arises from the difference of the net present values determined using the current and shifted spread curve.

In light of the turmoil in the financial markets, we have defined an additional subprime scenario for spread risk. The model parameters were stipulated based on the movement in credit spreads for various asset and rating classes in the period June 2007 to March 2008. The potential loss arising from expected changes in market value in the subprime scenario is calculated using extreme risk premiums on various capital market credit products against swap rates. The risk positions are limited at portfolio level using the risk ratios obtained from the extended scenario analyses and the VaR procedure.

Current risk situation

As at 31 December 2008, the spread risk of all Liquid Credits positions amounted to €73.1m (confidence level 95%, holding period ten days). The rise on the previous year (€42.9m) therefore reflects the overall change in the portfolio, increased market volatility and simultaneous widening of spreads as well as the further development of the VaR model.

IFRS valuation categories and book values (in €m) *(Fig. 28)*

				IFRS valuation category	
Product		**Nominal**	**Book value**	**afv**	**lar**
Structured	ABS	446.8	401.1	302.4	98.7
	RMBS	672.1	576.8	528.9	47.9
	CMBS	661.2	579.9	406.0	173.9
	CLO	1,084.8	936.3	889.3	47.0
	CSO CLN	230.0	26.4	26.4	0.0
	Structured finance CDO	30.0	12.1	12.1	0.0
	Balance sheet lending	990.0	991.2	991.2	0.0
Alternative	CPPI	100.0	95.4	95.4	0.0
Total		**4,214.9**	**3,619.2**	**3,251.7**	**367.5**
Structured	CSO CDS[1]	421.9	–76.0	–76.0	–

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

Report of the Administrative Board

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

Key issues of Administrative Board meetings

In 2008, three meetings of the Administrative Board took place, during which the Board of Management informed the Administrative Board about the Bank's current performance and risk position as well as the Group's planning and strategic direction. In accordance with the minimum requirements for risk management for the lending business of banks, the Board of Management also reported to the Administrative Board on the business and risk strategies. The internal audit department's activity report was also submitted to the Administrative Board. In addition, the Administrative Board was informed of the effects of changes in the legal framework parameters and the response of DekaBank in terms of business policy.

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

Financial year 2008 was dominated by a severe crisis in the international financial markets and banking systems. In Germany and many other countries, government intervention became necessary to stabilise financial institutions and guarantee the functioning of the financial system.

The Administrative Board received regular reports about the repercussions for the earnings, liquidity and risk situation of the Bank, as well as the management measures taken by the Board of Management. In addition, the Administrative Board was regularly informed about the action taken to monitor and secure liquidity in the Bank's investment fund business.

The current situation in the financial market has also triggered considerations regarding consolidation within the *Landesbank* sector. Against this background, the Administrative Board has asked the Board of Management to examine possible areas for a cooperation with WestLB. The Board of Management has informed the Administrative Board of the progress of the ongoing review and talks.

Other important events in financial year 2008 discussed with the Administrative Board were the start of activities relating to passively managed funds (Exchange Traded Funds) by newly founded Group company ETFlab Investment GmbH, the closure of Deka International (Ireland) Ltd. at the end of 2008 as well as the establishment of Dealis Fund Operations GmbH, a joint venture with Allianz Global Investors Kapitalanlagegesellschaft mbH in fund accounting/fund administration.

Administrative Board Committees

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

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

The Audit Committee met four times in 2008. It conducted a detailed review of the audit of the financial statements and the consolidated financial statements. It also verified the requisite independence of the auditors, appointed the auditors to perform their audit based on the specified focal points and agreed their fees.

The Audit Committee also extensively reviewed the DekaBank Group's accounting and risk management system and obtained reports on the audit activities of the internal audit department. The Audit Committee looked in detail at the risk situation of DekaBank and the impact of the financial market crisis. This examination included credit, liquidity, country and market risks as well as legal, reputation and operational risks. The Chairman or the Deputy Chairman of the Audit Committee reported to the Administrative Board on a regular basis concerning the Committee's results and recommendations.

Audit and approval of 2008 financial statements and consolidated financial statements

The DekaBank Shareholders' Meeting appointed PwC PriceWaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for the 2008 financial year. PwC audited the 2008 financial statements and consolidated financial statements together with the management reports and issued an unqualified audit opinion thereon.

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

The Administrative Board approved the 2008 financial statements. The financial statements are therefore approved. Furthermore, the Administrative Board submitted a proposal to the Shareholders' Meeting regarding the appropriation of the accumulated profit.

Changes in the Administrative Board

In January 2009, the members of the Administrative Board were newly elected. The term of office runs until 31 December 2013. The Chairman of the Administrative Board is once again Heinrich Haasis as President of the German Savings Banks and Giro Association e.V. Dr. Siegfried Jaschinski and Dr. Rolf Gerlach were elected as the First and Second Deputies to the Chairman.

Hans Berger, Dr. Günther Merl, Harald R. Pfab, Dr. Friedhelm Plogmann, Dr. Hannes Rehm, Werner Schmidt, Dr. Friedhelm Steinberg, Alexander Stuhlmann and Roland Schäfer, a representative appointed by the Federal Organisation of Central Municipal Organisations, resigned from the Administrative Board during the course of or at the end of financial year 2008.

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

Government oversight of DekaBank is exercised by the Federal Minister of Finance, who can appoint a state commissioner and deputy state commissioner by virtue of the powers specified in the Bank's statutes. He did not exercise this right in financial year 2008.

The challenges of 2008 have significantly tested the financial sector. DekaBank has achieved good results in this difficult environment. The Board of Management and the employees of DekaBank have contributed decisively to this result. The Administrative Board would like to thank them for their considerable personal commitment and successful contribution.

Frankfurt/Main, 19 March 2009

Chairman of the Administrative Board
Heinrich Haasis

Consolidated financial statements

Statement of comprehensive income

for the period from 1 January to 31 December 2008

€m	Notes	2008	2007	Change	
Interest and similar income		4,863.6	3,708.7	1,154.9	31.1%
Interest expenses		4,473.3	3,505.7	967.6	27.6%
Net interest income	[31]	390.3	203.0	187.3	92.3%
Provisions for loan losses	[32]	–291.9	31.9	–323.8	(< –300%)
Net interest income after provisions for loan losses		98.4	234.9	–136.5	–58.1%
Commission income		2,705.9	2,717.5	–11.6	–0.4%
Commission expenses		1,747.4	1,733.0	14.4	0.8%
Net commission income	[33]	958.5	984.5	–26.0	–2.6%
Trading profit or loss	[34]	505.1	94.7	410.4	(> 300%)
Profit or loss on financial instruments designated at fair value	[35]	–752.7	–254.9	–497.8	–195.3%
Profit or loss from fair value hedges in accordance with IAS 39	[36]	–1.3	2.0	–3.3	–165.0%
Profit or loss on financial investments	[37]	–45.3	–5.4	–39.9	(< –300%)
Administrative expenses	[38]	808.2	692.1	116.1	16.8%
Other operating profit	[39]	–3.7	160.1	–163.8	–102.3%
Net income before tax		–49.2	523.8	–573.0	–109.4%
Income taxes	[40]	50.5	97.1	–46.6	–48.0%
Interest expenses for atypical silent capital contributions		16.1	16.1	0.0	0.0%
Net income (before minority interests)		–115.8	410.6	–526.4	–128.2%
Minority interests		–34.8	4.4	–39.2	(< –300%)
Net income for the year		–81.0	406.2	–487.2	–119.9%
Profit or loss on available-for-sale financial instruments not recognised in income		5.5	–5.5	11.0	200.0%
Profit or loss on available-for-sale financial instruments recognised in income		–0.4	–0.3	–0.1	–33.3%
Profit or loss on available-for-sale financial instruments		5.1	–5.8	10.9	187.9%
Change in deferred taxes not recognised in income		–1.5	1.5	–3.0	–200.0%
Currency translation adjustments		3.9	–0.9	4.8	(> 300%)
Other consolidated income		7.5	–5.2	12.7	244.2%
Net income for the period under IFRS		–73.5	401.0	–474.5	–118.3%

Consolidated balance sheet

as at 31 December 2008

€m	Notes	31.12.2008	31.12.2007	Change	
Assets					
Cash reserves	[41]	1,457.2	783.9	673.3	85.9%
Due from banks	[14], [42]	43,983.7	45,980.6	–1,996.9	–4.3%
(net after provisions for loan losses amounting to)	[15], [16], [44]	(183.9)	(0.2)	183.7	(> 300%)
Due from customers	[14], [43]	29,759.2	24,703.1	5,056.1	20.5%
(net after provisions for loan losses amounting to)	[15], [16], [44]	(124.4)	(118.3)	6.1	5.2%
Financial assets at fair value	[17], [45]	55,820.5	33,628.7	22,191.8	66.0%
(of which deposited as collateral)		(5,098.8)	(10,523.9)	–5,425.1	–51.6%
Positive market values from fair value hedges in accordance with IAS 39	[18], [46]	142.9	27.6	115.3	(> 300%)
Financial investments	[19], [47]	6,606.4	605.7	6,000.7	(> 300%)
Intangible assets	[20], [48]	146.9	140.7	6.2	4.4%
Property, plant and equipment	[21], [49]	43.4	35.3	8.1	22.9%
Income tax assets	[23], [50]	319.7	250.3	69.4	27.7%
Other assets	[22], [51]	329.4	326.3	3.1	1.0%
Total assets		138,609.3	106,482.2	32,127.1	30.2%
Liabilities					
Due to banks	[24], [53]	30,320.1	25,360.0	4,960.1	19.6%
Due to customers	[24], [54]	33,745.0	26,610.8	7,134.2	26.8%
Securitised liabilities	[24], [55]	27,102.0	29,746.5	–2,644.5	–8.9%
Financial liabilities at fair value	[17], [56]	40,141.1	17,792.7	22,348.4	125.6%
Negative market values from fair value hedges in accordance with IAS 39	[18], [57]	512.3	164.3	348.0	211.8%
Provisions	[25], [26], [58], [59]	297.8	523.9	–226.1	–43.2%
Income tax liabilities	[23], [60]	255.8	127.8	128.0	100.2%
Other liabilities	[27], [61]	964.2	788.1	176.1	22.3%
Subordinated capital	[28], [62]	1,978.7	2,018.9	–40.2	–2.0%
Atypical silent capital contributions	[29], [63]	52.4	52.4	0.0	0.0%
Equity	[30], [64]	3,239.9	3,296.8	–56.9	–1.7%
a) Subscribed capital		286.3	286.3	0.0	0.0%
b) Capital reserves		190.3	190.3	0.0	0.0%
c) Reserves from retained earnings		2,630.6	2,793.0	–162.4	–5.8%
d) Revaluation reserve		1.9	–1.7	3.6	211.8%
e) Currency translation reserve		3.4	–0.5	3.9	(> 300%)
f) Accumulated profit/loss (consolidated profit)		28.6	28.6	0.0	0.0%
g) Minority interests		98.8	0.8	98.0	(> 300%)
Total liabilities		138,609.3	106,482.2	32,127.1	30.2%

Statement of changes in equity

for the period from 1 January to 31 December 2008

	Paid-in equity		Group equity generated	
€m	Subscribed capital	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 31.12.2006	286.3	190.3	2,415.4	28.6
Net income for the year				406.2
Currency translation adjustments				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Change in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	–	–	–	406.2
Changes in the scope of consolidation and other changes			–	
Allocation to reserves from retained earnings			377.6	–377.6
Distribution				–28.6
Holdings as at 31.12.2007	286.3	190.3	2,793.0	28.6
Net income for the year				–81.0
Currency translation adjustments				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Change in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	–	–	–	**–81.0**
Changes in the scope of consolidation and other changes			–6.8	–46.0
Transfer reserves from retained earnings			–155.6	155.6
Distribution				–28.6
Holdings as at 31.12.2008	286.3	190.3	2,630.6	28.6

	Other consolidated income		Total before minority interests	Minority interests	Equity
	Revaluation reserve	Currency translation reserve			
	2.6	0.4	2,923.6	0.7	2,924.3
			406.2	4.4	410.6
		−0.9			
	−5.5				
	−0.3				
	1.5				
	−4.3	−0.9	−5.2	–	−5.2
	−4.3	−0.9	401.0	4.4	405.4
			–	–	–
			–	–	–
			−28.6	−4.3	−32.9
	−1.7	−0.5	3,296.0	0.8	3,296.8
			−81.0	−34.8	−115.8
		3.9			
	5.5				
	−0.4				
	−1.5				
	3.6	3.9	7.5	–	7.5
	3.6	3.9	−73.5	−34.8	−108.3
			−52.8	132.8	80.0
			–	–	–
			−28.6	–	−28.6
	1.9	3.4	3,141.1	98.8	3,239.9

Cash flow statement

for the period from 1 January to 31 December 2008

€m		2008	2007
Net income		−115.8	410.6
Non-cash items in net income and adjustments to reconcile net profit with cash flow from operating activities			
+/–	Write-downs and write-ups		
	on receivables and financial investments	241.7	−18.6
	on intangible assets and property, plant and equipment	20.2	20.5
+/–	Allocation to/reversal of provisions	235.7	125.2
+/–	Profit or loss from fair value hedges in accordance with IAS 39	1.3	−2.0
+/–	Other non-cash items	19.9	65.6
+/–	Profit or loss on the disposal of financial investments and property, plant and equipment	−0.2	6.7
+/–	Other adjustments	−1,201.3	−473.8
=	Sub-total	−798.5	134.2
Change to assets and liabilities arising from operating activities			
+/–	Due from banks	2,321.3	270.2
+/–	Due from customers	−5,208.1	−2,432.0
+/–	Financial assets at fair value	−16,208.7	−395.9
+/–	Financial investments	−3,321.8	1,441.9
+/–	Other assets arising from operating activities	−356.3	−109.1
+/–	Due to banks	4,876.5	−5,695.9
+/–	Due to customers	6,965.7	727.9
+/–	Securitised liabilities	−2,662.4	−2,550.4
+/–	Financial liabilities at fair value	16,578.2	8,125.9
+/–	Other liabilities arising from operating activities	383.1	55.7
+	Interest received	3,895.1	3,262.5
+	Dividends received	685.7	563.7
–	Interest paid	−3,649.3	−3,495.5
–	Income tax payments	−63.3	133.9
Cash flow from operating activities		3,437.2	37.1
+	Proceeds from the disposal of		
	equity investments	0.2	0.1
	intangible assets	0.0	0.1
	property, plant and equipment	0.2	9.1
–	Disbursements for the purchase of		
	financial investments classified as held to maturity	−2,713.4	0.0
	equity investments	−8.6	−2.5
	shares in investments accounted for using the equity method	0.0	−17.0
	intangible assets	−18.7	−15.3
	property, plant and equipment	−14.1	−3.9
–	Disbursements for the purchase of shares in associated, unconsolidated companies	−4.1	−10.3
+/–	Changes in scope of consolidation	88.2	611.1
Cash flow from investing activities		−2,670.3	571.4
–	Payments to company owners and minority interests	−7.8	−51.8
–	Dividends paid	−28.6	−28.6
–	Outflow of funds from subordinated capital	−57.0	−0.6
Cash flow from financing activities		− 93.4	− 81.0
=	Changes to cash and cash equivalents	673.5	527.5
+/–	Other effects	−0.2	0.1
+	Cash and cash equivalents at the start of the period	783.9	256.3
Cash and cash equivalents at the end of the period		1,457.2	783.9

The cash flow statement shows the change in the DekaBank Group's cash balance during the financial year. The item cash and cash equivalents corresponds to the balance sheet item cash reserves (see note [41]).

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

The cash flow from investing activities shows the proceeds and disbursements relating to items whose purpose relates in principle to long-term investment or use.

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

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

Notes

Notes

Accounting principles

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

Account is also taken of the national regulations of the German Commercial Code (HGB) under Section 315a HGB. The management report was prepared in accordance with Section 315 HGB.

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

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

Amendments to IAS 39 and IFRS 7: Reclassification of financial instruments

In light of the financial market crisis, on 13 October 2008, the International Accounting Standards Board (IASB) passed amendments to IAS 39 (Financial Instruments: Recognition and Measurement) and to IFRS 7 (Financial Instruments: Disclosures). These were incorporated into Community law by the European Union on 15 October 2008. The amendments permit companies reporting in line with IFRS to reclassify non-derivative financial instruments from the held for trading and available for sale categories into another category under particular conditions. DekaBank has utilised this option to a limited extent and reclassified non-derivative financial instruments previously reported in the held for trading category as loans and receivables because an active market was no longer available for these transactions and to this extent the intention to use them for trading purposes no longer applied. Furthermore, financial instruments were switched from the available for sale category into loans and receivables. Details are provided in note [65].

IFRIC Interpretation 14 regarding IAS 19: The limit on a defined benefit asset, minimum funding requirements and their interaction

IFRIC 14 was published by the IASB on 5 July 2007 and incorporated into Community law by the European Union on 16 December 2008. The interpretation clarifies how the contractual or statutory minimum funding requirements affect the measurement of balance sheet assets and liabilities under pension plans and similar commitments in accordance with IAS 19. Application of the interpretation is mandatory as of 2009 and earlier application is possible. DekaBank has pension plans with contractual minimum funding obligations and already applies IFRIC 14. The new regulations did not affect the measurement in the 2008 financial statements.

Revised version of IAS 1: Presentation of financial statements

On 17 December 2008, the revised Standard IAS 1 (Presentation of financial statements) was incorporated by the European Union into Community law. The amended standard is to be applied for the first time for financial year 2009 and earlier application is possible. Through the changes, the IASB aims to improve the meaningfulness and comparability of financial reporting. DekaBank is already applying the revised standard to its financial statements 2008.

Other amendments to the IFRS were incorporated by the European Union into Community law in January 2009. These relate to changes to IAS 32 (Financial instruments: presentation), IAS 1 (Presentation of financial statements) and IAS 27 (Consolidated and separate financial statements). In addition, further improvements were made to the international financial reporting statements as part of the annual improvements. These amendments apply for the first time in 2009. DekaBank has not applied them early. We do not expect the first-time application to have a material effect on the consolidated financial statements of DekaBank.

Segment reporting

[1] Explanation of segment reporting

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

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

With regard to segmentation as well, IFRS 8 also calls for the application of a pure management approach. As a result, the segments are defined by the different products and services of the Group in line with the business division structure:

Asset Management Capital Markets

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

Asset Management Property

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

Corporates & Markets

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

Corporate Centres/Other

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

In principle, income and expenses are allocated to the relevant segment on the basis of a defined allocation key. Services, which other segments, the cross-divisional sales division of the savings banks and the Corporate Centres provide for the operating segments, are allocated on the basis of reciprocal agreements between service provider and recipient. The services exchanged between segments are valued in principle at market prices with the segments trading with each other like external suppliers.

