Growing hand in hand

Annual financial statements 2007

DekaBank
Deutsche Girozentrale

Finanzgruppe

DekaBank

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DekaBank Deutsche Girozentrale

Management report 2007 of DekaBank Deutsche Girozentrale

At a glance

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

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

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

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

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

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

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

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

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

Profile of the DekaBank Group

DekaBank is the central asset manager of the Sparkassen-Finanzgruppe, the world's biggest financial network. As the partner of choice for the savings banks, Landesbanken and other companies within the alliance, DekaBank offers tailored products, solutions and services for implementing individual investment strategies in a variety of market scenarios. Our fund products cover all asset classes for private and institutional investors. In addition, our range of services encompasses lending, capital market-related trading and sales activities and

Treasury business (asset/liability management, liquidity management and funding). Thanks to the close integration of its core competences in asset, credit and risk management, DekaBank achieves added value for its shareholders, sales partners and customers.

Legal structure

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

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

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

The German Federal Minister of Finance has overall government responsibility.

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

Organisational structure and business divisions

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

Asset Management Capital Markets business division (AMK)

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

Asset Management Property business division (AMI)

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

Corporates & Markets business division (C&M)

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

Savings Banks Sales and Corporate Centres

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

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

Locations

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

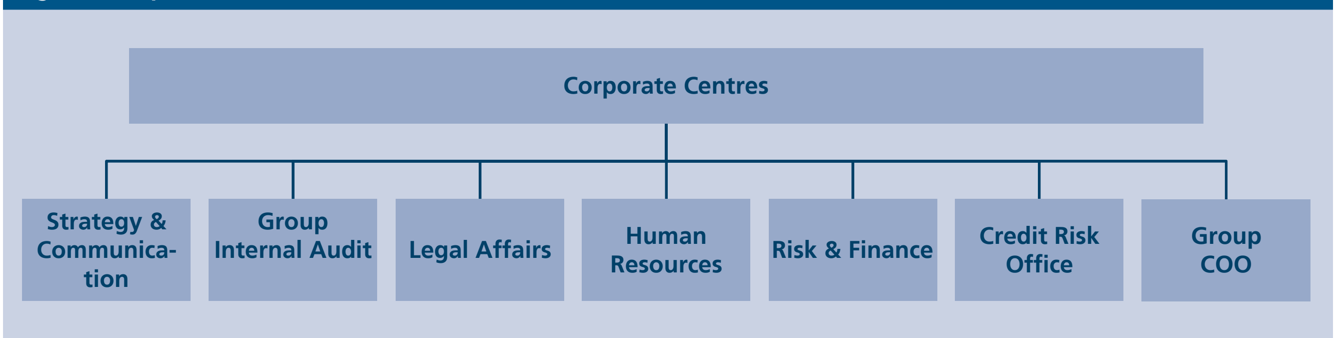
Products, services and market position

AMK business division

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

With assets under management exceeding €41.6bn, AMK is the market leader for fund-based asset management in Germany by a significant margin. Structured investment concepts comprise funds of funds and fund-linked asset management with the products Sparkassen-DynamikDepot, Schweiz PrivatPortfolio and Swiss Vermögensmanagement. We expanded and adjusted the range of services in financial year 2007. In addition to fund-based asset management, we offer a broad spectrum of investment funds, including basic products such as DekaFonds and RenditDeka, as well as products that meet specific requirements such as Deka-OptiCash for deposit optimisation for tax purposes. The wide range of DekaBank products relating to private and company retirement pensions, for example the fund-based Deka-BonusRente, is also managed by AMK.

Fig. 1 Corporate Centres



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

AMI business division

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

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

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

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

C&M business division

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

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

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

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

Sustainability and environmental management

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

Social responsibility

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

Value-oriented strategy and management

In terms of structure and content, the section on value-oriented strategy and management corresponds to the equivalent section published in the Group management report. The value-oriented strategy and management is geared towards the Group and Group management on the basis of the business divisions and as a result encompasses all the business divisions and legal units. The Bank has therefore dispensed with preparing a separate section for the individual company.