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

[2] Segmentation by operating business divisions

	Asset Management Capital Markets		Asset Management Property		Corporates & Markets	
			Economic result			
€m	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Net interest income	–14.7	–36.1	46.1	24.9	183.6	96.7
Net risks	–	–	38.4	16.3	–330.3	15.6
Net commission income	665.3	736.4	158.4	135.5	132.6	113.3
Net financial income[2]	–27.2	16.8	1.7	–11.1	–97.5	–175.7
Other income	–14.3	1.7	–17.3	146.4	–0.5	–0.2
Total income	**609.1**	**718.8**	**227.3**	**312.0**	**–112.1**	**49.7**
Administrative expenses (including depreciation)	387.7	397.8	121.7	107.9	219.0	139.1
Restructuring expenses	0.2	1.5	0.5	1.6	–	1.5
Total expenses	**387.9**	**399.3**	**122.2**	**109.5**	**219.0**	**140.6**
(Economic) result before tax	**221.2**	**319.5**	**105.1**	**202.5**	**–331.1**	**–90.9**
Cost/income ratio[3]	0.64	0.55	0.64	0.36	1.0	4.08
Group risk (Value-at-risk)[4]	336	356	344	286	2,612	1,750
Assets under management	123,515	147,476	18,941	17,725	1,844	–
Gross loan volume under Section 19 (1) KWG	–	–	7,848	5,696	143,455	117,269

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

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

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

The valuation result not recognised in the income statement amounted to €115.6m (previous year: €–3.9m) in the financial year. Of this, €71.3m relates to the measurement of financial instruments acquired in the reporting year and allocated to the held to maturity category. The hedge accounting regulations under IAS 39 may not be applied to held to maturity financial instruments. As a result, only the valuation result from hedging instruments is reported in net income before tax, while the bonds are measured at amortised cost. However, in the internal management reporting, the interest rate-related valuation result from the bonds is also recorded among others to illustrate the hedge. The other valuation result not recognised in the income statement is mainly attributable to lending and underwriting transactions which are not listed in an active market and are therefore allocated to the loans and receivables category.

Assets under management primarily comprise the income-relevant fund assets of the mutual and special funds under management in the AMK and AMI business divisions. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner fund, third party fund and liquidity portions of fund-based asset management as well as advisory/management and asset management mandates. The passively managed listed index funds (ETFs) are reported in the Corporates & Markets business division. Assets under management refer to customer funds under management. DekaBank's own portfolio comprises almost exclusively start-up financing for newly launched funds (31 December 2008: €890m, previous year: €2,634m).

	Corporate Centres/ Other[1)]		**Group**		**Reconciliation**		**Group**	
	Economic result						**Net income before tax**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	175.5	117.5	390.5	203.0	−0.2	–	390.3	203.0
	–	–	−291.9	31.9	–	–	−291.9	31.9
	2.2	−0.7	958.5	984.5	–	–	958.5	984.5
	−0.6	0.1	−123.6	−169.9	−118.0	9.7	−241.6	−160.2
	−21.0	16.2	−53.1	164.1	−2.5	–	−55.6	164.1
	156.1	**133.1**	**880.4**	**1,213.6**	**−120.7**	**9.7**	**759.7**	**1,223.3**
	79.8	47.3	808.2	692.1	–	–	808.2	692.1
	–	2.8	0.7	7.4	–	–	0.7	7.4
	79.8	**50.1**	**808.9**	**699.5**	**–**	**–**	**808.9**	**699.5**
	76.3	**83.0**	**71.5**	**514.1**	**−120.7**	**9.7**	**−49.2**	**523.8**
			0.69	0.59				
	–	–	3,292	2,392				
	–	–	144,300	165,201				
	107 [5)]	170 [5)]	151,410	123,135				

4) Value-at-risk with confidence level of 99.9% and holding period of 1 year as at 31 December.

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

The gross loan volume is determined in accordance with the definition under Section 19 (1) of the German Banking Act (KWG) and therefore does not correspond to the amount carried in the balance sheet under IFRS. The gross loan volume includes all balance sheet assets and off-balance sheet transactions (including irrevocable lending commitments) subject to default risk and excluding provisions for loan losses.

[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	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Income	365.9	720.0	375.1	460.2	18.7	43.1	759.7	1,223.3
Net income before tax	–233.2	204.6	175.1	298.5	8.9	20.7	–49.2	523.8
Long-term segment assets[1]	184.1	168.1	4.9	6.3	1.3	1.7	190.3	176.1

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

Accounting policies

[4] General information

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

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

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

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

[5] Scope of consolidation

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

100% of the capital in WestKC Westdeutsche Kommunal Consult GmbH, Düsseldorf, was acquired as at 1 July 2008 and in December 2008 the company was renamed DKC Deka Kommunal Consult GmbH. The scope of consolidation was also extended through the inclusion of Munich-based ETFlab Investment GmbH and Deka Immobilien Luxembourg S.A. in Luxembourg. Deutsche Girozentrale Holding S.A. in Luxembourg and Deutsche Girozentrale Overseas Limited in Grand Cayman were liquidated during the reporting year. The changes in the scope of consolidation do not materially affect the balance sheet or income statement of the DekaBank Group.

In total, 22 (previous year: 19) companies in which DekaBank has direct or indirect holdings were not consolidated. They are of minor significance for the presentation of the assets, financial position and earnings of the Group. The shares held in these companies are reported under financial investments.

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

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

The subsidiaries, joint ventures, associated companies and funds as well as the companies and equity investments not included in the consolidated financial statements due to lack of materiality can be seen in the list of equity investments (note [79]).

[6] Consolidation principles

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

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

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

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

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

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

The consolidation principles are unchanged on the previous year.

[7] Financial instruments

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

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

Financial assets or liabilities at fair value through profit or loss

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

Financial instruments classified as held for trading are firstly those that have been acquired with the intention of achieving profits from short-term price fluctuations or from the dealer's margin. Secondly, this sub-category includes 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 as well as for economic hedging derivatives. These financial instruments are also allocated to the designated at fair value sub-category at the date of acquisition.

Loans and receivables

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

Available for sale

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

Held to maturity

In principle, financial assets with fixed or determinable payments and a fixed term to maturity can be allocated to the held to maturity category. However, this is contingent on the financial instruments having been acquired with the intention and ability to hold them until maturity. Held to maturity assets are to be valued at amortised cost.

Other liabilities

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

Financial assets are derecognised if the contractual rights arising from the asset are extinguished or have been transferred to non-Group parties in such a way that the risks and opportunities have essentially been transferred. Financial assets are also derecognised if control or power of disposal has been transferred and the risks and opportunities from the financial assets essentially not retained. Financial liabilities are derecognised when the principal has been repaid in full.

[8] Fair value measurement of financial instruments

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

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

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

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

[9] Hedge accounting

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

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

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

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

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

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

[10] Structured products

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

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

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

[11] Currency translation

Currency translation in the DekaBank Group is carried out in accordance with IAS 21. All monetary foreign currency items are converted at the spot rate as at the reporting date. Non-monetary items are converted in accordance with the valuation standard for their respective category: non-monetary items valued at amortised cost are converted at the rate for the acquisition valuation (historical rate). Non-monetary items carried at fair value are converted at the current reporting date rate like monetary items. The result from currency translation is recognised in the income statement under trading profit or loss (for the trading book portfolio) or in profit or loss from financial instruments designated at fair value (for the non-trading book portfolio). In principle, income and expenses are converted at the closing rate on the day on which they are recognised in the income statement.

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

[12] Genuine repurchase agreements and securities lending transactions

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

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

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

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

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

[13] Lease accounting

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

The DekaBank Group as lessee

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

The DekaBank Group as lessor

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

[14] Receivables

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

[15] Provisions for loan losses

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

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

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

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

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

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

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

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

The portfolio valuation allowances for creditworthiness risks reflect the assumptions concerning impairment of the loan 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. Previously, the default rate was determined on the basis of historical defaults in the relevant industries as well as current industry risks in the respective portfolios. The parameters for estimating the default rate were specified during the financial year. Portfolio valuation allowances are now determined taking borrower ratings, counterparty default history and current economic development (expected loss) into account.

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

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

[16] Risk provision for securitised instruments

Securitised loans and receivables are regularly subject to an impairment test. In accordance with the regulations under IAS 39.59, the Bank has stipulated specific qualitative and quantitative impairment indicators for securitised instruments, which include trigger breaches in the pool, rating downgrades and significant negative changes in fair value resulting from creditworthiness. An impairment test must be carried out if such indicators arise.

To determine the recoverable amount, the future payment streams from the respective transactions are estimated and discounted using the original effective interest rate for fixed-interest products and using the nominal interest rate for non fixed-interest products. Product-specific special features are taken into account when estimating the cash flows. The main scenario input parameters of constant default rate, constant prepayment rate and recovery rate are determined when analysing the cash flow from granular transactions such as retail ABS especially. In contrast to ABS, a qualitative analysis with an individual assessment of each securitised loan is carried out for CMBS.

The impairment requirement is determined as the difference between the recoverable amount and the book value of the securities and is recognised in the income statement.

[17] Financial assets and financial liabilities at fair value

Held for trading

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

Designated at fair value

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

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

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

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

[19] Financial investments

Financial investments mainly include bonds that are negotiable on the stock exchange and other fixed-interest securities, shares and other non fixed-interest securities, shares in subsidiaries, joint ventures and associated companies that are not consolidated as well as other equity investments.

The item financial investments comprise financial instruments in the loans and receivables, held to maturity and available for sale categories. Securities shown under loans and receivables or as held to maturity are reported at amortised cost. Financial assets in the available for sale category are reported at fair value, unless this cannot be reliably determined. Interests in associated unlisted companies and other equity investments for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at cost.

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

Valuation results from financial instruments in the available for sale category, after taking into account deferred taxes, are recorded directly under equity in the revaluation reserve.

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

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

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

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

[20] Intangible assets

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

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

Software developed in-house or purchased is amortised over 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 income statement.

[21] Property, plant and equipment

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

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

For materiality reasons, economic assets as defined in Section 6 para. 2 Income Tax Act (EStG) have been written down over a period of five years in accordance with the tax regulations.

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

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

[22] Other assets

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

[23] Income taxes

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

Deferred income tax assets and liabilities are recognised for temporary differences between the estimated values of assets and liabilities in the IFRS balance sheet and the tax balance sheet. They are calculated based on the tax rate projected for the date they will be reversed. Deferred liabilities are posted for timing differences resulting in tax charges on reversal. If tax savings are projected when timing differences are settled and it is probable they will be utilised, deferred tax assets are recorded. Actual income tax assets and liabilities and deferred tax assets and liabilities are stated net without discounting. 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 project unit credit method. The allocation to pension provisions is already established at the start of the financial year in accordance with the expense-related approach in IAS 19. Discrepancies between the actuarial assumptions and the actual development during the year lead, just like the annual updating of the actuarial assumptions, to differences between the book value of the pension provisions (before deduction of plan assets) and the 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 plans 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, at the end of 2008, commitments under final salary plans and general contribution schemes were funded through the creation of ring-fenced plan assets using a CTA. The plan assets are 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. Since 2008, employees of the DekaBank Group have also had the option of paying into working hours accounts. The accounts are maintained in money and, like the defined benefit plans, are covered by plan assets in Deka Trust e.V. The amount carried in the balance sheet is the difference between the extent of the commitments and the fair value of the plan assets.

[26] Other provisions

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

[27] Other liabilities

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

[28] Subordinated capital

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

[29] Atypical silent capital contributions

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

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

[30] Equity

Subscribed capital is the capital paid in by shareholders in accordance with the Bank's statutes. Capital reserves include premiums from the issue of shares in the company in accordance with the provisions of the Bank's statutes.

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

Fair value valuation effects on available for sale financial instruments are stated in the revaluation reserve with no impact on income, after taking account of the applicable deferred taxes. Gains or losses are not recorded in the income statement until the asset is sold or written down due to impairment.

Minority interests are shown as a separate item under equity.

Notes to the statement of comprehensive income

[31] Net interest income

In addition to interest income and expenses, this item includes prorated reversals of premiums and discounts from financial instruments. Net interest income from items in the trading book allocated to the held for trading category and the associated refinancing expenses are not included as they are reported in trading profit or loss. Under IAS 32, silent capital contributions are classified as debt and the payments to typical silent shareholders are reported in interest expenses.

€m	2008	2007	Change
Interest income from			
Lending and money market transactions	3,369.2	2,567.6	801.6
Interest rate derivatives (economic hedges)	482.8	301.3	181.5
Fixed-interest securities and debt register claims	947.0	741.8	205.2
Hedging derivatives (hedge accounting)	29.6	17.7	11.9
Current income from			
Shares and other non fixed-interest securities	31.5	76.1	–44.6
Equity investments	2.5	2.1	0.4
Shares in affiliated companies	–	0.1	–0.1
Result from leasing business	1.0	1.9	–0.9
Total interest income	**4,863.6**	**3,708.7**	**1,154.9**
Interest expenses for			
Liabilities	2,502.7	1,813.6	689.1
Interest rate derivatives (economic hedges)	434.4	251.5	182.9
Hedging derivatives (hedge accounting)	56.1	12.2	43.9
Securitised liabilities	1,357.9	1,304.0	53.9
Subordinated capital	58.1	60.4	–2.3
Typical silent capital contributions	64.1	64.0	0.1
Total interest expenses	**4,473.3**	**3,505.7**	**967.6**
Net interest income	**390.3**	**203.0**	**187.3**

The profit from the disposal of receivables amounting to €1.2m (previous year: €13.3m) is reported under interest income from lending and money market transactions.

In the reporting year, interest amounting to €20.6m (previous year: €6.9m) 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 €600.0m (previous year: €57.9m).

Overall, interest income of €3,571.6m (previous year: €2,550.4m) and interest expenses of €3,675.2m (previous year: €2,998.4m) 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 income statement is as follows:

€m	2008	2007	Change
Allocations to provisions for loan losses	–324.2	–17.2	–307.0
Direct write-downs on receivables	–6.5	–1.3	–5.2
Reversals of provisions for loan losses	37.5	50.3	–12.8
Income on written-down receivables	1.3	0.1	1.2
Provisions for loan losses	**–291.9**	**31.9**	**–323.8**

[33] Net commission income

€m	2008	2007	Change
Commission income from			
Investment fund business	2,444.3	2,487.8	–43.5
Securities business	157.2	152.0	5.2
Lending business	52.2	28.1	24.1
Other	52.2	49.6	2.6
Total commission income	**2,705.9**	**2,717.5**	**–11.6**
Commission expenses for			
Investment fund business	1,725.6	1,705.5	20.1
Securities business	14.9	22.4	–7.5
Lending business	4.7	3.3	1.4
Other	2.2	1.8	0.4
Total commission expenses	**1,747.4**	**1,733.0**	**14.4**
Net commission income	**958.5**	**984.5**	**–26.0**

Commission income from investment fund business essentially comprises management fees, asset management fees and sales commission.

[34] Trading profit or loss

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

€m	2008	2007	Change
Sale/valuation result of interest rate sensitive products	–266.6	–3.8	–262.8
Sale/valuation result of equity price sensitive products	–23.5	–63.9	40.4
Sale/valuation result of other products	–23.4	–	–23.4
Foreign exchange profit or loss	–21.1	7.7	–28.8
Net interest income on non-derivative financial instruments	776.7	– 2.6	779.3
Current income on non-derivative financial instruments	682.6	561.3	121.3
Net interest income on derivatives (trading)	–35.1	– 6.9	–28.2
Net interest income and current income from trading transactions	1,424.2	551.8	872.4
Refinancing expenses	–577.7	– 395.0	–182.7
Commission on trading transactions	–6.8	–2.1	–4.7
Total	**505.1**	**94.7**	**410.4**

Refinancing expenses arose primarily from interest on holdings at the overnight rate. Valuation results of €–466.7m (previous year: €254.4m) included in trading profit or loss were 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. The valuation results are determined in principle using market prices. If no market prices are available, the market values are calculated based on current market data using standard valuation models.

€m	2008	2007	Change
Net income from sale	–147.6	3.2	–150.8
Valuation result	–691.2	–248.4	–442.8
Foreign exchange profit or loss	16.5	–9.5	26.0
Commission	69.6	–0.2	69.8
Total	**–752.7**	**–254.9**	**–497.8**

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

The valuation result includes net income for the following line items of €70.3m (previous year: €18.3m) from creditworthiness-related changes in value:

€m	2008	2007	Change
Loans and receivables in the designated at fair value category	–0.7	–0.1	–0.6
Liabilities in the designated at fair value category	71.0	18.4	52.6
Total	70.3	18.3	52.0

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

The profit or loss on financial instruments in the designated at fair value category includes negative valuation results of €451.9m (previous year: €–135.3m), which were determined using valuation models.

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

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

€m	2008	2007	Change
Valuation result from hedged underlying transactions	158.6	132.8	25.8
Valuation result from hedging derivatives	–159.9	–130.8	–29.1
Total	–1.3	2.0	–3.3

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	2008	2007	Change
Net income from sale of			
Securities in the category			
Loans and receivables	–1.4	–	–1.4
Available for sale	2.1	1.7	0.4
Equity interests	0.2	–	0.2
Shares in affiliated companies	–	0.1	–0.1
Net income from sale of financial investments	**0.9**	**1.8**	**–0.9**
Depreciation as a result of impairment of			
Securities in the category			
Loans and receivables	31.4	–	31.4
Held to maturity	0.5	–	0.5
Shares in associated companies	14.6	–	14.6
Depreciation on financial investments	**46.5**	**–**	**46.5**
Net income from investments accounted for using the equity method	**0.3**	**–7.2**	**7.5**
Total	**–45.3**	**–5.4**	**–39.9**

The depreciation on securities includes allocations to portfolio valuation allowances amounting to €5.9m.

Based on the current earnings forecast, DekaBank's equity interest in the S PensionsManagement Group produces a prorated negative result of €1.0m (previous year: €1.7m). In addition, the difference between the projected and actual result for 2007 of €1.2m (previous year: €0.2m) and the elimination of the prorated interim result from a downstream transaction of €0.1m (previous year: €2.9 million) was recorded in the income statement as an expense. Overall, this produces a positive result from the equity investment in the S PensionsManagement Group of €0.3m. In the previous year, a negative result of €4.8m was recorded.

The equity investment in S Broker AG & Co. KG was valued in an impairment test as at the year-end and written down in full based on the result.

[38] Administrative expenses

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

€m	2008	2007	Change
Personnel expenses			
Wages and salaries	286.1	267.4	18.7
Social security contributions	33.1	30.6	2.5
Allocation to/reversal of provisions for pensions and similar commitments	30.0	28.2	1.8
Expenses for defined contribution plans	2.3	2.8	–0.5
Other expenses for retirement pensions and benefits	0.6	0.9	–0.3
Total personnel expenses	**352.1**	**329.9**	**22.2**
Other administrative expenses			
Marketing and sales expenses	52.6	53.8	–1.2
Computer equipment and machinery	62.0	57.2	4.8
Consultancy expenses	148.3	87.6	60.7
Costs of premises	62.6	49.7	12.9
Postage/telephone/office supplies as well as IT information services	41.5	35.6	5.9
Other administrative expenses	68.9	57.8	11.1
Total other administrative expenses	**435.9**	**341.7**	**94.2**
Depreciation of property, plant and equipment	5.9	9.6	–3.7
Amortisation of intangible assets	12.0	10.9	1.1
Impairment of intangible assets	2.3	–	2.3
Total	**808.2**	**692.1**	**116.1**

Other administrative expenses include in particular expenses for travel costs, personnel recruitment and temporary staff as well as membership subscriptions to various organisations.

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

€m	2008	2007	Change
Up to 1 year	1.7	3.9	–2.2
Between 1 and 5 years	6.9	4.1	2.8

[39] Other operating income

The breakdown in other operating income is as follows:

€m	2008	2007	Change
Income from repurchased debt instruments	**–1.2**	**3.4**	**–4.6**
Other operating income			
Rental and lease income (operating lease)[1]	1.6	5.8	–4.2
Reversal of other provisions	1.8	0.2	1.6
Other income	38.4	195.2	–156.8
Total other operating income	**41.8**	**201.2**	**–159.4**
Other operating expenses			
Other taxes	0.8	0.1	0.7
VAT from provision of intra-Group services	13.7	10.6	3.1
Restructuring expenses	0.7	7.4	–6.7
Other expenses	29.1	26.4	2.7
Total other operating expenses	**44.3**	**44.5**	**–0.2**
Total	**–3.7**	**160.1**	**–163.8**

[1] DekaBank is lessor

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.

[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	2008	2007	Change
Current tax expense	63.7	104.1	–40.4
Deferred taxes	–13.2	– 7.0	–6.2
Total	**50.5**	**97.1**	**–46.6**

The rate of tax that applies in Germany comprises the applicable corporation tax rate of 15% plus the solidarity surcharge of 5.5% and the respective rate of trade tax. As DekaBank is treated for tax purposes as an atypical silent partner, this results for the companies in the DekaBank fiscal group in a combined tax rate for the valuation of deferred taxes of 26.21% (previous year: 26.21%). This tax rate is assumed as the expected tax rate in the reconciliation statement below. As in the previous year, the other domestic companies determine their deferred taxes at a new tax rate of around 32%.

The foreign companies determine deferred taxes using the respective tax rate for the country in question. The tax rate amounts to 28.59% (previous year: 29.63%) for the DekaBank Luxembourg fiscal group.

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

€m	2008	2007	Change
IFRS – net income before tax	–49.2	523.8	–573.0
x Income tax rate	26.21%	32.42%	
= Anticipated income tax expense in financial year	**–12.9**	**169.8**	**–182.7**
Increase from taxes on non-deductible expenses	65.4	13.9	51.5
Decrease from taxes on tax-exempt income	20.2	98.5	–78.3
Effects of differing effective tax rates	9.0	–14.4	23.4
Effects of changes in tax rates	–0.5	12.5	–13.0
Tax effects from past periods	4.7	7.3	–2.6
Tax on joint ventures/partnerships	–0.3	–0.4	0.1
Tax effect of special funds	1.0	2.3	–1.3
Withholding tax	0.5	1.1	–0.6
Tax effect of equity valuation	2.6	0.8	1.8
Other	1.2	2.7	–1.5
Tax expenses according to IFRS	**50.5**	**97.1**	**–46.6**

The significant increase in non-deductible expenses results mainly from losses (losses on disposals/write-downs) relating to equities and equity funds (mutual funds) allocated to the investment book as well as to the corresponding losses in connection with the Group's special funds.

The tax-exempt income stems mainly from a purely fiscal write-down of goodwill in Luxembourg. The high figure for the previous year was particularly due to the special impact of the sale of the Trianon complex.

Notes to the consolidated balance sheet

[41] Cash reserves

The breakdown in cash reserves is as follows:

€m	31.12.2008	31.12.2007	Change
Cash on hand	3.8	3.6	0.2
Balances with central banks	1,453.3	780.2	673.1
Balances with post office banks	0.1	0.1	–
Total	**1,457.2**	**783.9**	**673.3**

The balances with central banks include balances in the Deutsche Bundesbank of €1,390.0m (previous year: €772.7m). The required minimum reserve was constantly maintained in the reporting year and amounted to €359.2m (previous year: €139.2m) at the year-end.

[42] Due from banks

€m	31.12.2008	31.12.2007	Change
Domestic banks	34,204.0	35,595.9	–1,391.9
Foreign banks	9,963.6	10,384.9	–421.3
Due from banks before risk provision	**44,167.6**	**45,980.8**	**–1,813.2**
Provision for loan losses	–183.9	–0.2	–183.7
Total	**43,983.7**	**45,980.6**	**–1,996.9**

DekaBank paid €12.5bn (previous year: €17.4bn) for genuine repurchase agreements as pledgee.

[43] Due from customers

€m	31.12.2008	31.12.2007	Change
Domestic borrowers	12,576.2	11,285.0	1,291.2
Foreign borrowers	17,307.4	13,536.4	3,771.0
Due from customers before risk provision	**29,883.6**	**24,821.4**	**5,062.2**
Provisions for loan losses	–124.4	–118.3	–6.1
Total	**29,759.2**	**24,703.1**	**5,056.1**

Amounts due from customers with an unlimited term stand at €2.3bn (previous year: €1.7bn). DekaBank paid €4.0bn (previous year: €6.4bn) for genuine repurchase agreements as pledgee.

As part of the rescue measures for Sachsen LB, DekaBank participated in a syndicated loan to refinance the senior tranche of SPE Sealink Funding Limited. As at the reporting date, the amount disbursed had a total book value of €358.0m. This corresponds to a 5.29% share of the whole senior tranche. The loan is secured through structured securities, whereby the whole senior tranche benefited from a subordinated tranche of 56.19% as at the reporting date.

Amounts due from customers do not include any receivables under finance lease agreements (previous year: €32.9m).

[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	31.12.2008	31.12.2007	Change
Provisions for loan losses – due from banks			
Specific valuation allowances	181.4	–	181.4
Portfolio valuation allowances for creditworthiness risks	2.5	0.2	2.3
Provisions for loan losses – due from customers			
Specific valuation allowances	66.9	35.3	31.6
Portfolio valuation allowances for country risks	24.2	20.0	4.2
Portfolio valuation allowances for creditworthiness risks	33.3	63.0	–29.7
Total	**308.3**	**118.5**	**189.8**

As at the reporting date, the total amount of non-performing loans stood at €600.0m (previous year: €57.9m). Provisions for loan losses amounting to €250.2m (previous year: €29.7m) were recognised for these loans.

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

€m	Opening balance 01.01.	Allocations	Utilisation	Reversals	Currency effects	Closing balance 31.12.
Provisions for loan losses – due from banks						
Specific valuation allowances	–	181.4	–	–	–	181.4
Portfolio valuation allowances for creditworthiness risks	0.2	2.4	–	0.1	–	2.5
Sub-total	**0.2**	**183.8**	**–**	**0.1**	**–**	**183.9**
Provisions for loan losses – due from customers						
Specific valuation allowances	35.3	35.2	1.5	3.1	1.0	66.9
Portfolio valuation allowances for country risks	20.0	5.6	–	2.7	1.3	24.2
Portfolio valuation allowances for creditworthiness risks	63.0	0.1	–	29.8	–	33.3
Sub-total	**118.3**	**40.9**	**1.5**	**35.6**	**2.3**	**124.4**
Provisions for credit risks						
Specific risks	12.2	93.2	90.0	1.8	0.4	14.0
Portfolio risks	–	6.3	–	–	–	6.3
Sub-total	**12.2**	**99.5**	**90.0**	**1.8**	**0.4**	**20.3**
Total	**130.7**	**324.2**	**91.5**	**37.5**	**2.7**	**328.6**
Of which transport & trade finance	46.2	9.5	–	5.0	2.5	53.2
Of which structured & leveraged finance	2.9	49.2	0.4	0.5	−0.1	51.1
Of which property risks	71.8	93.4	90.0	40.5	0.1	34.8

Key ratios for provisions for loan losses:

%	2008	2007
Allocation ratio as at reporting date (Quotient from net allocation and lending volume)	−0.47	0.06
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.16	0.07
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.11	0.11
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	0.53	0.26

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

€m	31.12.2008	31.12.2007
Due from banks[1]	30,741.7	26,656.9
Due from customers[1]	24,860.3	17,891.0
Contingent liabilities	855.8	1,787.4
Irrevocable lending commitments	5,128.6	2,458.5
Total	**61,586.4**	**48,793.8**

[1] Excluding money transactions

Provision for loan losses by risk segment:

	Valuation allowances and provisions[1] for loan losses		Loan defaults[2]	Net allocations to[3]/ reversals of valuation allowances and provisions for loan losses 2008
€m	31.12.2008	31.12.2007	2008	2008
Customers				
Property risks	34.8	71.7	95.2	–52.9
Corporates	–	6.7	1.1	5.6
Structured & leveraged finance	51.1	2.9	0.4	–48.7
Transport & trade finance	53.2	46.2	–	–4.5
Equity investments	3.0	3.0	–	–
Public infrastructure	2.3	–	–	–2.3
Other	0.3	–	–	–0.4
Total customers	144.7	130.5	96.7	–103.2
Banks	183.9	0.2	–	–183.7
Total	328.6	130.7	96.7	–286.9

[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	31.12.2008	31.12.2007	Change
Held for trading			
Promissory note loans	386.7	157.7	229.0
Money market securities	1,288.1	49.8	1,238.3
Bonds and debt securities	15,754.4	8,886.4	6,868.0
Shares	3,745.2	1,498.8	2,246.4
Investment fund units	561.3	196.8	364.5
Other non fixed-interest securities	16.5	18.4	–1.9
Positive market values from derivative financial instruments (trading)	13,226.7	2,524.3	10,702.4
Other trading assets	12.4	3.9	8.5
Total – held for trading	**34,991.3**	**13,336.1**	**21,655.2**
Designated at fair value			
Receivables	2,031.2	–	2,031.2
Promissory note loans	157.6	155.3	2.3
Money market securities	100.1	50.4	49.7
Bonds and debt securities	15,229.3	15,606.0	–376.7
Shares	18.5	344.0	–325.5
Investment fund units	624.5	2,731.4	–2,106.9
Participating certificates	12.2	11.7	0.5
Other non fixed-interest securities	2.6	21.4	–18.8
Positive market values from derivative financial instruments (economic hedges)	2,653.2	1,372.4	1,280.8
Total – designated at fair value	**20,829.2**	**20,292.6**	**536.6**
Total	**55,820.5**	**33,628.7**	**22,191.8**

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

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

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

€m	31.12.2008	31.12.2007	Change
Bonds and other fixed-interest securities	29,924.6	22,498.9	7,425.7
Shares and other non fixed-interest securities	4,267.2	1,887.6	2,379.6

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

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

€m	31.12.2008	31.12.2007	Change
Assets			
Due from banks			
Loans and receivables category	3.4	8.6	−5.2
Due from customers			
Loans and receivables category	13.7	7.0	6.7
Liabilities			
Due to banks	4.2	–	4.2
Due to customers	62.8	0.3	62.5
Securitised liabilities	42.9	11.7	31.2
Subordinated capital	15.9	–	15.9
Total	**142.9**	**27.6**	**115.3**

Mainly interest rate swaps were designated as hedging instruments.

[47] Financial investments

€m	31.12.2008	31.12.2007	Change
Loans and receivables			
Bonds and other fixed-interest securities	3,482.4	–	3,482.4
Held to maturity			
Bonds and other fixed-interest securities	2,755.5	–	2,755.5
Available for sale			
Bonds and other fixed-interest securities	288.1	502.1	–214.0
Shares and other non fixed-interest securities	0.6	12.0	–11.4
Equity investments	30.6	22.0	8.6
Shares in affiliated, non-consolidated companies	5.3	11.4	–6.1
Shares in associated companies, not valued at equity	0.3	0.3	–
Shares in companies valued at equity	43.6	57.9	–14.3
Total	**6,606.4**	**605.7**	**6,000.7**

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

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

€m	31.12.2008	31.12.2007	Change
Bonds and other fixed-interest securities	5,458.2	505.9	4,952.3
Shares and other non fixed-interest securities	–	11.3	–11.3

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

	Historical cost	Additions	Disposals	Change in scope of consolidation	Depreciation Cumulative	Depreciation 2008	Book value 2008	Book value 2007
€m								
Equity investments	22.0	8.6	–	–	–	–	30.6	22.0
Shares in affiliated companies	11.5	4.1	0.2	–10.1	–	–	5.3	11.4
Shares in associated companies	0.3	–	–	–	–	–	0.3	0.3
Shares in companies valued at equity	120.1	–	–	–	76.5	14.3	43.6	57.9
Total	**153.9**	**12.7**	**0.2**	**–10.1**	**76.5**	**14.3**	**79.8**	**91.6**

There are no officially listed market prices for companies valued at equity in the Group. An impairment in the equity investment in S Broker AG & Co. KG was ascertained on the basis of a valuation report as part of an impairment test. The book value of the equity investment was written down in full.

DekaBank is participating in the concerted action by the Federal Republic of Germany, the Bundesbank and a syndicate of renowned German banks and insurance companies comprising a total volume of €50bn to support the Hypo Real Estate Bank AG Group (HRE). Under this initiative, DekaBank has taken on state guaranteed bonds as well as collateralised bonds with a total volume of €1.2bn. As security for the support measures, HRE has provided collateral of €60bn in total. In addition, holdings in the operating subsidiary banks have been pledged.

[48] Intangible assets

€m	31.12.2008	31.12.2007	Change
Purchased goodwill	120.4	118.6	1.8
Software			
Purchased	11.3	12.4	– 1.1
Developed in-house	15.2	9.7	5.5
Total software	**26.5**	**22.1**	**4.4**
Total	146.9	140.7	6.2

DKC Deka Kommunal Consult GmbH was acquired during the financial year for a purchase price of €2.0m. The first-time consolidation produced goodwill of €1.8m which was capitalised under intangible assets.

This line item also shows the goodwill arising from the acquisition of a total holding of 99.74% in West-Invest Gesellschaft für Investmentfonds mbH. The goodwill is allocated to the Asset Management Property division as a cash-generating unit. An impairment test was performed on this goodwill during the reporting year. The recoverable amount of the cash-generating unit was determined on the basis of the value in use. The expected cash flows were calculated for a five year period on the basis of internal forecasts and empirical values; in addition, an annuity corresponding to the forecast for 2013 has been taken into account. This is discounted at a capitalisation rate of 10.62%. The internal valuation report in 2008 did not ascertain any signs of an impairment of the goodwill.

The following table shows the movement in intangible assets:

€m	Historical cost	Additions	Disposals	Depreciation Cumulative	Depreciation 2008	Currency translation	Book value 2008	Book value 2007
Purchased goodwill	143.6	1.8	–	25.0	–	–	120.4	118.6
Software								
Purchased	71.7	7.0	2.2	65.6	8.1	0.4	11.3	12.4
Developed in-house	42.7	11.7	–	39.2	6.3	–	15.2	9.7
Total software	114.4	18.7	2.2	104.8	14.4	0.4	26.5	22.1
Total	258.0	20.5	2.2	129.8	14.4	0.4	146.9	140.7

[49] Property, plant and equipment

€m	31.12.2008	31.12.2007	Change
Land and buildings	15.5	15.9	–0.4
Plant and equipment	21.9	14.8	7.1
Technical equipment and machines	6.0	4.6	1.4
Total	43.4	35.3	8.1

The movement in property, plant and equipment in the DekaBank Group in financial year 2008 was as follows:

€m	Historical cost	Additions	Disposals	Reclassi-fications	Depreciation Cumulative	Depreciation 2008	Currency translation	Book value 2008	Book value 2007
Land and buildings	28.0	–	–	–	12.5	0.4	–	15.5	15.9
Plant and equipment	41.5	9.3	2.1	–	27.4	2.2	0.6	21.9	14.8
Technical equipment and machines	59.2	4.8	1.4	–	56.9	3.3	0.3	6.0	4.6
Total	128.7	14.1	3.5	–	96.8	5.9	0.9	43.4	35.3

[50] Income tax assets

€m	31.12.2008	31.12.2007	Change
Current income tax assets	137.4	171.9	–34.5
Deferred income tax assets	182.4	78.4	104.0
Total	**319.7**	**250.3**	**69.4**

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

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

€m	31.12.2008	31.12.2007	Change
Assets			
Due from customers	0.3	–	0.3
Financial assets at fair value	125.4	53.4	72.0
Financial investments	3.8	22.9	–19.1
Other assets	0.2	5.1	–4.9
Liabilities			
Due to banks	0.2	–	0.2
Due to customers	3.1	–	3.1
Securitised liabilities	196.1	8.6	187.5
Financial liabilities at fair value	1,059.6	474.9	584.7
Negative market values from derivative hedging instruments	52.8	43.8	9.0
Provisions	17.8	22.4	–4.6
Other liabilities	5.5	–	5.5
Loss carryforwards	**32.4**	**41.3**	**–8.9**
Sub-total	**1,497.2**	**672.4**	**824.8**
Netting	–1,314.8	–594.0	–720.8
Total	**182.4**	**78.4**	**104.0**

The deferred tax assets include €13.3m (previous year: €78.3m) which are medium or long-term in nature. At the reporting date, no deferred tax had been recognised at a Group company for a loss carryforward (€0.2m). There were no further temporary differences, loss carryforwards or tax credits for which deferred tax assets had not been recorded.

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

Deferred income tax assets, which are offset directly against equity as a result of the revaluation of receivables and financial investments in the available for sale category, amounted to €0.1m (previous year: €0.8m) as at the reporting date.

[51] Other assets

€m	31.12.2008	31.12.2007	Change
Amounts due from non-banking business	15.9	15.6	0.3
Amounts due or refunds from other taxes	14.9	42.9	–28.0
Amounts due from investment funds	182.3	82.6	99.7
Other assets	95.1	169.7	–74.6
Prepaid expenses	21.2	15.5	5.7
Total	**329.4**	**326.3**	**3.1**

Other assets include the overpaid profit shares of the atypical silent partners from the application of the taxes already withheld by DekaBank for the benefit of the partners amounting to €62.9m (previous year: €56.3m) as well as amounts due from custodial account holders of €11.8m (previous year: €13.0m).

[52] Subordinated assets

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

€m	31.12.2008	31.12.2007	Change
Due from customers			
Loans and receivables category	6.8	–	6.8
Financial investments			
Bonds and debt securities	75.2	–	75.2
Financial assets at fair value			
Bonds and debt securities	56.5	26.6	29.9
Shares and other non fixed-interest securities	12.2	11.8	0.4
Total	**150.7**	**38.4**	**112.3**

[53] Due to banks

€m	31.12.2008	31.12.2007	Change
Domestic banks	27,414.2	20,200.4	7,213.8
Foreign banks	2,905.9	5,159.6	–2,253.7
Total	**30,320.1**	**25,360.0**	**4,960.1**

Amounts due to banks include payments received from genuine repurchase agreements amounting to €6.0bn (previous year: €5.1bn).

[54] Due to customers

€m	31.12.2008	31.12.2007	Change
Domestic customers	23,156.9	19,724.8	3,432.1
Foreign customers	10,588.1	6,886.0	3,702.1
Total	**33,745.0**	**26,610.8**	**7,134.2**

This item also included payments received from genuine repurchase agreements amounting to €1.6bn (previous year: €221.9m).

[55] Securitised liabilities

The securitised liabilities include bonds and other liabilities, for which transferable certificates are issued. Under IAS 39, the own bonds held in the Group in the nominal amount of €1.2bn (previous year: €1.8bn) were deducted from the issued bonds.