Strategic focus of the DekaBank Group

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

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

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

Strategy of the business divisions

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

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

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

Intensification of sales

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

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

Risk and profit management at the DekaBank Group

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

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

Non-financial performance indicators

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

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

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

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

– fund performance and fund rating to measure product quality

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

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

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

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

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

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

Financial performance indicators

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

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

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

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

Business development and profit performance

Economic environment

The start to financial year 2007 was promising for the DekaBank Group's activities. The economic upturn gained momentum and depth, which was reflected in more favourable stock markets and cash inflows into near-money market products. However, in the summer, the international financial markets experienced a major loss of confidence in the wake of the difficulties associated with the subprime segment of the US housing market. In times of low interest rates, property loans had been extended on a large scale to borrowers with a poor credit history.

As a result of rising interest rates, numerous loans failed to perform causing a comprehensive need for valuation allowances. The latter also affected capital market products issued on the basis of the collateralised loans, with substantial valuation losses for some private and public sector banks. The resultant loss of confidence and general market uncertainty produced liquidity bottlenecks in the money markets and put considerable pressure on the credit markets. The crisis impacted negatively on all financial markets throughout the rest of the year and increased volatility.

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

Overall economic trends

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

Despite the uncertainty resulting from the above risk factors, 2007 also proved to be a good year for the economy in the eurozone and Germany in particular. Economic growth of 2.6% (eurozone) and 2.5% (Germany) exceeded the respective potential growth figures. Decisive factors included the further reduction in unemployment and rise in employment in the wake of the upswing. In addition to demand for investments, the continued high export levels, despite the revaluation of the euro, was also a growth driver last year. The impact of the 3 percentage points VAT increase implemented at the beginning of the year and the associated increase in price of products and services for end consumers were not as marked as expected. However, the favourable consumer sentiment was increasingly dampened in the fourth quarter by the emerging inflation debate, which resulted from higher energy and food prices. The perception that real incomes would develop negatively was widespread. Although the price increase in real terms was significantly lower than the perceived inflation, at 2.2%, it was considerably higher than in the previous year in Germany.

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

Trends in capital markets

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

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

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

Trends in currency and money markets

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

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

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

Trends in property markets

Property markets worldwide

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

The continued high demand by financial services providers ensured increased turnover of space in Tokyo's office property market. There is still an imbalance in the supply/ demand ratio.

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

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

German property market

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

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

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

Trends in the mutual funds sector

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

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

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

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

Regulatory environment

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

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

Business development and profit performance in the DekaBank Group

Overall assessment by the Board of Management

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

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

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

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

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

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

Profit performance of DekaBank

DekaBank again achieved satisfactory net income in financial year 2007. Net interest and net commission income, the trading result and other operating income totalled €968m.

Net interest income and income from equity investments increased by 19.8% to €552m (previous year: €461m). The rise was mainly attributable to current income from affiliated companies and current income from shares and other non fixed-interest securities.

Net commission income increased in all areas and at €213m, was significantly up on the previous year's figure of €161m. Despite the negative trading result of €-45m (previous year: €14m), ordinary operating income outperformed the previous year's figure by €131m at €968m. The negative trading result was countered by positive interest income of €159m.

Other operating income amounted to €249m (previous year: €201m). Intra-Group services again accounted for the main portion. Operating expenses rose by 13.2% to €546m at the year-end, primarily as a result of additional personnel expenses associated with the strategic realignment (+14.7%).

The increase in operating expenses including depreciation was only slight at 3.5%. Net income before risk provisions consequently stood at €422m, up 19.1% on the previous year. The net valuation result in lending, securities and equity investment activities as well as risk provisions amounted in aggregate to €337m at the end of financial year 2007 (previous year: €-239m). A good half of this figure was generated by the sale of the Trianon building complex.

After deducting the interest paid on typical silent capital contributions, income tax and the allocation to the fund for general banking risks to strengthen the core capital, DekaBank once more achieved operating income after tax of €50m (Fig. 2)

Fig. 2 Profit performance of DekaBank

€m	2007	2006	Change	
Net interest income	552	461	91	20%
Net commission income	213	161	52	32%
Trading result	-45	14	-59	(<-300%)
General administrative expenses	503	460	43	9%
Risk provision/valuation	337	-239	576	241%
Income tax	1	1	0	0%
Net income after tax	**50**	**50**	**0**	**0%**

Business development in the AMK business division

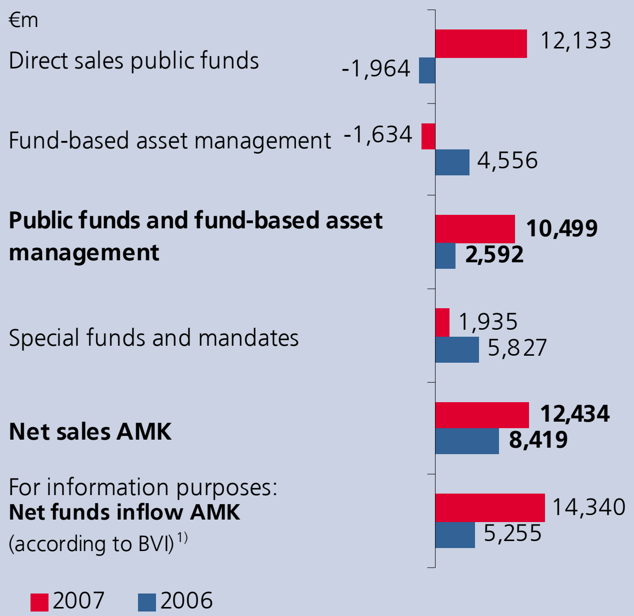
AMK impressively confirmed its strong market position in financial year 2007 with a considerable rise in the sales volume and a significant increase in assets under management. The success is based on a convincing range of products and services for private and institutional investors. In the reporting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

Net sales performance and assets under management

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

Market-induced cash outflows were recorded from equity and bond funds, which slowed down in the case of equity funds however in the second half of the year. This was countered by very high cash inflows in money market funds, which granted us market leadership in this segment. The sales success was largely attributable to the Deka-OptiCash fund launched in the previous year, which offers an attractive, tax-optimised return in the money market segment. We used the expansion of the taxoptimised fixed-term funds in the Deka-OptiRent series by a new maturity to strictly limit cash outflows from bond funds. The sales performance of the capital protected funds (guaranteed funds) was slightly up on the previous year's level (Fig. 3).

Fig. 3 AMK sales performance



1) Includes funds of funds from 2007; figures for 2006 have been adjusted accordingly to improve comparability.

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

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

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

Expanded offering

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

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

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

Fig. 4 Assets under management AMK

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

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

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

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

Fund performance and rating

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

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

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

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

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

Business development in the AMI business division

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

With a view to reducing the liquidity ratio of the funds and offering investors opportunities for achieving additional returns, we remained very cautious on the sales side and, especially in the second half of the year, acquired a growing number of attractive properties as part of our active portfolio management. In this context, the share of office buildings decreased in favour of shopping centres and hotel and logistics properties, which is aimed at achieving a balanced portfolio structure. We will continue to accelerate this development. Five DekaBank open-ended public property funds were relaunched for sale on the basis of restricted quotas at the beginning of financial year 2008. Accordingly, we expect moderate growth for assets under management in 2008, despite significant demand.

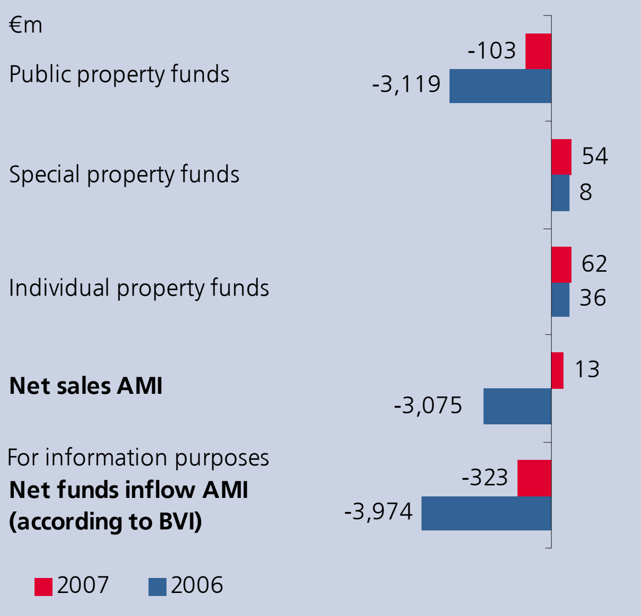
Property finance, which has been grouped in the AMI business division since early 2007, was on course for growth. Here, DekaBank focuses on properties that are suitable for third party use and also as elements of an asset pool for capital market products. In addition to the current practice of external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