€m	31.12.2008	31.12.2007	Change
Bonds issued	26,676.1	29,367.6	–2,691.5
Money market securities issued	425.9	378.9	47.0
Total	**27,102.0**	**29,746.5**	**–2,644.5**

[56] Financial liabilities at fair value

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

€m	31.12.2008	31.12.2007	Change
Held for trading			
Trading issues	1,267.0	758.5	508.5
Delivery commitments arising from short sales of securities	6,019.0	6,322.7	–303.7
Negative market values from derivative financial instruments (trading)	21,067.3	3,614.0	17,453.3
Other financial liabilities at fair value (trading)	3.8	3.9	–0.1
Total – held for trading	**28,357.1**	**10,699.1**	**17,658.0**
Designated at fair value			
Issues	9,027.8	5,913.5	3,114.3
Negative market values from derivative financial instruments (economic hedges)	2,756.2	1,180.1	1,576.1
Total – designated at fair value	**11,784.0**	**7,093.6**	**4,690.4**
Total	**40,141.1**	**17,792.7**	**22,348.4**

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

The issues in the designated at fair value category include cumulative creditworthiness-related changes in value amounting to €69.0m (previous year: €–1.0m).

The book value of liabilities allocated to the designated at fair value category is €130.3m below the repayment amount. In the previous year, the book value exceeded the repayment amount by €22.9m.

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

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

€m	31.12.2008	31.12.2007	Change
Assets			
Due from banks			
Loans and receivables category	174.1	2.6	171.5
Due from customers			
Loans and receivables category	182.4	12.2	170.2
Financial investments			
Loans and receivables category	152.7	–	152.7
Liabilities			
Due to banks	1.1	30.8	–29.7
Due to customers	2.0	93.7	–91.7
Securitised liabilities	–	18.5	–18.5
Subordinated capital	–	6.5	–6.5
Total	**512.3**	**164.3**	**348.0**

[58] Provisions for pensions and similar commitments

The following table shows the movement in provisions:

€m	Opening balance 01.01.	Additions	Utilisation	Reversals	Reclassi-fications	Change in plan assets	Closing balance 31.12.
Provisions for pensions	230.5	26.7	7.5	–	–	–243.9	5.8
Provisions for similar commitments	17.0	2.4	4.2	–	2.9	–	18.1
Provisions for working hours accounts	–	0.9	–	–	–	–0.9	–
Total	**247.5**	**30.0**	**11.7**	**–**	**2.9**	**–244.8**	**23.9**

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

€m	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Unfunded defined benefit obligations	19.1	240.2	255.1	239.5
Fully or partially funded defined benefit obligations	233.9	33.5	27.5	17.9
Fair value of plan assets as at reporting date	–264.2	–32.3	–26.5	–15.2
Total commitment	**–11.2**	**241.4**	**256.1**	**242.2**
Actuarial net gains and losses not reported in the balance sheet	35.1	6.1	–27.4	–19.6
Of which experience-based adjustments to the value of the pension commitments as at the reporting date	–1.5	5.6	–15.5	
Of which experience-based adjustments to the expected return on the plan assets as at the reporting date	–15.1	–3.5	0.6	
Pension provisions recognised	**23.9**	**247.5**	**228.7**	**222.6**

The increase in actuarial gains to €35.1m as at 31 December 2008 is essentially due to the fact that the discounting factor used to calculate the present value of the pension commitments had to be raised by a further 0.75% because of the current movement in interest rates. The calculatory interest rate had already been raised from 4.5% to 5.25% in 2007 in line with the regulations under IAS 19 and at the reporting date stood at 6%.

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

€m	31.12.2008	31.12.2007	Change
Current service cost	13.7	15.2	–1.5
Interest expenses	13.0	11.8	1.2
Change – additional liability	2.2	0.8	1.4
Actuarial gains and losses	–	0.6	–0.6
Expected return on the plan assets	–2.2	–1.8	–0.4
Additional service cost	–	0.3	–0.3
Impact of plan reductions and settlements	–	–0.7	0.7
Allocation to provisions for pensions	**26.7**	**26.2**	**0.5**
Allocation to similar commitments	2.4	2.0	0.4
Allocation to working hours accounts	0.9	–	0.9
Total	**30.0**	**28.2**	**1.8**

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

%	31.12.2008	31.12.2007	Change
Discount rate to calculate present value	6.00	5.25	0.75
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	3.00	–0.50
Salary trend[1]	2.50	2.50	–

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

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

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

The movement in defined benefit obligations is as follows:

€m	2008	2007	Change
Defined benefit obligations as at 1 January	**273.8**	**282.6**	**–8.8**
Current service cost	13.7	15.2	–1.5
Interest expenses	13.0	11.8	1.2
Allocation to similar commitments	2.3	2.0	0.3
Allocation to working hours accounts	0.9	–	0.9
Change in additional liability from fund-based commitments	2.2	0.8	1.4
Change in commitments	–41.3	–26.5	–14.8
Additional service cost	–	0.4	–0.4
Impact of plan reductions and settlements	–	–0.7	0.7
Utilisation	–11.7	–11.8	0.1
Defined benefit obligations as at 31 December	**253.0**	**273.8**	**–20.8**

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

€m	31.12.2008	Expected yield 2008	31.12.2007	Expected yield 2007
Mutual funds	27.4	7.75 %	30.1	8.00%
Special funds	234.4	5.25 %		
Other assets	2.4	–6.20 %	2.2	–10.50%
Total	**264.2**		**32.3**	

The units in mutual funds are used to fund fund-based commitments and working hours accounts. A special fund was set up in 2008 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	2008	2007	Change
Fair value of plan assets as at 1 January	32.3	26.5	5.8
Allocation to plan assets			
Through employer contributions	238.2	3.0	235.2
Through employee contributions	6.6	4.5	2.1
Return on plan assets			
Expected return on plan assets	2.2	1.8	0.4
Actuarial gains and losses	–15.1	–3.5	–11.6
Fair value of plan assets as at 31 December	264.2	32.3	231.9

[59] Other provisions

€m	31.12.2008	31.12.2007	Change
Provisions for income taxes	86.6	148.6	–62.0
Provisions for credit risks	20.3	12.2	8.1
Provisions for legal proceedings and recourses	0.5	0.2	0.3
Provisions in human resources	–	0.6	–0.6
Provisions for restructuring measures	15.6	17.5	–1.9
Sundry other provisions	150.9	97.3	53.6
Total	**273.9**	**276.4**	**–2.5**

The provisions for income taxes relate in particular to corporation and trade taxes. The change results from the final payments for the audit period 1996 to 2001 made in the financial year as well as voluntary advance tax payments for the tax audit period 2002 to 2006. A provision of €137.0m was recognised for de facto obligations under mutual funds with clear yield targets. This is reported under sundry other provisions.

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

€m	Opening balance 01.01.	Allocations	Utilisation	Reversals	Reclassi-fications	Currency effects	Closing balance 31.12.
Provisions for income taxes	148.6	58.9	103.5	17.4	–	–	86.6
Provisions for credit risks (specific risks)	12.2	99.5	90.0	1.8	–	0.4	20.3
Provisions for legal proceedings and recourses	0.2	0.3	–	–	–	–	0.5
Provisions in human resources	0.6	–	0.6	–	–	–	–
Provisions for restructuring measures	17.5	5.5	4.5	–	–2.9	–	15.6
Sundry other provisions	97.3	93.6	6.6	33.4	–	–	150.9
Other provisions	**276.4**	**257.8**	**205.2**	**52.6**	**–2.9**	**0.4**	**273.9**

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.

[60] Income tax liabilities

€m	31.12.2008	31.12.2007	Change
Current income tax liabilities	115.2	86.4	28.8
Deferred income tax liabilities	140.6	41.4	99.2
Total	**255.8**	**127.8**	**128.0**

Current income tax liabilities include payments due but not yet paid as at the reporting date for income taxes from 2008 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	31.12.2008	31.12.2007	Change
Assets			
Due from banks	0.3	2.3	–2.0
Due from customers	83.7	9.6	74.1
Financial assets at fair value	1,155.7	550.6	605.1
Positive market values from derivative hedging instruments	11.8	4.4	7.4
Financial investments	59.2	8.0	51.2
Intangible assets	4.0	2.6	1.4
Property, plant and equipment	1.1	1.3	–0.2
Other assets	86.4	–	86.4
Liabilities			
Due to banks	5.6	7.9	–2.3
Due to customers	–	45.6	–45.6
Provisions	40.4	0.3	40.1
Other liabilities	7.2	0.1	7.1
Subordinated capital	–	2.7	– 2.7
Sub-total	**1,455.4**	**635.4**	**820.0**
Netting	–1,314.8	–594.0	–720.8
Total	**140.6**	**41.4**	**99.2**

The deferred tax liabilities include €140.6m (previous year: €6.5m) which are medium or long-term in nature.

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

Deferred income tax liabilities, which are offset directly against equity as a result of the revaluation of bonds and other securities in the available for sale category, amounted to €0.9m (previous year: €0.1m) as at the reporting date.

[61] Other liabilities

The breakdown of other liabilities is as follows:

€m	31.12.2008	31.12.2007	Change
Liabilities			
Liabilities from non-banking business	0.8	2.3	–1.5
Liabilities from current other taxes	41.3	50.5	–9.2
Commissions not yet paid to sales offices	91.2	105.0	–13.8
Securities spot deals not yet settled	–43.9	1.7	–45.6
Other	307.1	107.2	199.9
Accruals			
Closing and other audit costs	2.3	2.4	–0.1
Sales performance compensation	327.0	350.0	–23.0
Personnel costs	68.2	74.2	–6.0
Other accruals	134.6	82.2	52.4
Prepaid income	35.6	12.6	23.0
Total	**964.2**	**788.1**	**176.1**

The item other includes trade accounts payable of €86.2m (previous year: €47.8m), liabilities to custodial account holders of €19.1m (previous year: €45.2m), liabilities under a rent cancellation agreement for leased office space of €4.9m (previous year: €9.7m) and outstanding invoices from current operations.

[62] Subordinated capital

€m	31.12.2008	31.12.2007	Change
Subordinated liabilities			
Subordinated bearer bonds	850.9	829.6	21.3
Subordinated promissory note loans	125.0	125.0	–
Prorated interest on subordinated liabilities	20.4	20.6	–0.2
Profit participation capital	152.9	209.3	–56.4
Prorated interest on profit	9.8	14.7	–4.9
Capital contributions of typical silent partners	755.6	755.6	–
Prorated interest on capital contributions of typical silent partners	64.1	64.1	–
Total	**1,978.7**	**2,018.9**	**–40.2**

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

In detail, the issues are as follows:

Year of issue	Nominal amount €m	Eligible as liable capital €m	Interest rate in % p.a.	Maturity
2000	230.0	91.6	6-month-Libor	09.06.2010
2000	85.0	85.0	6.15 – 6.46	18.05.2012
2002	300.0	298.6	5.38	31.01.2014
2004	300.0	298.0	4.63	21.12.2015
2006	40.0	40.0	4.43	11.04.2016

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 the holders of the profit participation rights to repayment of the capital are subordinate to those of other creditors. Interest payments are only made if an accumulated profit is achieved, while losses assumed are allocated in full pro rata of the share applicable to the profit participation capital.

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

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

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

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

[63] Atypical silent capital contributions

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

[64] Equity

€m	31.12.2008	31.12.2007	Change
Subscribed capital	286.3	286.3	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings			
Statutory reserve	13.2	12.3	0.9
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	2,566.1	2,729.4	–163.3
Total reserves from retained earnings	**2,630.6**	**2,793.0**	**–162.4**
Revaluation reserve	1.9	–1.7	3.6
Currency translation reserve	3.4	–0.5	3.9
Consolidated profit/loss	28.6	28.6	–
Minority interests	98.8	0.8	98.0
Total	**3,239.9**	**3,296.8**	**–56.9**

Notes to financial instruments

[65] Reclassification of financial instruments

On 13 October 2008, the IASB published amendments to IAS 39 which under certain circumstances now permit non-derivative financial assets in the held for trading and available for sale categories to be reclassified as held to maturity and loans and receivables. Reclassifications carried out up to and including 31 October 2008 could be backdated to 1 July 2008. As of 1 November 2008, such reclassifications are still possible, but have to be recognised prospectively to the actual date of reclassification. The amendments were incorporated by the European Union into Community law on 15 October 2008 and have been applicable since 17 October 2008.

In line with the amendments to IAS 39, the DekaBank Group reclassified securities out of the held for trading at fair value category into loans and receivables as at 1 July 2008 and 15 December 2008. The intention to sell the securities no longer applies and the paper is to be held in the portfolio for the foreseeable future.

In addition, as at 31 December 2008, securities in the available for sale category were reclassified as loans and receivables. Prior to reclassification, valuation allowances on the securities were charged to the income statement. Here too, the Bank intends and is able to hold the paper in the portfolio for the foreseeable future.

The following table shows the volume of financial instruments reclassified:

€m	Fair Value on reclassification	Book value 31.12.2008	Fair value 31.12.2008	Valuation result 2008	Valuation result 2007
Reclassification out of held for trading category as at 01.07.2008	339.9	342.8	348.2	–5.4	–
Reclassification out of held for trading category as at 15.12.2008	8.4	8.3	8.3	0.3	–
Reclassification out of available for sale as at 31.12.2008	10.5	10.5	10.5	–24.6	–1.5
Total	**358.8**	**361.6**	**367.0**	**–29.7**	**–1.5**

Had the financial instruments in the held for trading category not been reclassified, a positive valuation result of €0.3m would have been achieved as at the reporting date. The valuation result for the financial instruments in the available for sale category would have been the same without reclassification.

Under the provisions of IAS 39, the fair value at the time of reclassification is to be stated in the new category as the historical cost. Consequently, a new effective interest rate is to be determined for subsequent valuation in the loans and receivables category. This is determined on the basis of the estimated cash flows at the time of reclassification. The volume-weighted average effective interest rate as at the cut-off date of 1 July 2008 for the securities reclassified out of the held for trading category stood at 4.9%. The expected cash flows continue to amount to 100% of the contractually agreed cash flows. As a result of lower new acquisition costs after reclassification, the effective interest rates have risen and now stand on average at 6.7%. The fair value of securities reclassified as at 15 December 2008 was higher than the historical cost. The effective interest rate as part of the reclassification fell from 3.1% to 2.0%. As at 31 December 2008, the paper reclassified from the available for sale category had already been written down to the expected recoverable amount. No more effective interest rate calculations will be carried out.

[66] Book values by valuation category

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

	No fair value hedge		Fair value hedge	
€m	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Asset items				
Loans and receivables (lar)				
Due from banks	40,864.4	45,485.5	3,119.3	495.1
Due from customers	27,151.0	23,789.5	2,608.2	913.5
Financial investments	2,654.6	–	827.8	–
Held to maturity (htm)				
Financial investments	2,755.5	–		
Available for sale (afs)				
Financial investments	368.5	605.7	–	–
Held for trading (hft)				
Financial assets at fair value	34,991.3	13,336.1		
Designated at fair value (dafv)				
Financial assets at fair value	20,829.2	20,292.6		
Positive market values from fair value hedges under IAS 39			142.9	27.6
Total asset items	**129,614.5**	**103,509.4**	**6,698.2**	**1,436.2**
Liability items				
Liabilities				
Due to banks	30,177.2	25,113.2	142.9	246.8
Due to customers	31,920.3	24,562.4	1,824.7	2,048.4
Securitised liabilities	25,902.0	27,698.8	1,200.0	2,047.7
Subordinated capital	1,662.6	1,724.9	316.1	294.0
Held for trading (hft)				
Financial liabilities at fair value	28,357.1	10,699.1		
Designated at fair value (dafv)				
Financial liabilities at fair value	11,784.0	7,093.7		
Negative market values from fair value hedges under IAS 39			512.3	164.3
Total liability items	**129,803.2**	**96,892.1**	**3,996.0**	**4,801.2**

The positive market value of economic hedging derivatives of €2,653.2m (previous year: €1,372.4m) is now reported in the designated at fair value category and the previous year's figures were adjusted accordingly. The negative market value from economic hedging derivatives of €2,756.2m (previous year: €1,180.1m) is also allocated to the designated at fair value category.

[67] Net income by valuation category

The individual valuation categories produce the following income contributions:

€m	2008	2007	Change
Held to maturity (htm)	92.4	–	92.4
Loans and receivables (lar)	3,169.0	2,595.7	573.3
Other Liabilities	–3,691.3	–3,018.4	–672.9
Income not recognised in profit or loss	5.5	–5.5	11.0
Income recognised in profit or loss	22.4	43.2	–20.8
Available for sale (afs)	27.9	37.7	–9.8
Held for trading (hft)	485.4	102.2	383.2
Designated at fair value (dafv)	–321.8	355.2	–677.0
Valuation result from hedge accounting for fair value hedges	–1.3	2.0	–3.3

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.

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

[68] Fair value data

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

€m	31.12.2008 Fair value	Book value	Difference	31.12.2007 Fair value	Book value	Difference
Assets						
Cash reserve	1,457.2	1,457.2	–	783.9	783.9	–
Due from banks (loans and receivables)	44,462.9	43,983.7	479.2	45,651.5	45,980.6	– 329.1
Due from customers (loans and receivables)	29,826.1	29,759.2	66.9	24,652.2	24,703.1	– 50.9
Financial assets at fair value	55,820.5	55,820.5	–	33,628.7	33,628.7	–
Positive market values from fair value hedges under IAS 39	142.9	142.9	–	27.6	27.6	–
Loans and receivables	3,564.2	3,482.4	81.8	–	–	–
Held to maturity	2,702.4	2,755.5	– 53.1	–	–	–
Available for sale	368.5	368.5	–	605.7	605.7	–
Financial investments	6,635.1	6,606.4	28.7	605.7	605.7	–
Total asset items	**138,344.7**	**137,769.9**	**574.8**	**105,349.6**	**105,729.6**	**– 380.0**
Liabilities						
Due to banks	30,526.4	30,320.1	206.3	25,341.7	25,360.0	–18.3
Due to customers	34,256.8	33,745.0	511.8	26,625.9	26,610.8	15.1
Securitised liabilities	27,258.1	27,102.0	156.1	29,779.8	29,746.5	33.3
Financial liabilities at fair value	40,141.1	40,141.1	–	17,792.7	17,792.7	–
Negative market values from fair value hedges under IAS 39	512.3	512.3	–	164.3	164.3	–
Subordinated liabilities	2,052.7	1,978.7	74.0	2,047.9	2,018.9	29.0
Total liability items	**134,747.4**	**133,799.2**	**948.2**	**101,752.3**	**101,693.2**	**59.1**

Fair value is deemed to be the amount at which a financial instrument can be freely traded between knowledgeable and willing parties in an arm's length transaction. The financial instruments measured at amortised cost essentially include loans, promissory note loans, money transactions, certain fixed-interest securities and own issues. There are generally no valuation prices for these as no liquid markets are available. Consequently, the fair values of these financial instruments are determined on the basis of financial valuation models. These 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 closing out of the financial instrument.

Financial assets in the held to maturity category are also measured at amortised cost. These are fixed-interest securities for which there is an active market. The fair values shown therefore correspond to the market prices.

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 interest 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.

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

The fair value of long-term liabilities is determined on the basis of market prices and by discounting the contractually agreed cash flows. The interest rates used are those at which the Group could issue comparable debt securities on the reporting date.

In principle, the fair values of financial assets and liabilities at fair value are determined using listed negotiable market prices where these are available. According to the hierarchy for determining fair value under IAS 39, these are the best indication for determining fair value. Where no prices from active markets are available, valuation models are used. The input parameters for these models largely comprise market data. However, depending on the transaction type and current market situation, it may be necessary to include assumptions and assessments by the management in the valuation.