Net sales performance and assets under management

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

The outflows from open-ended public property funds were limited in the year under review and were largely the result of re-directing institutional funds into different investment products. Since we made hardly any quotas available for our funds in 2007, the net sales performance is in line with our planning (Fig. 5).

Fig. 5 AMI sales performance



At €-103m, net sales of open-ended public property funds were slightly negative, mainly due to cash outflows from WestInvest 1. Assets under management totalled €16.0bn as at 31 December 2007 (previous year: €16.8bn). On the basis of the fund assets established according to BVI, DekaBank lost some market shares as a result of its targeted decision to limit unit sales, but remained the market leader (Fig. 6).

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

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

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

Expanded offering

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

Fig. 6 Assets under management AMI

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

Fund performance and rating

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

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

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

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

Property finance

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

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

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

Business development in the C&M business division

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

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

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

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

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

Business development in the C&M business division

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

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

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

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

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

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

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

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

Financial position and assets and liabilities

Balance sheet changes

The business volume of DekaBank increased year-on-year in 2007 by €11.6bn, or 9.7%, to €131.4bn (previous year: €119.8bn).

Total assets rose by €2.5bn, or 2.2%, from €112.4bn to €114.9bn. Despite further falls in the volume of bonds and other fixed-interest securities, the Bank expanded the assets side of the balance sheet in 2007 through an increase in amounts due from banks and customers. The total due from banks climbed by €5.8bn to €53.8bn (previous year: €48.0bn). These corresponded to 46.8% of total assets (previous year: 42.7%).

Amounts due from customers increased by €2.3bn to €23.2bn and therefore represent around 20% of total assets (previous year: 19%).

The amount due to customers rose by €1.8bn to €35.7bn (previous year: €33.9bn).

The total due to banks increased slightly to €31.6bn (previous year: €31.2bn).

Securitised liabilities fell by €4.2bn to €37.1bn. The equity reported in the balance sheet again amounted to €1.4bn on the reporting date, accounting for 1.2% of the balance sheet total (previous year: 1.3%).

Loan volume

At €27.5bn (previous year: €31.3bn), the focus in the Bank's lending business was on loans to financial institutions. These accounted for 49.8% of the total loan volume amounting to €56.3bn (previous year: €52.7bn).

At €16.3bn, the volume of loans to customers was down €0.3bn on the figure at the 2006 year-end. Contingent liabilities stood at €4.2bn, up €1.3bn on the previous year. Irrevocable lending commitments totalled €8.3bn and were therefore €6.1bn higher than in the previous year.

Money transactions

The majority of money transactions were carried out with German and foreign financial institutions. Investments in call money and fixed-term deposit accounts as well as in repo and lending transactions amounted to €33.2bn at the 2007 year-end (previous year: €21bn).

Securities portfolio

As at 31 December 2007, the item bonds and other fixed-interest securities stood at €27.5bn, reflecting a fall of €5.1bn over the course of the year. Shares and other non fixed-interest securities dropped by €1.0bn to €6.8bn. The volume of the securities portfolio totalled €34.3bn, of which 54.5% was allocated to the liquidity reserve and 45.5% to the trading portfolio.

Change in regulatory capital

DekaBank's capital and reserves in accordance with the German Banking Act (KWG) have increased marginally compared with the previous year to stand at around €3.3bn. The regulatory capital and reserves comprise core capital, supplementary capital and Tier III capital. Core capital also includes the silent capital contributions.