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

Valuation	**At market prices**	**Based on observable market data**	**Based on derived parameters**	**Total**	**Fair value**
	%	%	%	%	€m
Assets					
Derivative financial instruments	21.6	77.8	0.6	100.0	16,120.7
Other financial instruments	65.8	20.1	14.1	100.0	39,842.7
Liabilities					
Derivative financial instruments	33.4	66.0	0.6	100.0	24,759.6
Other financial instruments	64.0	36.0	–	100.0	15,893.8

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.

Where products are not traded on the stock market, derivatives are in principle measured using standard valuation models based on observable market data. Fair values for illiquid securities, 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). In principle the market interest rates applying to the remaining term of the financial instruments are used. The transactions valued using this method are shown in the column "Based on observable market data".

Against the backdrop of the financial market crisis and resultant inactive markets, as well as the at times considerable liquidity spread developments, an increasing number of securities were identified as having external prices which were categorised as inactive (illiquid). For these securities, the fair value was determined as at the reporting date based on a modified discounted cash flow model. The underlying discounting rate used in the model was determined on the basis of the current swap curve, the implied historical spread – derived from the last available liquid market price – and an adjustment for any changes in the credit rating in the meantime. The value thus calculated was also adjusted by a factor, determined using an indicator model, that 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. The securities valued using this procedure (€2.4bn) are shown in the above table in the "Based on derived parameters" column.

As a result of the persistent market dislocations, the fair values for non-synthetic securitisations as at the reporting date were calculated using the discounted cash flow model. Where the spreads currently observable for the relevant transaction were deemed to be valid, the market interest rate was used as input for the discounted cash flow model. Otherwise the modified discounted cash flow model described above was used. Where indicative prices from price service agencies were also available, these were used to check the plausibility of the calculated fair values. As in the previous year, we have allocated all the non-synthetic securitisations (€3.2bn) in the above table to the "Based on derived parameters" column.

The fair value of synthetic securitisation transactions is determined using Copula models calibrated to the market prices of liquid tranches. These are also reported in the third column as the correlation assumptions of the underlying CDS portfolios represent material parameters for the valuation.

Where assumptions and estimates have been included in the valuation models, these were selected from a range of possible values using market information and management assessments. Confidence intervals for the mark-to-model values of the positions can be determined based on these ranges. Using the modified discounted cash flow procedure, the corresponding confidence intervals were determined for both the cash flows and the parameters to determine the liquidity factor. The same procedure was also used to determine the possible correlation values for the valuation of synthetic securitisation transactions.

Using sensible possible alternative scenarios determined from the minimum and maximum of the confidence intervals produces a fair value for the portfolio as at the reporting date that was up to €76.7m lower or up to €94.4m higher.

[69] 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**	**2008**	**2007**
Interest rate risks OTC products						
Interest rate swaps	494.3	484.5	2,003.3	2,225.5	5,207.6	2,059.7
Forward rate agreements	27.5	18.3	0.4	–	46.2	–
Interest rate options						
Purchases	–	–	2.5	0.9	3.4	4.1
Other interest rate contracts	8.7	–	–	–	8.7	–
Stock exchange traded products						
Interest rate futures/options	2.5	3.0	–	–	5.5	2.6
Sub-total	**533.0**	**505.8**	**2,006.2**	**2,226.4**	**5,271.4**	**2,066.4**
Currency risks OTC products						
Foreign exchange future contracts	339.7	372.6	–	–	712.3	168.2
(Interest rate) currency swaps	–	1.1	238.6	74.4	314.1	62.9
Sub-total	**339.7**	**373.7**	**238.6**	**74.4**	**1,026.4**	**231.1**
Share and other price risks OTC products						
Share forward contract	84.3	2.7	–	–	87.0	245.6
Share options						
Purchases	401.7	11.2	2,426.7	109.3	2,948.9	748.4
Credit derivatives	1.1	2.2	104.5	181.9	289.7	9.0
Other forward contracts	20.3	–	66.6	348.3	435.2	8.1
Stock exchange traded products						
Share futures/options	185.6	172.7	5,270.2	343.9	5,972.4	640.4
Sub-total	**693.0**	**188.8**	**7,868.0**	**983.4**	**9,733.2**	**1,651.5**
Total	1,565.7	1,068.3	10,112.8	3,284.2	16,031.0	3,949.0

Negative fair values	Maturity				Total	
€m	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	2008	2007
Interest rate risks OTC products						
Interest rate swaps	330.6	425.3	2,058.2	2,654.9	5,469.0	1,819.6
Forward rate agreements	30.9	5.8	–	–	36.7	0.6
Interest rate options						
Purchases	–	0.3	–	–	0.3	–
Sales	0.8	4.0	7.0	1.2	13.0	4.3
Other interest rate contracts	16.2	6.4	16.8	–	39.4	9.6
Stock exchange traded products						
Interest rate options	0.2	–	–	–	0.2	–
Interest rate futures	4.7	2.6	0.8	–	8.1	2.6
Sub-total	**383.4**	**444.4**	**2,082.8**	**2,656.1**	**5,566.7**	**1,836.7**
Currency risks OTC products						
Foreign exchange future contracts	353.0	261.5	–	–	614.5	138.0
(Interest rate) currency swaps	9.2	37.5	273.9	153.6	474.2	194.1
Sub-total	**362.2**	**299.0**	**273.9**	**153.6**	**1,088.7**	**332.1**
Share and other price risks OTC products						
Share forward contract	418.6	206.5	–	–	625.1	106.5
Share options						
Purchases	–	–	–	–	–	2.7
Sales	229.2	28.5	3,686.1	132.4	4,076.2	930.9
Credit derivatives	0.4	30.1	266.3	90.4	387.2	32.3
Other forward contracts	–	–	–	–	–	10.7
Stock exchange traded products						
Share futures/options	532.5	2,873.0	8,798.9	398.3	12,602.7	1,719.2
Sub-total	**1,180.7**	**3,138.1**	**12,751.3**	**621.1**	**17,691.2**	**2,802.3**
Total	**1,926.3**	**3,881.5**	**15,108.0**	**3,430.8**	**24,346.6**	**4,971.1**

The following table shows the positive and negative market values from derivative transactions by counterparty:

	Positive fair values		Negative fair values	
€m	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Banks in the OECD	7,042.2	2,300.8	6,534.9	2,083.7
Public offices in the OECD	52.4	0.7	37.5	15.6
Other counterparties	8,936.4	1,647.5	17,774.2	2,871.8
Total	**16,031.0**	**3,949.0**	**24,346.6**	**4,971.1**

[70] 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	31.12.2008	31.12.2007	Change
Assets			
Due from banks			
Due on demand and indefinite term	4,654.3	1,538.4	3,115.9
Up to 3 months	9,739.8	15,121.3	–5,381.5
Between 3 months and 1 year	5,637.7	6,589.9	–952.2
Between 1 year and 5 years	13,111.0	12,703.8	407.2
More than 5 years	10,840.9	10,027.2	813.7
Due from customers			
Due on demand and indefinite term	2,521.9	1,950.4	571.5
Up to 3 months	4,618.1	6,032.1	–1,414.0
Between 3 months and 1 year	2,163.7	1,542.3	621.4
Between 1 year and 5 years	11,364.3	8,781.6	2,582.7
More than 5 years	9,091.2	6,396.7	2,694.5
Financial assets at fair value			
Due on demand and indefinite term	5,045.6	4,822.6	223.0
Up to 3 months	8,669.9	3,188.9	5,481.0
Between 3 months and 1 year	28,542.1	13,312.2	15,229.9
Between 1 year and 5 years	5,395.6	3,544.0	1,851.6
More than 5 years	8,167.3	8,761.0	–593.7
Positive market values from fair value hedges under IAS 39			
Up to 3 months	1.1	0.7	0.4
Between 3 months and 1 year	4.5	5.1	–0.6
Between 1 year and 5 years	49.4	18.6	30.8
More than 5 years	87.9	3.2	84.7
Financial investments			
Due on demand and indefinite term	0.5	12.0	–11.5
Up to 3 months	1,433.6	90.5	1,343.1
Between 3 months and 1 year	440.6	100.4	340.2
Between 1 year and 5 years	728.3	285.8	442.5
More than 5 years	3,923.6	25.4	3,898.2

€m	31.12.2008	31.12.2007	Change
Liabilities			
Due to banks			
Due on demand and indefinite term	3,772.0	2,769.5	1,002.5
Up to 3 months	17,754.4	14,110.6	3,643.8
Between 3 months and 1 year	4,032.9	2,467.8	1,565.1
Between 1 year and 5 years	3,234.3	4,018.9	–784.6
More than 5 years	1,526.5	1,993.2	–466.7
Due to customers			
Due on demand and indefinite term	12,598.0	5,762.3	6,835.7
Up to 3 months	7,128.0	5,947.5	1,180.5
Between 3 months and 1 year	1,888.4	1,367.5	520.9
Between 1 year and 5 years	5,787.2	4,689.1	1,098.1
More than 5 years	6,343.4	8,844.4	–2,501.0
Securitised liabilities			
Up to 3 months	942.6	1,073.1	–130.5
Between 3 months and 1 year	3,848.5	3,221.8	626.7
Between 1 year and 5 years	6,158.0	7,386.3	–1,228.3
More than 5 years	16,152.9	18,065.3	–1,912.4
Financial liabilities at fair value			
Due on demand and indefinite term	6,987.0	5,675.3	1,311.7
Up to 3 months	3,172.5	1,013.2	2,159.3
Between 3 months and 1 year	22,200.5	5,635.5	16,565.0
Between 1 year and 5 years	5,291.5	1,930.0	3,361.5
More than 5 years	2,489.6	3,538.7	–1,049.1
Negative market values from fair value hedges under IAS 39			
Up to 3 months	9.5	2.4	7.1
Between 3 months and 1 year	2.0	0.9	1.1
Between 1 year and 5 years	164.1	13.4	150.7
More than 5 years	336.7	147.6	189.1
Subordinated capital			
Up to 3 months	94.3	155.7	–61.4
Between 3 months and 1 year	255.6	–	255.6
Between 1 year and 5 years	968.0	1,223.6	–255.6
More than 5 years	660.8	639.6	21.2

Other information

[71] 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 [72]). The definition of economic equity corresponds to the primary risk cover funds, 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 all unexpected losses from the main high risk positions within a year at any time. DekaBank uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and aggregate them as an indicator for Group risk.

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

[72] 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 10a 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	31.12.2008	31.12.2007	Change
Subscribed capital	286.3	286.3	–
Open reserves	443.3	463.0	–19.7
Silent capital contributions	552.4	808.0	–255.6
Fund for general banking risks	1,213.5	569.3	644.2
Interim profit under Section 10 (3) KWG	135.0	–	135.0
Deductions under Section 10 (2a) German Banking Act	12.7	9.9	2.8
Deductions under Section 10 (6) and (6a) KWG (half)	23.0	18.0	5.0
Of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	10.6	5.6	5.0
Core capital	**2,594.8**	**2,098.7**	**496.1**
Profit participation capital	153.0	153.0	–
Subordinated liabilities	813.2	949.3	–136.1
Other components	323.8	549.8	–226.0
Deductions under Section 10 (6) and (6a) KWG (half)	23.0	18.0	5.0
Of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	10.6	5.6	5.0
Supplementary capital	**1,267.0**	**1,634.1**	**–367.1**
Modified available capital	**3,861.8**	**3,732.8**	**129.0**
Tier III funds	–	–	–
Capital and reserves	**3,861.8**	**3,732.8**	**129.0**

The core capital of the DekaBank Group increased by €496.1m compared to the previous year. The change mainly stems from the allocation to the fund for general banking risks for financial year 2007; silent capital contributions of €255.6m are no longer eligible as core capital (see note [62]).

The supplementary capital declined by €367.1m compared to the previous year. The reduction is attributable to the expiry of the usefulness of subordinated loans due to a remaining term of less than two years. In other components, there was in particular a partial reversal of provisions under Section 340f of the German Commercial Code (HGB).

Since 30 June 2007, the adequacy of the capital and reserves has been determined under the Solvency Regulation (SolvV). The risk weighted default risks are essentially determined according to the IRB approach based on internal ratings. The equity backing of market price risks is carried out using the standard method. Since 2008, operational risks have been measured using the advanced AMA approach. The above risk factors are to be backed by capital and reserves in each case.

The items subject to a capital charge are shown in the following table:

€m	31.12.2008	31.12.2007	Change
Default risks	23,213.0	22,612.5	600.5
Market risk positions	6,112.5	5,737.5	375.0
Operational risks	1,688.0	2,250.0	–562.0

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 Group, DekaBank Deutsche Girozentrale and for important banking subsidiary, DekaBank Deutsche Girozentrale Luxembourg S.A.:

%	31.12.2008	31.12.2007	Change
DekaBank Group			
Core capital ratio (including market risk positions)	8.4	6.9	1.5
Core capital ratio (excluding market risk positions)	10.5	8.5	2.0
Total capital ratio	12.5	12.2	0.3
DekaBank Deutsche Girozentrale			
Core capital ratio (including market risk positions)	8.2	7.0	1.2
Core capital ratio (excluding market risk positions)	10.6	9.0	1.6
Total capital ratio	11.8	12.3	–0.5
DekaBank Deutsche Girozentrale Luxembourg S.A.			
Core capital ratio (including market risk positions)	7.8	7.3	0.5
Core capital ratio (excluding market risk positions)	8.1	7.5	0.6
Total capital ratio	17.1	15.2	1.9

The core capital ratio (including market risk positions) takes account of half of the deductions under Section 10 (6) and (6a) of the German Banking Act (KWG).

The capital and reserves requirement under banking supervisory law was complied with at all times during the reporting year and stands considerably above the statutory minimum values.

[73] 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	31.12.2008	31.12.2007	Change
Irrevocable lending commitments	5,120.4	2,458.5	2,661.9
Other liabilities	456.4	253.1	203.3
Total	**5,576.8**	**2,711.6**	**2,865.2**

Other financial liabilities include payment obligations of €3.1m (previous year: €3.1m) and subsequent payment obligations of €36.2m (previous year: €39.7m) to external or non-consolidated companies. There is an additional funding obligation for the security reserve of the *Landesbanken* and central savings banks of €125.4m (previous year: €87.2m)

The guarantees provided by DekaBank refer to financial guarantees under IFRS, which are stated net in compliance with IAS 39. The nominal amount of the guarantees in place as at 31 December 2008 is €0.9bn (previous year: €1.7bn).

The DekaBank Group's range of products contains investment funds with market value guarantees of varying degrees. For fixed-term funds with these features, the capital invested less charges is guaranteed as at the maturity date, while a minimum unit value is agreed for specific cut-off dates for such funds without a fixed term. As at the reporting date, there was no financial obligation on these products as a result of the performance of the respective fund assets. As at the reporting date, the guarantees covered a maximum volume of €7.0bn at the respective guarantee dates (present value: €6.3bn), while the market value of the corresponding fund assets amounted to €6.8bn (previous year: €5.3bn).

[74] Assets transferred or received as collateral

Assets were transferred as collateral for own liabilities primarily in connection with genuine repurchase agreements and in accordance with the provisions of the Pfandbrief Act. Assets in the amounts given below were transferred as collateral for the following liabilities:

€m	31.12.2008	31.12.2007	Change
Due to banks	9,282.1	9,024.8	257.3
Due to customers	9,738.4	9,074.4	664.0
Securitised liabilities	6,674.0	8,662.6	–1,988.6
Financial liabilities at fair value	4,075.9	3,050.4	1,025.5
Total	**29,770.4**	**29,812.2**	**–41.8**

The following assets were transferred as collateral for the above liabilities:

€m	31.12.2008	31.12.2007	Change
Due to banks	18,730.7	21,177.2	–2,446.5
Due to customers	6,542.0	7,350.4	–808.4
Financial assets at fair value	3,922.9	8,822.6	–4,899.7
Financial investments	84.8	–	84.8
Total	**29,280.4**	**37,350.2**	**–8,069.8**

Assets amounting to €27.2bn (previous year: €29.3bn) were deposited in the blocked custody account as cover funds in line with the Pfandbrief Act.

In addition, securities with a collateral value of €9.5bn (previous year: €4.9bn) were deposited with Deutsche Bundesbank for refinancing purposes. As at the reporting date, securities with a nominal value of €3.6bn (previous year: €3.0bn) were deposited with Clearstream Banking AG as collateral for transactions on the Eurex.

Collateral received that may be repledged or sold even without the default of the party providing the collateral is in place for repurchase agreements and securities lending transactions in the amount of €15.8bn (previous year: €29.1bn). Collateral amounting to €15.9bn (previous year: €23.8bn) was transferred for repurchase agreements and securities lending transactions.

[75] Genuine repurchase agreements

€m	31.12.2008	31.12.2007	Change
Genuine repurchase agreements as pledgor			
Due to banks	6,028.5	5,106.2	922.3
Due to customers	1,637.9	221.9	1,416.0
Total	**7,666.4**	**5,328.1**	**2,338.3**
Genuine repurchase agreements as pledgee			
Due from banks	12,505.4	17,373.7	–4,868.3
Due from customers	4,017.7	6,425.3	–2,407.6
Total	**16,523.1**	**23,799.0**	**–7,275.9**

[76] Securities lending transactions

Financial assets at fair value include securities loaned to others amounting to €3.1bn (previous year: €2.5bn). Borrowed securities amounting to €7.4bn (previous year: €5.1bn) were not reported in the balance sheet.

[77] Volume of foreign currency transactions

As a result of the business policy of the DekaBank Group, the volume of open currency positions is negligible.

€m	31.12.2008	31.12.2007	Change
British pound (GBP)	48.8	7.5	41.3
US dollar (USD)	27.5	16.7	10.8
Swiss franc (CHF)	11.3	12.6	–1.3
Australian dollar (AUD)	7.7	3.4	4.3
New Zealand dollar (NZD)	6.1	4.1	2.0
Canadian dollar (CAD)	2.7	5.4	–2.7
Other foreign currencies	13.9	8.7	5.2
Total	**118.0**	**58.4**	**59.6**

[78] 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. on its part has issued a letter of comfort in favour of

- Deka International S.A., Luxembourg and
- International Fund Management S.A., Luxembourg.

[79] 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 %
DKC Deka Kommunal Consult GmbH, Düsseldorf (formerly: WestKC Westdeutsche Kommunal Consult GmbH)	100.00
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka FundMaster Investmentgesellschaft mbH, Frankfurt/Main	100.00
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International (Ireland) Ltd., Dublin (in liquidation)	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka(Swiss) Privatbank AG, Zurich	80.00[1]
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
ETFlab Investment GmbH, Munich	100.00
International Fund Management S.A., Luxembourg	100.00
Roturo S.A., Luxembourg	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

[1] Consolidation ratio based on economic ownership 100%

Consolidated special funds:

Name, registered office	Equity share in %
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 4-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-DGZ 6-FONDS, Frankfurt/Main	100.00
A-DGZ 7-FONDS, Frankfurt/Main	100.00
A-DGZ 8-FONDS, Luxembourg	100.00
A-DGZ-9-FONDS, Luxembourg	100.00
A-DGZ-10-FONDS, Frankfurt/Main	100.00
A-DGZ-FONDS, Frankfurt/Main	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
Deka-Treasury Corporates-FONDS, Frankfurt/Main	100.00
ETFlab DAX, Munich	92.90

Associated companies and joint ventures consolidated under the equity method:

Name, registered office	Equity share in %
S PensionsManagement GmbH, Cologne	50.00
S Broker AG & Co. KG, Wiesbaden	30.64

Non-consolidated companies:

Name, registered office	Equity share in %
Datogon S.A., Luxembourg	100.00
Dealis Fund Operations S.A., Luxembourg	100.00
Deka Immobilien k.k., Tokyo	100.00
Deka Investors Investmentaktiengesellschaft, Frankfurt/Main	100.00
Deka Real Estate Lending k.k., Tokyo	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 01 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 02 mbH, Frankfurt/Main	100.00
DekaBank Advisory Ltd., London	100.00
Deutsche Landesbankenzentrale AG, Berlin	100.00
Europäisches Kommunalinstitut S.A.R.L., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Perfeus S.A., Luxembourg	100.00
STIER Immobilien AG, Frankfurt/Main	100.00
WestInvest Erste Beteiligungs- und Verwaltungs GmbH, Düsseldorf	99.74
WIV Verwaltungs GmbH, Frankfurt/Main	94.90
Deka-WestLB Asset Management Luxembourg S.A., Luxembourg	51.00
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Dealis Fund Operations GmbH, Munich	49.90
Global Format GmbH & Co. KG, Munich	20.00

[80] Related party disclosures

Transactions are carried out with related parties at normal market terms and conditions as part of ordinary business activities. The table below shows the extent of these transactions.

Business dealings with shareholders of DekaBank and non-consolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Liability items				
Due to customers	14.8	31.4	1.3	10.9

Business dealings with companies accounted for using the equity method and other related parties:

	Investments accounted for at equity		Other related parties	
€m	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Assets				
Due from customers	–	–	161.6	120.9
Financial assets at fair value	–	–	0.8	66.6
Total asset items	**–**	**–**	**162.4**	**187.5**
Liabilities				
Due to customers	1.4	1.5	187.4	494.9
Financial liabilities at fair value	–	–	0.2	20.2
Total liability items	**1.4**	**1.5**	**187.6**	**515.1**

In addition to Deka Trust e.V., other related parties include the Group's own mutual funds where the holding of the DekaBank Group exceeds 10% as at the reporting date.

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 €58.9bn were made available to DekaBank in its capacity as agent. In return, the funds received payments from DekaBank of €37.7m.

Natural persons deemed to be related parties under IAS 24 are the members of the Board of Management and Administrative Board of DekaBank as the parent company. Please see note [82] for information concerning remuneration and business transactions with the persons in question.

[81] Average number of staff

	31.12.2008	31.12.2007	Change
Full-time employees	3,130	2,896	234
Part-time and temporary employees	499	447	52
Total	**3,629**	**3,343**	**286**

[82] Remuneration to Board members

€	2008	2007	Change
Remuneration of active Board of Management members			
Short-term benefits	10,605,083	7,551,182	3,053,901
Scope of obligation under defined benefit plans (defined benefit obligation)	4,947,480	4,324,930	622,550
Remuneration of former Board of Management members and their dependents			
Short-term benefits	–	733,167	–733,167
Post-employment benefits	2,186,659	2,326,764	–140,104
Total	**2,186,659**	**3,059,931**	**–873,271**
Scope of obligation under defined benefit plans (defined benefit obligation)	30,677,507	36,057,675	–5,380,168
Scope of obligation for similar commitments	2,288,801	1,854,064	434,737

The short-term benefits due to the members of the Board of Management include all remuneration paid in the respective financial year, including variable components attributable to previous years. The remuneration for members of the Administrative Board totalled €650.2 thousand (previous year: €744.4 thousand).

In financial year 2008, €1.8m was allocated to provisions for pensions for active members of the Board of Management (previous year: €1.4m). This includes voluntary salary sacrifice components from the short-term benefits of the Board of Management amounting to €0.6m.

Commitments to the members of the Board of Management under defined benefit obligations were funded in 2008 through the creation of ring-fenced plan assets using a CTA (see notes [25] and [58]). Consequently, the total commitments of €35.6m determined on an actuarial basis for active and former members of the Board of Management as at the reporting date are countered by plan assets of around €41.3m.

The provision for payments relating to the termination of the employment of former Board of Management members amounted to €0.8m (previous year: €1.6m). This was reported under provisions for restructuring measures.

[83] Auditor's fees

The following fees were recorded as expenses for the auditors of the consolidated financial statements in the reporting year:

€m	2008	2007	Change
Fees for			
Year-end audits	2.2	1.7	0.5
Other auditing or valuation services	0.3	0.9	– 0.6
Tax advisory services	0.2	–	0.2
Other services	0.5	0.4	0.1
Total	**3.2**	**3.0**	**0.2**

[84] Additional miscellaneous information

The consolidated financial statements were approved for publication on 23 February 2009 by the Board of Management of DekaBank.

Assurance of the Board of Management

We assure that to the best of our knowledge, the consolidated financial statements prepared in accordance with the applicable reporting standards convey a true and fair view of the net assets, financial position and results of operations of the Group and that the management report conveys a true and fair view of the business performance including the business results and position of the Group and suitably presents the material risks and opportunities and likely development of the Group.

Frankfurt am Main, 23 February 2009

DekaBank
Deutsche Girozentrale

The Board of Management

Waas, Ph.D.	Behrens	Dr. Danne
Groll	Gutenberger	Dr. h. c. Oelrich

Auditor's Report

"We have audited the consolidated financial statements prepared by the DekaBank Deutsche Girozentrale, Berlin/Frankfurt am Main, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of DekaBank's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Frankfurt am Main, 24 February 2009

PricewaterhouseCoopers
Aktiengesellschaft [German Public limited company]
Wirtschaftsprüfungsgesellschaft [German Public Auditing firm]

Roland Rausch	Stefan Palm
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Shareholders

Shareholders of DekaBank

(as of March 2009)

GLB GmbH & Co. OHG	**49.17%**
thereof:	
Landesbank Baden-Württemberg[1]	14.78%
HSH Nordbank AG[1]	7.75%
WestLB AG[1]	7.61%
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –[1]	2.89%
NORD/LB Norddeutsche Landesbank Girozentrale[1]	2.39%
Landesbank Saar[1]	0.98%
Landesbank Hessen-Thüringen Girozentrale	5.51%
Bayerische Landesbank	3.09%
NIEBA GmbH[2]	4.17%
NIEBA GmbH[2]	**0.83%**
DSGV ö.K.[1]	**50.00%**
thereof:	
Savings Banks Association Baden-Württemberg	7.70%
Rhineland Savings Banks and Giro Association	6.56%
Savings Banks Association Lower Saxony	6.46%
Savings Banks Association Bavaria	6.31%
Savings Banks and Giro Association Westphalia-Lippe	6.17%
Savings Banks and Giro Association Hesse-Thuringia	5.81%
Savings Banks Association Rhineland-Palatinate	3.21%
Savings Banks Association Berlin	1.90%
East German Savings Banks Association	1.83%
Savings Banks and Giro Association for Schleswig-Holstein	1.78%
Savings Banks Association Saar	1.37%
Hanseatic Savings Banks and Giro Association	0.90%

[1] Guarantors.

[2] 100% subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale.

Subsidiaries and associated companies

Subsidiaries and associated companies of DekaBank[1)]

(as of March 2009)

Business division Asset Management Capital Markets	
Deka Investment GmbH, Frankfurt am Main	100.0%
Deka FundMaster Investmentgesellschaft mbH, Frankfurt am Main	100.0%
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.0%
Deka International S.A., Luxembourg	100.0%
International Fund Management S.A., Luxembourg	100.0%
Deka International (Ireland) Ltd., Dublin (in liquidation)	100.0%
Deka Treuhand GmbH, Frankfurt am Main	100.0%
Deka(Swiss) Privatbank AG, Zurich	80.0%
Deka-WestLB Asset Management Luxembourg S.A., Luxembourg	51.0%
Heubeck AG, Cologne	50.0%
S PensionsManagement GmbH, Cologne	50.0%
Sparkassen PensionsBeratung GmbH, Cologne	50.0%
Sparkassen Pensionsfonds AG, Cologne	50.0%
Sparkassen Pensionskasse AG, Cologne	50.0%
Dealis Fund Operations GmbH, Munich	49.9%
S Broker AG & Co. KG, Wiesbaden	30.6%
S Broker Management AG, Wiesbaden	30.6%
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt am Main	10.0%
Erste-Sparinvest Austria Kapitalanlagegesellschaft mbH, Vienna	2.9%

Business division Asset Management Property	
Deka Immobilien Investment GmbH, Frankfurt am Main	100.0%
Deka Immobilien GmbH, Frankfurt am Main	100.0%
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt am Main	100.0%
Deka Vermögensverwaltungs GmbH, Frankfurt am Main	100.0%
Deka Immobilien Luxembourg S.A., Luxembourg	100.0%
Deka Immobilien k.k., Tokyo	100.0%
Deka Real Estate Lending k.k., Tokyo	100.0%
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.7%
WIV GmbH & Co. Beteiligungs KG, Frankfurt am Main	94.9%
Deka-S-PropertyFund No.1 Beteiligungs GmbH & Co. KG, Frankfurt am Main	12.5%

Business division Corporates & Markets	
ETFlab Investment GmbH, Munich	100.0%
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.0%
Deka Beteiligungs GmbH, Frankfurt am Main	100.0%
DekaBank Advisory Ltd., London	100.0%
Global Format GmbH & Co. KG, Munich	20.0%
True Sale International GmbH, Frankfurt am Main	7.7%
RSU Rating Service Unit GmbH & Co. KG, Munich	6.5%
SIZ Informatikzentrum der Sparkassenorganisation GmbH, Bonn	5.0%
Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	2.1%

1) The shares are held directly or indirectly.

The Group has further holdings which are, however, of minor significance.

Administrative Board of DekaBank

(as of March 2009)

Heinrich Haasis
Chairman
President of the German Savings Banks and Giro Association e.V., Berlin, and of the German Savings Banks and Giro Association e.V. – public law entity, Berlin
Chairman of the General Committee

Dr. Siegfried Jaschinski
First Deputy Chairman
Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart
First Deputy Chairman of the General Committee
Deputy Chairman of the Audit Committee

Dr. Rolf Gerlach
Second Deputy Chairman
President of the Savings Banks and Giro Association Westphalia-Lippe, Münster
Second Deputy Chairman of the General Committee
Chairman of the Audit Committee

Representatives elected by the Shareholders' Meeting

Hans-Dieter Brenner
Chairman of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main
Member of the Audit Committee

Michael Breuer
President of the Rhineland Savings Banks and Giro Association, Düsseldorf

Thomas Christian Buchbinder
Chairman of the Management Board of Landesbank Saar, Saarbrücken

Dr. Gunter Dunkel
Chairman of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover
Member of the General Committee

Gerhard Grandke
Managing President of the Savings Banks and Giro Association Hesse-Thuringia, Frankfurt am Main

Klaus-Dieter Gröb
Member of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main

Reinhard Henseler
Chairman of the Management Board of Nord-Ostsee Sparkasse, Flensburg

Heinz Hilgert
Chairman of the Management Board of WestLB AG, Düsseldorf
Member of the Audit Committee

Jürgen Hilse
Chairman of the Management Board of Kreissparkasse Göppingen, Göppingen
Member of the General Committee
Member of the Audit Committee

Michael Horn
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Dr. Stephan-Andreas Kaulvers
Chairman of the Management Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

Dr. Michael Kemmer
Chairman of the Management Board of Bayerische Landesbank, Munich
Member of the General Committee

Thomas Mang
President of the Savings Banks Association Lower Saxony, Hanover

Harald Menzel
Chairman of the Management Board of Kreissparkasse Freiberg, Freiberg

Dr. Siegfried Naser
Managing President of the Savings Banks Association Bavaria, Munich
Member of the General Committee

Prof. Dr. Dirk Jens Nonnenmacher
Chairman of the Management Board of HSH Nordbank AG, Hamburg
Member of the Audit Committee

Peter Rieck
Deputy Chairman of the Management Board of HSH Nordbank AG, Hamburg

Hans-Werner Sander
Chairman of the Management Board of Sparkasse Saarbrücken, Saarbrücken

Peter Schneider
President of the Savings Banks Association Baden-Württemberg, Stuttgart

Hans Otto Streuber
President of the Savings Banks Association Rhineland-Palatinate, Budenheim
Member of the General Committee

Hans-Jörg Vetter
Chairman of the Management Board of Landesbank Berlin AG, Berlin
Member of the Audit Committee

Dr. Harald Vogelsang
President of the Hanseatic Savings Banks and Giro Association, Hamburg

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

Richard Nospers
Managing Director of the Saarland Association of Towns and Municipalities, Saarbrücken

Employees Representatives appointed by the Staff Committee

Michael Dörr
Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt am Main

Heike Schillo
Member of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt am Main

(End of the term of office: 31.12.2013)

Board of Management

Franz S. Waas, Ph.D.
Chairman

Oliver Behrens

Dr. Matthias Danne

Walter Groll

Hans-Jürgen Gutenberger

Dr. h. c. Friedrich Oelrich

Executive Managers

Oliver K. Brandt

Manfred Karg

Osvin Nöller

Thomas Christian Schulz

Fund-related committees
(as of March 2009)

Business division Asset Management Capital Markets

Advisory Board Asset Management Capital Markets Retail

Dr. Harald Vogelsang
(Chairman)
Chairman of the Management Board of Hamburger Sparkasse AG, Hamburg

Michael Horn
(Deputy Chairman)
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Hubert Beckmann
Deputy Chairman of the Management Board of WestLB AG, Düsseldorf

Jochen Brachs
Chairman of the Management Board of Sparkasse Hochschwarzwald, Titisee-Neustadt

Dr. Guido Brune
Member of the Management Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

Stefan Bungarten
Member of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main

Gerhard Döpkens
Chairman of the Management Board of Sparkasse Gifhorn-Wolfsburg, Gifhorn

Joachim Gerenkamp
Chairman of the Management Board of Sparkasse Werl, Werl

Manfred Graulich
Chairman of the Management Board of Sparkasse Koblenz, Koblenz

Dr. Joachim Herrmann
Chairman of the Management Board of Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Sigmaringen

Jürgen Müsch
Member of the Management Board of Landesbank Saar, Saarbrücken

Wolfgang Pötschke
Chairman of the Management Board of Sparkasse zu Lübeck AG, Lübeck

Fred Ricci
Chairman of the Management Board of Sparkasse Neunkirchen, Neunkirchen

Christian W. Rother
Member of the Management Board of Sparkasse Aachen, Aachen

Werner Schmiedeler
Chairman of the Management Board of Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach

Walter Schubert
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

Axel Warnecke
Member of the Management Board of TaunusSparkasse, Bad Homburg v. d. H.

Guest

Werner Netzel
Executive Member of the Management Board of the German Savings Banks and Giro Association e.V., Berlin

(End of the term of office: 30.06.2009)

Advisory Board Asset Management Capital Markets Institutional

N.N.
(Chairman)

Karl-Ludwig Kamprath
(Deputy Chairman)
Chairman of the Management Board of Kreissparkasse München Starnberg, Munich

Klemens Breuer
Member of the Management Board of WestLB AG, Düsseldorf

Bernd Gurzki
Chairman of the Management Board of Sparkasse Emden, Emden

Klaus Hacker
Chairman of the Management Board of Sparkasse Hagen, Hagen

Alois Hagl
Chairman of the Management Board of Sparkasse im Landkreis Schwandorf, Schwandorf

Hans-Heinrich Hahne
Chairman of the Management Board of Sparkasse Schaumburg, Rinteln

Martin Halblaub
Member of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

Joachim Hoof
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Gerhard Klimm
Executive Manager of Rheinland-Pfalz Bank, Mainz

Thomas Lützelberger
Chairman of the Management Board of Sparkasse Schwäbisch Hall-Crailsheim, Schwäbisch Hall

Peter Mausolf
Member of the Management Board of Sparkasse Herford, Herford

Hubert Riese
Member of the Management Board of Kreissparkasse Eichsfeld, Worbis

Stefan W. Ropers
Member of the Management Board of Bayerische Landesbank, Munich

Arthur Scholz
Chairman of the Management Board of Sparkasse Vogtland, Plauen

Hans-Joachim Strüder
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Dr. Hermann Weber
Chairman of the Management Board of Sparkasse Offenburg/Ortenau, Offenburg

Alexander Wüerst
Chairman of the Management Board of Kreissparkasse Köln, Cologne

(End of the term of office: 30.06.2009)

Advisory Board Pension Management

Manfred Herpolsheimer
(Chairman)
Chairman of the Management Board of Sparkasse Leverkusen, Leverkusen

Christoph Schulz
(Deputy Chairman)
Deputy Chairman of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Brunswick

Hubert Beckmann
Deputy Chairman of the Management Board of WestLB AG, Düsseldorf

Andrea Binkowski
Chairwoman of the Management Board of Sparkasse Mecklenburg-Strelitz, Neustrelitz

Michael Bott
Chairman of the Management Board of Sparkasse Waldeck-Frankenberg, Korbach

Helmut Dohmen
Head of Division Private and Investment Clients, Stuttgart Region, Baden-Württembergische Bank, Stuttgart

Dr. Johannes Evers
Member of the Management Board of Landesbank Berlin AG, Berlin

Ludger Gooßens
Chairman of the Management Board of Sparkasse Krefeld, Krefeld

Arendt Gruben
Chairman of the Management Board of Sparkasse Schwarzwald-Baar, Villingen-Schwenningen

Martin Haf
Chairman of the Management Board of Sparkasse Allgäu, Kempten

Torsten Heick
Head of Division Private Clients, HSH Nordbank AG, Hamburg

Jürgen Hösel
Chairman of the Management Board of Kreissparkasse Peine, Peine

Gerhard Klimm
Executive Manager of Rheinland-Pfalz Bank, Mainz

Dr. Herbert Müller
Chairman of the Management Board of Sparkasse Pforzheim Calw, Pforzheim

Siegmund Schiminski
Chairman of the Management Board of Sparkasse Bayreuth, Bayreuth

Ralph Schmieder
Member of the Management Board of Sparkasse Südholstein, Neumünster

Heinz-Dieter Tschuschke
Chairman of the Management Board of Sparkasse Meschede, Meschede

(End of the term of office: 30.06.2009)

Co-operation Board Insurance

Gerhard Müller
(Chairman)
Member of the Management Board of SV SparkassenVersicherung Holding AG, Stuttgart

Helmut Späth
(Deputy Chairman)
Deputy Chairman of the Management Board of Versicherungskammer Bayern, Munich

Dr. Harald Benzing
Member of the Management Board of Versicherungskammer Bayern, Munich

Hans-Jürgen Büdenbender
Member of the Management Board of SV SparkassenVersicherung Sachsen, Dresden

Michael Doering
Member of the Management Board of Öffentliche Lebensversicherung Braunschweig, Brunswick

Roland Drasl
Member of the Management Board of Westfälische Provinzial Versicherung AG, Münster

Hermann Kasten
Member of the Management Board of VGH Versicherungen, Hanover

Sven Lixenfeld
Member of the Management Board of SV SparkassenVersicherung Holding AG, Stuttgart

Michael Rohde
Member of the Management Board, Association of Public Insurance Companies, Düsseldorf

Manfred Steffen
Member of the Management Board of ÖSA – Öffentliche Versicherungen Sachsen-Anhalt, Magdeburg

Dr. Hans Peter Sterk
Member of the Management Board of Provinzial Rheinland Versicherung AG, Düsseldorf

Franz Thole
Chairman of the Management Board of Öffentliche Versicherungen Oldenburg, Oldenburg

Guest

Dr. Jens Piorkowski
German Savings Banks and Giro Association e.V., Berlin

(End of the term of office: 31.12.2009)

Corporate bodies of subsidiaries – business division AMK

Deka Investment GmbH

Supervisory Board

Oliver Behrens
(Chairman)
Member of the Management Board of
DekaBank Deutsche Girozentrale,
Frankfurt am Main

Dr. h. c. Friedrich Oelrich
(Deputy Chairman)
Member of the Management Board of
DekaBank Deutsche Girozentrale,
Frankfurt am Main

Heinz-Jürgen Schäfer
Offenbach

Board of Management

Thomas Neiße *(Chairman)*
Frank Hagenstein
Andreas Lau
Victor Moftakhar
Dr. Ulrich Neugebauer
Dr. Manfred Nuske
Dr. Udo Schmidt-Mohr

Deka FundMaster Investmentgesellschaft mbH

Supervisory Board

Oliver Behrens
(Chairman)
Member of the Management Board of
DekaBank Deutsche Girozentrale,
Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board of
DekaBank Deutsche Girozentrale,
Frankfurt am Main

Dr. h. c. Friedrich Oelrich
Member of the Management Board of
DekaBank Deutsche Girozentrale,
Frankfurt am Main

Board of Management

Thomas Ketter
Dr. Udo Schmidt-Mohr
Norbert Ziemer

DekaBank Deutsche Girozentrale Luxembourg S.A.