Capital adequacy has been determined in accordance with the new Solvency Regulation (SolvV) since 30 June 2007. In addition to default risks and market risk positions, amounts for operational risks set out in the Solvency Regulation and additional capital requirements based on the transition rule in Section 339 SolvV have been taken into account since June 2007 when calculating capital adequacy. Under the transition rule, the capital requirement specified in the Solvency Regulation equals 95% of the amount that would have to be maintained under Principle I (Fig. 7).

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

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

Employees

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

Fig. 7 Breakdown of equity[1)]

€m	2007	2006	Change
Core capital	1,898	1,892	0.3
Supplementary capital	1,447	1,451	-0.3
Tier III capital	0	2	-100.0
Capital and reserves	**3,316**	**3,309**	**0.2**
Default risks [2)]	20,426	23,611	-13.5
Market risk positions	5,736	6,388	-10.2
Operational risks	850	-	-
Additional capital requirements based on transition rule (Section 339 SolvV)	6,335	-	-
%			Change %points
Core capital ratio	8.9	8.0	0.9
Total capital ratio	9.9	11.0	-1.1
Total capital ratio before application of transition rule	12.3	-	-

1) Calculated in accordance with the German Banking Act (KWG) and the Solvency Regulation (SolvV)
2) Rish-weighted assets

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

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

Employee management principles

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

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

Modernising the structure of working hours

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

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

Transparent remuneration system

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

Occupational health management

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

Performance-based management and cooperation

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

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

Professional training and studying while in employment

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

Post balance sheet events

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

Forecast report

In terms of structure and content, the section relating to the forecast report corresponds to the equivalent section as published in the Group management report. Group and division planning is geared towards the Group and Group management on the basis of the business divisions and as a result encompasses all the business divisions and legal units. The Bank has therefore dispensed with preparing a separate section for the individual company.

Overall bank strategy

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

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

Forward-looking statements

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

Anticipated external conditions

Macro-economic trends

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

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

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

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

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

Trends in capital markets

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

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

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

Trends in property markets

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

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

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

Given that the number of office workers will decrease in the USA in the first half of 2008 and the volume of new construction projects is rising again overall, we expect vacancy rates to increase and rental growth to slow down. However, overall, the US office market is healthy and offers sustained growth potential. This applies primarily to the 24-hour cities on the

East and West Coast, including New York, Washington D.C. and San Francisco as well as the up-and-coming locations in the North West, Texas and the South East of the USA. Higher risk premiums and more restrictive financing terms will result in rising yields.

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

Regulatory conditions

The introduction of the final withholding tax on 1 January 2009 will be relevant to DekaBank. This will introduce a uniform tax rate of 25% in future on all ordinary and extraordinary investment income above a relatively low saver's allowance. Interest and dividends as well as capital gains on the sale of securities and income on certificates and futures contracts are all subject to final withholding tax. The trading period no longer applies. We expect the new tax to result in changes in investment strategies as early as 2008. Investors have an incentive to create existing portfolios that are permanently exempt from final withholding tax in good time before the new regulation comes into force, in order to be able to achieve tax free price gains in the long term. With regard to portfolio optimisation, investment funds in general and funds of funds in particular are expected to play an important role, since future regrouping will not be subject to final withholding tax. DekaBank has adjusted its range of products in line with the future final withholding tax in good time.

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

Expected business development and profit performance

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

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

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

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

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

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

AMK business division

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

BonusRente offers good opportunities for a sustained expansion of our market position in the segment of private retirement pensions.

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

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

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

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

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

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

AMI business division

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

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

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

A considerable share of the sales performance will be attributable to product innovations. In addition to a fund of funds which invests in leading real estate private equity funds, we are planning, in particular, the launch of a WestInvest product family for institutional investors in 2008. Each of the funds will pursue a single-sector strategy (hotels, logistics and retail) with a focus on Europe. Property finance is also set to be expanded further. By stepping up direct sales activities, we will create a broader basis for credit-related investment products. At the same time, we will pursue our buy-and-manage approach.

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

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

C&M business division

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

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

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

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

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

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

Risk report

In terms of structure and content, the following risk report corresponds to the risk report published in the Group management report. Risk management and risk control is geared towards the Group and as a result encompasses all the business divisions and legal units. The Bank has therefore dispensed with preparing a separate risk report for the individual company.