Administrative Board

Oliver Behrens
(Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Walter Groll
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Rainer Mach
Managing Director of DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am 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 am Main

Dr. Alfred Schwarzenbach
(Vice-President)
Company Director, Erlenbach

Stefan T. Bichsel
Limited Partner of Lombard Odier Darier Hentsch & Cie., Zurich

Dietmar P. Binkowska
Chairman of the Management Board of NRW.BANK, Düsseldorf

Hans-Jürgen Gutenberger
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Fernand Koch
Former Partner of Lombard Odier Darier Hentsch & Cie., Geneva

Walter Nötzli
Partner of NMP Nötzli, Mai & Partner, Zurich

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. Heidi Pfister-Ineichen
Lawyer, Pfister & Sigg Attorneys-at-law, Luzern

Antonio Sergi
Former Member of the Management Board of Banca del Gottardo, Lugano

Board of Management

Herbert Mattle *(Chairman)*
Dr. Andreas Suter

Business division Asset Management Property

Advisory Board Asset Management Property

Johann Berger
(Chairman)
Member of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main

Johannes Werner
(Deputy Chairman)
Chairman of the Management Board of Kreissparkasse Ostalb, Aalen

Hubert Beckmann
Deputy Chairman of the Management Board of WestLB AG, Düsseldorf

Frank Brockmann
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

Toni Domani
Member of the Management Board of Sparkasse Regen-Viechtach, Regen

Dr. Rudolf Fuchs
Chairman of the Management Board of Sparkasse Mainfranken Würzburg, Würzburg

Franz Halbritter
Chairman of the Management Board of Kreissparkasse Anhalt-Bitterfeld, Bitterfeld-Wolfen

Lothar Heinemann
Chairman of the Management Board of Stadt-Sparkasse Solingen, Solingen

Johannes Hüser
Chairman of the Management Board of Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück

Matthias Knak
Member of the Management Board of Sparkasse Gießen, Gießen

Dirk Köhler
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

Herbert Lehmann
Chairman of the Management Board of Sparkasse Staufen-Breisach, Staufen

Siegmar Müller
Chairman of the Management Board of Sparkasse Germersheim-Kandel, Kandel

Andreas Pohl
Member of the Management Board of Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover

Dr. Bernhard Walter
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

(End of the term of office: 30.06.2009)

Corporate bodies of subsisidaries – business division AMI

Deka Immobilien GmbH

Supervisory Board

Dr. Matthias Danne
(Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Board of Management

Ulrich Bäcker
Franz Lucien Mörsdorf
Thomas Schmengler
Josef Schultheis

Deka Immobilien Investment GmbH

Supervisory Board

Dr. Matthias Danne
(Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Friedrich Oelrich
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Hartmut Wallis
Zornheim

Board of Management

Wolfgang G. Behrendt
Franz Lucien Mörsdorf
Dr. Manfred Nuske
Dr. Albrecht Reihlen

WestInvest Gesellschaft für Investmentfonds mbH

Supervisory Board

Dr. Matthias Danne
(Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Friedrich Oelrich
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Hartmut Wallis
Zornheim

Board of Management

Stefan Borgelt
Franz Lucien Mörsdorf
Wolfgang Schwanke

Business division Corporates & Markets

Corporate bodies of the subsidiary – business division C&M

ETFlab Investment GmbH

Supervisory Board

Walter Groll
(Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Friedrich Oelrich
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Steffen Matthias
Consultant, Brussels

Board of Management

Andreas Fehrenbach *(Chairman)*
Michael Langmack

Savings Banks Sales

Fund Sales Advisory Council

Hans Martz
(Chairman)
Chairman of the Management Board of Sparkasse Essen, Essen

Reinhard Klein
(Deputy Chairman)
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

Hans Adler
Chairman of the Management Board of Sparkasse Starkenburg, Heppenheim

Götz Bormann
Chairman of the Management Board of Förde Sparkasse, Kiel

Manfred Driemeier
Member of the Management Board of Sparkasse Osnabrück, Osnabrück

Dr. Johannes Evers
Member of the Management Board of Landesbank Berlin AG, Berlin

Martin Fischer
Chairman of the Management Board of Sparkasse Jena-Saale-Holzland, Jena

Dr. Thomas Grützemacher
Member of the Management Board of Stadtsparkasse München, Munich

Hans Michael Hambücher
Chairman of the Management Board of Kreissparkasse Heilbronn, Heilbronn

Friedel Höhn
Chairman of the Management Board of Kreissparkasse Saarlouis, Saarlouis

Joachim Hoof
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Wolfgang Kirschbaum
Chairman of the Management Board of Sparkasse Minden-Lübbecke, Minden

Uwe Perl
Member of the Management Board of Sparkasse Bremerhaven, Bremerhaven

Andreas Peters
Member of the Management Board of Sparkasse Rhein-Nahe, Bad Kreuznach

Mario Porten
Chairman of the Management Board of Sparkasse Südholstein, Neumünster

Markus Schabel
Chairman of the Management Board of Sparkasse Münsterland Ost, Münster

Siegmund Schiminski
Chairman of the Management Board of Sparkasse Bayreuth, Bayreuth

Michael W. Schmidt
Chairman of the Management Board of Sparkasse Worms-Alzey-Ried, Worms

Klaus Schöniger
Member of the Management Board, Die Sparkasse Bremen AG, Bremen

Walter Schubert
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

Frank Schumacher
Member of the Management Board of Sparkasse zu Lübeck AG, Lübeck

Werner Taiber
Member of the Management Board of WestLB AG, Düsseldorf

Klaus Wagner
Deputy Chairman of the Management Board of Kreissparkasse Verden, Verden

Ludwig Wasemann
Deputy Chairman of the Management Board of Kreissparkasse Saarpfalz, Homburg (Saar)

Johannes Werner
Chairman of the Management Board of Kreissparkasse Ostalb, Aalen

Further Members

Dr. Bernd Kobarg
Chairman of the Management of Deutscher Sparkassenverlag GmbH, Stuttgart

Gerhard Müller
Chairman of the Management Board of Sparkassen-Versicherung Sachsen, Dresden

Werner Netzel
Executive Member of the Management Board of the German Savings Banks and Giro Association e.V., Berlin

Heinz Panter
Chairman of the Management Board of LBS Baden-Württemberg, Stuttgart

(End of the term of office: 31.12.2010)

Regional Fund Committees for Savings Banks

Regional Fund Committee for Savings Banks North/East I

Kreissparkasse Anhalt-Bitterfeld, Bitterfeld-Wolfen
Braunschweigische Landessparkasse, Brunswick
Sparkasse Celle, Celle
Sparkasse Chemnitz, Chemnitz
Sparkasse Holstein, Eutin
Kreissparkasse Freiberg, Freiberg
Sparkasse Gifhorn-Wolfsburg, Gifhorn
Sparkasse Göttingen, Göttingen
Saalesparkasse Halle, Halle
Hamburger Sparkasse AG, Hamburg
Sparkasse Harburg-Buxtehude, Hamburg
Sparkasse Hannover, Hanover
Sparkasse Hildesheim, Hildesheim
Sparkasse Westholstein, Itzehoe
Sparkasse Leipzig, Leipzig
Sparkasse Lüneburg, Lüneburg
Stadtsparkasse Magdeburg, Magdeburg
Sparkasse Meißen, Meißen
Sparkasse Emsland, Meppen
Landessparkasse zu Oldenburg, Oldenburg
Sparkasse Vogtland, Plauen
Sparkasse Schaumburg, Rinteln
Sparkasse Mecklenburg-Schwerin, Schwerin
Salzlandsparkasse, Staßfurt
Kreissparkasse Syke, Syke
Sparkasse Uelzen Lüchow-Dannenberg, Uelzen
Harzsparkasse, Wernigerode
Sparkasse Oberlausitz-Niederschlesien, Zittau
Sparkasse Zwickau, Zwickau

Regional Fund Committee for Savings Banks North/East II

Kreissparkasse Aue-Schwarzenberg, Aue
Stadtsparkasse Bad Pyrmont, Bad Pyrmont
Stadtsparkasse Bad Sachsa, Bad Sachsa
Stadtsparkasse Barsinghausen, Barsinghausen
Kreissparkasse Bautzen, Bautzen
Bordesholmer Sparkasse AG, Bordesholm
Spar- und Leihkasse zu Bredstedt AG, Bredstedt
Sparkasse Jerichower Land, Burg
Stadtsparkasse Burgdorf, Burgdorf
Stadtsparkasse Dessau, Dessau-Roßlau
Kreissparkasse Grafschaft Diepholz, Diepholz
Sparkasse Duderstadt, Duderstadt
Sparkasse Barnim, Eberswalde
Sparkasse Elmshorn, Elmshorn
Stadtsparkasse Hameln, Hameln
Sparkasse Hohenwestedt, Hohenwestedt
Sparkasse Mansfeld-Südharz, Lutherstadt Eisleben
Sparkasse Wittenberg, Lutherstadt Wittenberg
Sparkasse Neubrandenburg-Demmin, Neubrandenburg
Sparkasse Nienburg, Nienburg
Sparkasse Osterode am Harz, Osterode
Sparkasse Parchim-Lübz, Parchim
Kreissparkasse Peine, Peine
Sparkasse Prignitz, Pritzwalk
Sparkasse Altmark West, Salzwedel
Sparkasse Scheeßel, Scheeßel
Landsparkasse Schenefeld, Schenefeld
Sparkasse Niederlausitz, Senftenberg
Sparkasse Märkisch-Oderland, Strausberg
Kreissparkasse Walsrode, Walsrode
Stadtsparkasse Wedel, Wedel
Sparkasse Wilhelmshaven, Wilhelmshaven
Sparkasse Mecklenburg-Nordwest, Wismar

Further members North/East I + II

East German Savings Banks Association, Berlin
Hanseatic Savings Banks and Giro Association, Hamburg
Savings Banks Association Lower Saxony, Hanover
Savings Banks and Giro Association for Schleswig-Holstein, Kiel

Regional Fund Committee for Savings Banks Mid I

Sparkasse Aachen, Aachen
Sparkasse Bad Hersfeld-Rotenburg, Bad Hersfeld
Sparkasse Mittelmosel – Eifel Mosel Hunsrück, Bernkastel-Kues
Kreissparkasse Köln, Cologne
Sparkasse Westmünsterland, Dülmen
Kreissparkasse Düsseldorf, Düsseldorf
Stadtsparkasse Düsseldorf, Düsseldorf
Sparkasse Duisburg, Duisburg
Kreissparkasse Heinsberg, Erkelenz
Kreissparkasse Euskirchen, Euskirchen
Sparkasse Oberhessen, Friedberg
Sparkasse Fulda, Fulda
Sparkasse Gera-Greiz, Gera
Sparkasse Gießen, Gießen
Kreissparkasse Groß-Gerau, Groß-Gerau
Sparkasse Dieburg, Groß-Umstadt
Sparkasse Hanau, Hanau
Herner Sparkasse, Herne
Kreissparkasse Steinfurt, Ibbenbüren
Sparkasse Koblenz, Koblenz
Sparkasse Waldeck-Frankenberg, Korbach
Sparkasse Krefeld, Krefeld
Sparkasse Lemgo, Lemgo
Sparkasse Leverkusen, Leverkusen
Sparkasse Vorderpfalz Ludwigshafen a. Rh. – Schifferstadt, Ludwigshafen
Sparkasse Mainz, Mainz
Kreissparkasse Schwalm-Eder, Melsungen
Sparkasse am Niederrhein, Moers
Sparkasse Mülheim an der Ruhr, Mülheim
Sparkasse Neuss, Neuss
Sparkasse Neuwied, Neuwied
Stadtsparkasse Oberhausen, Oberhausen
Sparkasse Südwestpfalz, Pirmasens
Sparkasse Vest Recklinghausen, Recklinghausen
Sparkasse Saarbrücken, Saarbrücken
Sparkasse Langen-Seligenstadt, Seligenstadt
Sparkasse Siegen, Siegen
Stadt-Sparkasse Solingen, Solingen
Sparkasse Trier, Trier
Sparkasse Wetzlar, Wetzlar
Stadtsparkasse Wuppertal, Wuppertal

Regional Fund Committee for Savings Banks Mid II

Kreissparkasse Altenkirchen, Altenkirchen
Stadtsparkasse Borken (Hessen), Borken
Kreissparkasse Westerwald, Bad Marienberg
Stadtsparkasse Bad Oeynhausen, Bad Oeynhausen
Sparkasse Bensheim, Bensheim
Sparkasse Burbach-Neunkirchen, Burbach
Sparkasse Dillenburg, Dillenburg
Sparkasse Odenwaldkreis, Erbach
Sparkasse Werra-Meißner, Eschwege
Stadtsparkasse Gladbeck, Gladbeck
Verbandssparkasse Goch-Kevelaer-Weeze, Goch
Sparkasse Gronau, Gronau
Sparkasse Grünberg, Grünberg
Sparkasse Gütersloh, Gütersloh
Sparkasse Gummersbach-Bergneustadt, Gummersbach
Kreissparkasse Halle, Halle (Westfalen)
Sparkasse Hattingen, Hattingen
Sparkasse Germersheim-Kandel, Kandel
Sparkasse Kleve, Kleve
Stadtsparkasse Lengerich, Lengerich
Kreissparkasse Limburg, Limburg (Lahn)
Sparkasse Lippstadt, Lippstadt
Kreissparkasse Mayen, Mayen
Stadtsparkasse Porta Westfalica, Porta Westfalica
Stadtsparkasse Remscheid, Remscheid
Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück
Sparkasse Rietberg, Rietberg
Sparkasse Donnersberg, Rockenhausen
Kreissparkasse Saalfeld-Rudolstadt, Saalfeld
Kreissparkasse Saale-Orla, Schleiz
Kreissparkasse Schlüchtern, Schlüchtern
Stadtsparkasse Schwalmstadt, Schwalmstadt
Sparkasse Sonneberg, Sonneberg
Kreis- und Stadtsparkasse Speyer, Speyer
Sparkasse Stadtlohn, Stadtlohn
Stadtsparkasse Versmold, Versmold
Verbands-Sparkasse Wesel, Wesel
Sparkasse der Homburgischen Gemeinden, Wiehl
Sparkasse Witten, Witten

Further members Mid I + II

Rhineland Savings Banks and Giro Association, Düsseldorf
Savings Banks and Giro Association Hesse-Thuringia, Frankfurt am Main and Erfurt
Savings Banks Association Rhineland-Palatinate, Mainz
Savings Banks and Giro Association Westphalia-Lippe, Münster
Savings Banks Association Saar, Saarbrücken

Regional Fund Committee for Savings Banks South I

Sparkasse Aschaffenburg-Alzenau, Aschaffenburg
Sparkasse Bad Tölz-Wolfratshausen, Bad Tölz
Sparkasse Zollernalb, Balingen
Kreissparkasse Biberach, Biberach
Sparkasse Kraichgau, Bruchsal
Stadt- und Kreissparkasse Erlangen, Erlangen
Kreissparkasse Esslingen-Nürtingen, Esslingen
Sparkasse Freiburg-Nördlicher Breisgau, Freiburg
Sparkasse Bodensee, Friedrichshafen and Konstanz
Sparkasse Fürth, Fürth
Kreissparkasse Göppingen, Göppingen
Sparkasse Heidelberg, Heidelberg
Sparkasse Karlsruhe, Karlsruhe
Sparkasse Allgäu, Kempten
Kreissparkasse Ludwigsburg, Ludwigsburg
Sparkasse Rhein Neckar Nord, Mannheim
Sparkasse Memmingen-Lindau-Mindelheim, Memmingen
Kreissparkasse München Starnberg, München
Sparkasse Neumarkt i.d.OPf. – Parsberg, Neumarkt
Sparkasse Neu-Ulm – Illertissen, Neu-Ulm
Sparkasse Nürnberg, Nuremberg
Sparkasse Offenburg/Ortenau, Offenburg
Sparkasse Pforzheim Calw, Pforzheim
Kreissparkasse Ravensburg, Ravensburg
Kreissparkasse Reutlingen, Reutlingen
Kreissparkasse Rottweil, Rottweil
Sparkasse Schwäbisch Hall-Crailsheim, Schwäbisch Hall
Baden-Württembergische Bank, Stuttgart
Sparkasse Tauberfranken, Tauberbischofsheim
Kreissparkasse Tübingen, Tübingen
Kreissparkasse Tuttlingen, Tuttlingen
Sparkasse Ulm, Ulm
Kreissparkasse Waiblingen, Waiblingen
Sparkasse Hochrhein, Waldshut-Tiengen
Sparkasse Mainfranken Würzburg, Würzburg

Regional Fund Committee for Savings Banks South II

Sparkasse Bad Kissingen, Bad Kissingen
Sparkasse Baden-Baden Gaggenau, Baden-Baden
Sparkasse Bonndorf-Stühlingen, Bonndorf
Sparkasse Bühl, Bühl
Sparkasse im Landkreis Cham, Cham
Kreissparkasse Ebersberg, Ebersberg
Sparkasse Rottal-Inn, Eggenfelden and Pfarrkirchen
Sparkasse Eichstätt, Eichstätt
Sparkasse Engen-Gottmadingen, Engen
Sparkasse Ettlingen, Ettlingen
Sparkasse Freising, Freising
Kreissparkasse Freudenstadt, Freudenstadt
Sparkasse Gengenbach, Gengenbach
Sparkasse Günzburg-Krumbach, Günzburg
Sparkasse Haslach-Zell, Haslach i.K.
Sparkasse Ostunterfranken, Haßfurt
Kreissparkasse Heidenheim, Heidenheim
Kreissparkasse Höchstadt, Höchstadt
Kreis- und Stadtsparkasse Kaufbeuren, Kaufbeuren
Sparkasse Hanauerland, Kehl
Sparkasse Hohenlohekreis, Künzelsau and Öhringen
Sparkasse Lörrach-Rheinfelden, Lörrach
Sparkasse Markgräflerland, Müllheim and Weil am Rhein
Sparkasse Neuburg-Rain, Neuburg an der Donau
Bezirkssparkasse Reichenau, Reichenau
Sparkasse Schopfheim-Zell, Schopfheim and Zell i.W.
Sparkasse Singen-Radolfzell, Singen (Hohentwiel)
Bezirkssparkasse St. Blasien, St. Blasien
Sparkasse Staufen-Breisach, Staufen
Sparkasse Hochschwarzwald, Titisee-Neustadt
Kreis- und Stadtsparkasse Wasserburg am Inn, Wasserburg am Inn
Sparkasse Wolfach, Wolfach

Further members South I + II

Savings Banks Assocation Bavaria, Munich
Savings Banks Assocation Baden-Württemberg, Stuttgart and Mannheim

Glossary

Advanced measurement approach (AMA) for operational risks

With this approach, the regulatory equity cover for operational risks is calculated using an internal risk model. Equity cover is determined on a VaR basis with a confidence level of 99.9% and a monitoring period of one year.

Advisory/management and asset management mandate

External fund which is managed by an investment company (KAG) of the DekaBank Group. For advisory mandates, the KAG acts only as an adviser, i.e. the external management company must verify compliance with investment regulations in advance. For management mandates, however, investment decisions are made, verified and implemented by the KAG of the DekaBank Group. For asset management mandates, investors' assets are managed in line with their individual investment goals and in compliance with all restrictions following the conclusion of an asset management contract.

Asset-backed securities (ABS)

Securities (mainly bonds or promissory note loans) issued by a special purpose vehicle and secured by assets (primarily receivables). ABS paper is issued in different tranches, which are subordinate to each other. The claims to repayment and interest for the respective senior tranches are serviced first from the incoming payments received by the special purpose vehicle (waterfall principle).

Assets under Management (AuM)

AuM (AMK & AMI) essentially comprise the income-relevant volume of mutual and special fund products in the Asset Management Capital Markets (AMK) and Asset Management Property (AMI) divisions, direct investments in cooperation partner funds, the share of fund-based asset management attributable to cooperation partners, third party funds and liquidity as well as the advisory/management and asset management mandates.

Balance sheet lending

Transactions in which different refinancing cost levels (liquidity spreads) are traded between banks.

Collateralised debt obligation (CDO)

Securitisation backed by a diversified portfolio – consisting mostly of receivables from loans and bonds. As a rule, a CDO is split into various tranches of different creditworthiness. The CDO is a special form of ABS.

Collateralised loan obligation (CLO)

Securitisation whose performance depends on a portfolio of corporate loans. The CLO is a sub-form of the CDO.

Collateralised synthetic obligation (CSO)

Securitisation whose performance depends on a portfolio of credit default swaps (CDS). A variant of this product group is the bespoke CSO where the portfolio is directly agreed between the arranger and the investor.

Commercial mortgage-backed securities (CMBS)

Securities collateralised by the cash flows from a mortgage or a pool of mortgages on commercial property.

Commission business

Trading and processing of financial instrument transactions on behalf of customers (bank trading on behalf of third party).

Confidence level

Probability that a potential loss will not exceed an upper loss limit defined by means of the value-at-risk (VaR).

Constant proportion portfolio insurance (CPPI)
Dynamic portfolio insurance concept facilitating participation in rising markets with simultaneous protection against losses in nominal value depending on an asset allocation strategy agreed in advance. The extent of investment is managed so that in the event of a worst case scenario, the minimum portfolio value does not fall below a predetermined level.

Correlation
A correlation reveals the extent of synchronisation by indicating both the strength and direction of the relationship between two risk factors. The standard sizes of a correlation range in value between –1 (perfect negative correlation) and +1 (perfect positive correlation).

Cost/income ratio (CIR)
The CIR is a productivity indicator, providing information about the amount that has to be spent in order to earn €1 in profit. In the DekaBank Group, this indictor is calculated form the ratio of total expenses (excluding restructuring expenses) to total income (before risk provision) in the financial year.

Credit default swap (CDS)
A credit default swap is a credit derivative for trading default risks on loans, bonds or borrower names. Normally, the protection buyer pays a regular (often quarterly or half-yearly) fee and when the credit event defined on contract conclusion takes place, e.g. default on a payment due to the insolvency of the borrower, the protection buyer receives a compensation payment from the protection seller. The CDS is similar to a loan insurance transaction and gives banks and other investor groups a flexible instrument for trading credit risks and hedging portfolios.

Economic result
As a central control variable, together with economic risk, the economic result forms the basis for risk/return management in the DekaBank Group and is in principle determined in accordance with IFRS accounting and measurement policies. As well as net income before tax, the economic result includes changes in the revaluation reserve before tax as well as the interest rate-related valuation result from original lending and issuance business, which are not recognised in the income statement under IFRS but are, however, relevant for assessing the income situation. The economic result is therefore a control variable on an accrual basis and its 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.

Euro commercial paper programme (ECPP)
Programme for issuing bearer bonds with terms lasting from a few days to under two years. The maximum term under our programme is 364 days. The bearer bonds are issued by banks and large companies to flexibly cover short-term refinancing requirements. Commercial paper is generally issued as discounted paper. Yields are geared to representative money market interest rates over similar maturities.

Exposure
In the monitoring of credit risks, exposure is understood as the sum of all risk positions involved in the transactions of an economic borrower group with the constituent partners.

Fair value
The amount at which an asset is exchanged between knowledgeable, willing parties in an arm's length transaction or the amount at which a liability can be paid. Depending on the case in question, the value concept is fleshed out by measures of value, such as market value, or in the absence of such a benchmark, by internal valuation models.

Fair value hedge
This primarily concerns fixed-interest items (e.g. loans or securities) that can be hedged against changes in fair value by derivatives.

Fund assets (according to BVI)
Fund assets according to BVI comprise the fund assets of the mutual and special funds and funds-of-funds as well as the Master-KAG mandates. Direct investments in cooperation partner funds, the proportion of products for fund-based asset management attributable to cooperation partners, third party funds and liquidity as well as the advisory/management and asset management mandates are not included.

Fund-based asset management
Generic term for structured investment products such as funds-of-funds and fund-linked asset management products.

Fund-of-funds
Investment funds that invest indirectly in securities, i.e. via other funds. The investment policy of funds-of-funds is mostly geared to the steady reproduction of a certain portfolio structure on the basis of a defined chance/risk profile.

Goodwill
In a shareholding acquisition or a company takeover, the difference arising from offsetting the acquisition cost against the fair value of assets and liabilities is called goodwill.

Hybrid capital
Mixed form of borrowed capital and equity making it possible to find an optimum position in balancing interests between the desire to assume risk and the constraints placed on corporate management. Typical representatives of hybrid capital are secondary loans, silent capital contributions or participating certificates.

IFRS (International Financial Reporting Standards)
In addition to the standards designated as IFRS, "IFRS" also includes the existing International Accounting Standards and the interpretations of the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC), as well as the Standards and Interpretations to be published by the IAS Board in the future.

Impairment
Unplanned write-down of asset values such as goodwill, receivables and property, plant and equipment due to anticipated decline in value of the corresponding assets.

MaRisk (German minimum requirements for risk management)
Mandatory requirement by the German Federal Financial Supervisory Authority (BaFin) for the risk management practices of German credit institutions. As the supervisory authority concerned with implementing Section 25a Para. 1 of the German Banking Act (KWG), BaFin has established the MaRisk by consolidating, updating and supplementing the applicable minimum requirements existing in the Minimum Requirements for the Trading Activities of Credit Institutions (Mindestanforderungen an das Betreiben von Handelsgeschäften or MaH), the Minimum Requirements for Conducting Internal Audits (Mindestanforderungen an die Ausgestaltung der internen Revision or MaIR) and the Minimum Requirements for Credit Transactions (Mindestanforderungen an das Kreditgeschäft or MaK). MaRisk was published in December 2005 and came into effect on 1 January 2007.

Master KAG
An investment company functioning as a specialised service KAG (capital investment company) in which it outsources portfolio management tasks for individual mandates to various external asset managers but prepares a consistent series of reports for institutional investors. This enables institutional investors to bundle all their administered assets with a single investment company.

Net funds inflow (according to BVI)
Difference between the funds inflow from the sale of units and the outflow from the redemption of units. Unlike net sales performance, this figure does not include the funds of cooperation partners or advisory/management and asset management mandates. However, the net sales from own investments and fund-of-funds are taken into account in the net funds inflow.

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

Payments to the alliance partners
Payments made by the DekaBank Group to the savings banks and *Landesbanken*. These include the transfer of the front-end load from the sale of funds as well as the corresponding sales performance compensation, asset management fee and sales commission.

Primary/secondary cover pools
Primary cover pools are composed of the annual net income contribution, IFRS balance-sheet equity and atypical silent capital contributions. Secondary cover pools consist of subordinated debt capital positions that can also be used to cover primary liabilities.

Primary/secondary market
The primary market (otherwise known as the new issue market) is the capital market for the initial issue of securities. Trading of issued securities, especially bonds and shares, occurs on the secondary market (usually in organised trading on securities exchanges).

Rating
Standardised creditworthiness/risk assessment of companies, countries or the debt instruments that they issue based on standardised qualitative and quantitative criteria. From a bank's point of view, the result of the rating process provides the basis for establishing the probability of default, which must in turn be incorporated in calculating equity requirements for the credit risk. Ratings can be issued by the bank itself (internal ratings) or by specialised rating agencies such as Standard & Poor's or Moody's (external ratings).

Ratio of intra-alliance business
Proportion of DekaBank Group products in the fund sales of the savings banks and *Landesbanken* as a measure of acceptance in the *Sparkassen-Finanzgruppe*.

Residential mortgage-backed securities (RMBS)
Securities collateralised by the cash flows from a mortgage or a pool of mortgages on residential property.

Return on equity (RoE)
Economic result divided by equity including atypical silent capital contributions. The RoE also reflects the payment of interest on capital provided by shareholders.

Revaluation reserves
Revaluation reserves include fair value valuation effects from financial instruments in the available for sale category and deferred tax effects, while not affecting net profit.

Securities finance
Covers all repo and securities lending transactions as well as securities lending substitute transactions with derivatives. Repos are repurchase agreements concluded as part of a repurchase agreement transaction (securities repurchase agreement). Under a repo, securities are sold and an agreement is reached at the same time to repurchase them on a fixed date at a price defined ex ante. In securities lending transactions, securities are loaned for a limited period of time in return for a fee. If necessary, the borrower furnishes collateral.

Service KAG
A service KAG is an investment company that, to begin with, concentrates its service provision on the administrative coordination and management of investments, including investment fund accounting, reporting and financial controlling, thus making it possible for an investor to issue mutual and special funds.

Spread
Difference between the purchase price and the selling price of certain financial products (e.g. foreign currency, certificates, futures etc.).

Subprime loans
Loans to borrowers with a low creditstanding, usually on a mortgage basis. The collateral on subprime loans is of lower quality than standard real estate finance and higher interest rates are charged to offset the increased risk. Accordingly, mortgage bonds backed by subprime loans offer a higher return but also a greater price risk than conventional mortgage bonds.

Syndication/syndicated loan
A loan collectively awarded by a group of banks (consortium), otherwise known as a consortium loan. Syndication provides an opportunity for several banks to share the overall risk involved in a loan.

Utilisation of risk-bearing capacity
Indicator of the relationship between the Group risk (business, market, credit, shareholding, property, property fund and operational risk) and the cover pools.

Value-at-risk (VaR)
The VaR of a portfolio identifies the possible loss that might arise within a prescribed period (= holding period, for example 10 days) and probability (= confidence level, for example 95%) in the case of presupposed changes in risk factors (e.g. interest rates, currencies and share prices).

Variance-covariance method
Procedure for determining the value-at-risk. In the context of this method, which is also known as the parametric, analytic or delta-normal method, risk factor volatilities and correlations are used to determine the value-at-risk. It is assumed that the fluctuations in the risk factors conform to a normal distribution.

Volatility
Measure of the fluctuation intensity of a risk factor over a predefined period. A distinction is made between historical and implied volatility.

Headquarters and addresses

DekaBank
Deutsche Girozentrale
Head office Frankfurt
Mainzer Landstraße 16
60325 Frankfurt
Postfach 11 05 23
60040 Frankfurt
Phone: +49 (0) 69 71 47-0
Fax: +49 (0) 69 71 47-13 76
E-Mail: konzerninfo@deka.de
Internet: www.dekabank.de

Head office Berlin
Friedrichstraße 83
10117 Berlin
Postfach 08 02 61
10002 Berlin
Phone: +49 (0) 30 31 59 67-0
Fax: +49 (0) 30 31 59 67-30

Succursale de Luxembourg
38, avenue John F. Kennedy
1855 Luxembourg
Boîte Postale 5 04
2015 Luxembourg
Phone: +352 34 09-60 01
Fax: +352 34 09-30 90

Representative offices
Representative Office London
3rd Floor, St. Michael's House
1 George Yard
London EC3V 9DH
Phone: +44 20 76 45 90 70
Fax: +44 20 76 45 90 75

Oficina de Representación en España
Paseo de la Castellana 141, 8
28046 Madrid
Phone: +34 9 15 72-66 93
Fax: +34 9 15 72-66 21

Ufficio di Rappresentanza per l'Italia
Via Monte di Pietà 21
20121 Milano
Phone: +39 02 86 33-75 02
Fax: +39 02 86 33-74 00

Bureau de représentation en France
30, rue Galilée
75116 Paris
Phone: +33 1 44 43 98 00
Fax: +33 1 44 43 98 16

Repräsentanz Österreich und CEE
Schottenring 16
1010 Wien
Phone: +43 15 37 12-41 89
Fax: +43 15 37 12-40 00

Deka Investment GmbH
Mainzer Landstraße 16
60325 Frankfurt
Postfach 11 05 23
60040 Frankfurt
Phone: +49 (0) 69 71 47-0
Fax: +49 (0) 69 71 47-19 39
E-Mail: service@deka.de
Internet: www.deka-investment.de

Deka Immobilien
Investment GmbH
Taunusanlage 1
60329 Frankfurt
Postfach 11 05 23
60040 Frankfurt
Phone: +49 (0) 69 71 47-0
Fax: +49 (0) 69 71 47-35 29
E-Mail: service@deka.de
Internet: www.deka-immobilien.de

Deka FundMaster
Investmentgesellschaft mbH
Hahnstraße 55
60528 Frankfurt
Postfach 11 05 02
60040 Frankfurt
Phone: +49 (0) 69 71 47-0
Fax: +49 (0) 69 71 47-15 89
E-Mail: service@fundmaster.de
Internet: www.fundmaster.de

WestInvest Gesellschaft für
Investmentfonds mbH
Hans-Böckler-Straße 33
40476 Düsseldorf
Phone: +49 (0) 2 11 8 82 88-5 00
Fax: +49 (0) 2 11 8 82 88-9 99
E-Mail: info@westinvest.de
Internet: www.westinvest.de

DKC Deka Kommunal
Consult GmbH
Hans-Böckler-Straße 33
40476 Düsseldorf
Phone: +49 (0) 2 11 8 82 88-8 11
Fax: +49 (0) 2 11 8 82 88-7 81

ETFlab Investment GmbH
Wilhelm-Wagenfeld-Straße 20
80807 München
Phone: +49 (0) 89 32 72 93 3-0
Fax: +49 (0) 89 32 72 93 3-13
E-Mail: info@etflab.de
Internet: www.etflab.de

DekaBank Deutsche Girozentrale
Luxembourg S. A.
38, avenue John F. Kennedy
1855 Luxembourg
Boîte Postale 5 04
2015 Luxembourg
Phone: +352 34 09-35
Fax: +352 34 09-37
E-Mail: info@deka.lu
Internet: www.dekabank.lu

Deka(Swiss) Privatbank AG
Thurgauerstrasse 54
Postfach 83 10
8050 Zürich
Phone: +41 44 30 88-8 88
Fax: +41 44 30 88-9 99
Internet: www.deka.ch

Financial calendar

Financial year 2009	**25 March 2009**	Annual press conference 2008 Annual Report 2008
	August 2009	Interim Report as at 30 June 2009
	November 2009	Interim Report as at 30 September 2009

Publication dates are preliminary and subject to change.

Internet website

The Annual Report 2008 can be found on our website, including as an **interactive online version**, at www.dekabank.de under "Investor Relations/Reports" in German and English. Previous versions of our annual and interim reports are also available for download here.

Ordering reports

We would be pleased to send you a printed copy of the Annual Report 2008. If you would like to receive our annual reports or interim reports on a regular basis, please contact our Internal Communication & Media department:
Phone: +49 (0) 69 71 47 - 14 54
Fax: +49 (0) 69 71 47 - 27 18

Our group companies in Luxembourg and Switzerland, DekaBank Deutsche Girozentrale Luxembourg S. A. and Deka (Swiss) Privatbank AG, publish their own annual reports.

Contact

Strategy & Communication
Dr. Markus Weber
Phone: +49 (0) 69 71 47 - 17 48
Fax: +49 (0) 69 71 47 - 27 18

Financial Reporting
Sven Jacoby
Phone: +49 (0) 69 71 47 - 18 53
Fax: +49 (0) 69 71 47 - 29 44

email: investor.relations@deka.de

This report was prepared in March 2009

Concept and design

ergo Unternehmenskommunikation GmbH & Co. KG, Köln, Frankfurt / Main, Berlin;

Kolle Rebbe Werbeagentur GmbH, Hamburg

Printed by

Druckhaus Becker GmbH, Ober-Ramstadt

ISSN 1866 - 6523

Disclaimer

The management report as well as the Annual Report 2008 in other respects contain forward-looking statements as well as expectations and forecasts. These are based on the information available to us at the time of publication, which we have deemed to be reliable after careful consideration. We do not assume an obligation to update based on new information and future events after the publication of this information. We have derived our estimations and conclusions from these forward-looking statements, expectations and forecasts. We expressly point out that all of our future-oriented statements are associated with known or unknown risks or imponderables and are based on conclusions relating to future events, which depend on risks, uncertainties and other factors that are outside of our area of influence. Such developments can result from, among other things, a change in the general economic situation, the competitive situation, the development of the capital markets, changes in the tax law and legal framework and from other risks. The events actually occurring in the future may thus turn out to be considerably different from our forward-looking statements, expectations, forecasts and conclusions. We can therefore assume no liability for their correctness and completeness or for the actual occurrence of the information provided. The English translation of the DekaBank Group Annual Report is provided for convenience only. The German original is definitive.

DekaBank
Deutsche Girozentrale
Mainzer Landstraße 16
60325 Frankfurt
P.O. Box 11 05 23
60040 Frankfurt

Phone: + 49 (0) 69 71 47 - 0
Fax: + 49 (0) 69 71 47 - 13 76
www.dekabank.de