Risk oriented overall bank management

Risk policy and strategy

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

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

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

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

Organisation of risk management and control

Risk management

DekaBank perceives risk management as the active management of the Bank's risk positions (Fig. 8).

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 de-

Fig. 8 Organisational structure of DekaBank's risk management

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

[1] Especially business and property fund risks
[2] ALMC – Asset Liability Management Committee (composition: head of Markets, head of Corporate Centre Risk & Finance, competent member of Board of Management and Macro Research (AMK))

termine their budgeted capital requirement (bottom up view). Combining the two viewpoints ensures the most efficient allocation of the risk capital to the operating units on an annual basis.

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

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

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

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

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

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

Overall risk position of DekaBank

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

Market price risk
Market price risk describes the potential financial loss on positions in the Bank's own portfolio caused by future market price fluctuations. DekaBank enters into such positions in the C&M business division in order to manage balance sheet and off balance sheet risks and ensure the Bank's liquidity at all times. In addition, the Bank intends to benefit from short-term fluctuations in market prices. Overall, this should generate a steady contribution to the Bank's overall profit. Both the strategic positions in the banking book and the more short-term positions in the trading book entail market price risks. As DekaBank transactions primarily relate to interest-related products and equities, a large portion of the market price risks are attributable to interest-rate risks and share price risks. In addition, the Bank incurs credit spread risks and option risks, as well as, to a very small extent, currency risks.

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

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

Credit risks arise primarily in the C&M, AMI and AMK business divisions. In the C&M division, DekaBank is active in the Credits sub-division, including through acquisition and project finance, grants loans to finance transport, especially aircraft and ships, and provides financing for exports and trades. This sub-division also carries out financing for the government and savings banks in Germany.

The Bank is also expanding its Public Infrastructure segment for the financing of infrastructure measures, especially abroad. In the Markets sub-division, credit facilities are granted primarily to business partners in the financial sector for trading purposes. In the Liquid Credits sub-division, credit risks arise primarily from investments in structured capital market credit products, bonds and credit derivatives. Further credit risks results from German and international property finance in the AMI business division as well as the guarantee fund in the AMK business division.

Operational risk

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

Liquidity risk

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

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

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

Shareholding and property risk

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

Property fund risk

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

Business risk

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

Risk measurement concepts

Risk-bearing capacity

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

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

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

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

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

Stress tests

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

Overall risk position in financial year 2007

As at the 2007 year-end, Group risk amounted to €2,392m (value-at-risk with confidence level 99.9%), slightly up year-on-year (previous year: €2,322m); (Fig. 9).

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

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

There were significant differences compared to the previous year in the assessment of the individual risks included in the risk-bearing capacity analysis. The credit risk fell year-on-year by 11.4% from €1,168m to €1,035m. This was especially due to the slowdown in the process of concentration in the banking sector. Nevertheless, with a share of 43.3% (previous year: 50.3%) in Group risk, credit risk continues to represent the biggest individual risk at DekaBank (Fig. 10).

Fig. 10 Group risk by risk type

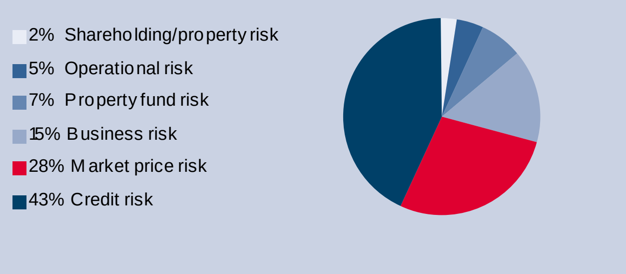
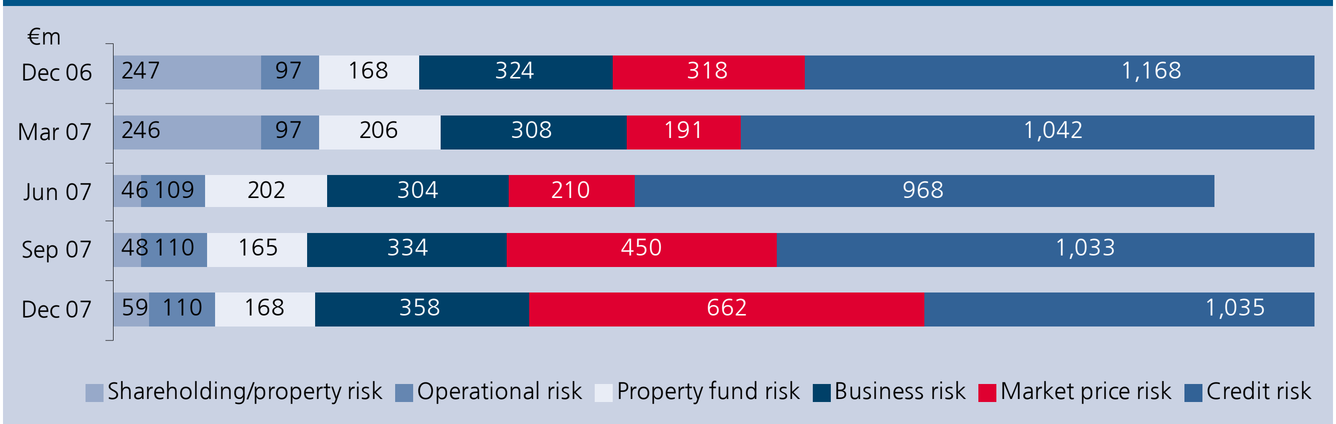


Fig. 9 Change in Group risk over the course of the year



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

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

Market price risk

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 Risk Control in the Corporate Centre Risk & Finance. This unit is responsible for developing the methodology, quality assurance and monitoring the processes to quantify market price risks. In the event of limit overruns, Risk Control informs the Board of Management immediately.

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

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

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

Quantification of market price risks

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

Scenario analyses

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

Standard scenarios

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

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

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

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

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

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

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

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

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

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

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

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

Reporting of market price risks

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

Current risk situation

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

Fig. 11 Value-at-risk of the DekaBank Group[1)]

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

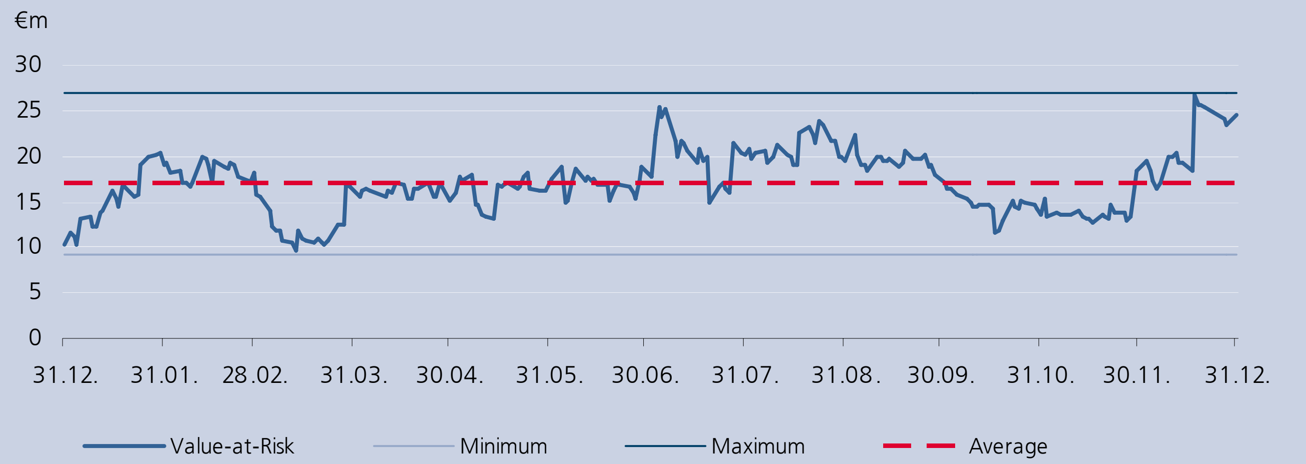
[1)] All VaRs were calculated on the basis of parameters used for internal risk calculation.

As in the previous year, there were hardly any currency risks (Fig. 11).

At Group level, the interest rate risk increased from €10.2m in 2006 to €24.5m as at 31 December 2007. This was caused by the rise in the interest rate risk in Treasury resulting essentially from increased price volatilities prompted by the disruption in the capital market. Moreover, the risk position in long-term maturities was expanded. Around 58% of the VaR was attributable to euro positions (previous year: 82%). (Fig. 12)

At €8.6m as at year-end 2007, the share price risk was significantly down on the previous year's figure (€22.1m). The average for the year also fell considerably from €17.9m in 2006 to €11.5m. Risks were reduced by establishing hedging positions using futures. This more than offset the opposing, risk-increasing volatility effect.

Fig. 12 Value-at-risk – Interest rate risk for the Group during 2007



Around 56% (previous year: 73%) of share price risks in the Group related to risks in the eurozone. The risks resulted essentially from investments in special funds and start-up financing for public funds (Fig. 13).

As in the previous year, the currency risk referred largely to positions in US dollars and Swiss francs. At €0.8m, the average risk for the year remained very low. As at year-end 2007, the currency risk amounted to €0.48m (previous year: €0.51m) (Fig. 14).

DekaBank's portfolio of capital market credit products merited particular attention in financial year 2007. Of the total nominal value of €7.5bn (net) on the reporting date in 2007, around half was attributable to non-structured plain vanilla products such as bonds and credit defaults swaps (CDS). The remaining portion of the portfolio is attributable to structured credit products such as asset backed securities (ABS), residential and commercial mortgage-backed securities (RMBS and CMBS), collateralised loan obligations (CLOs), synthetic CDOs (CSOs) and to a lesser extent structured finance collateralised debt obligations (CDOs); (Fig. 15).

Fig. 13 Value-at-risk – Share price risk in the Group during 2007

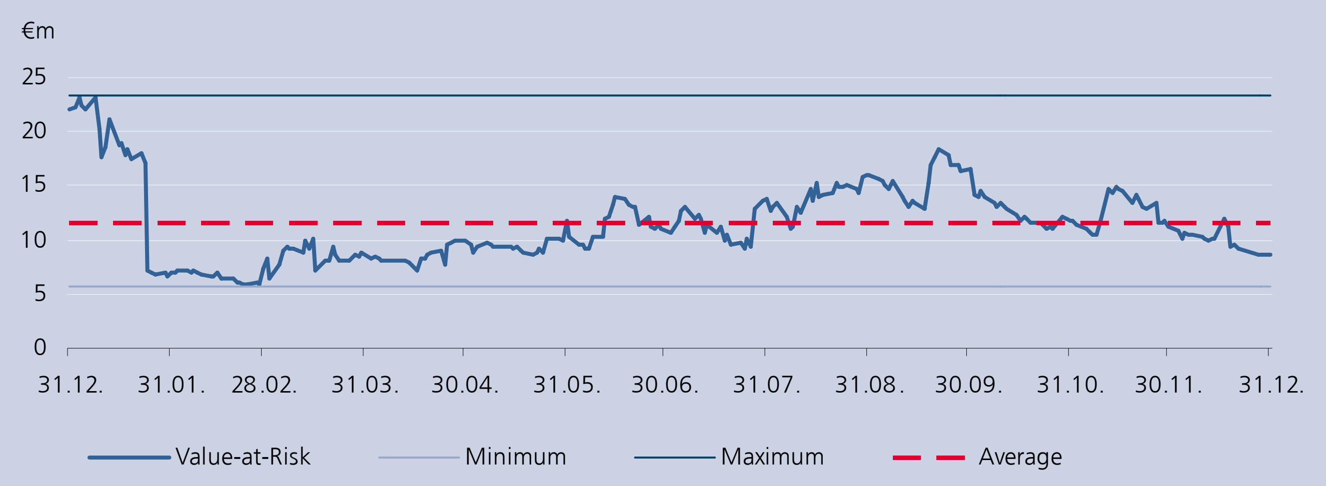


Fig. 14 Value-at-risk – Currency risk in the Group during 2007

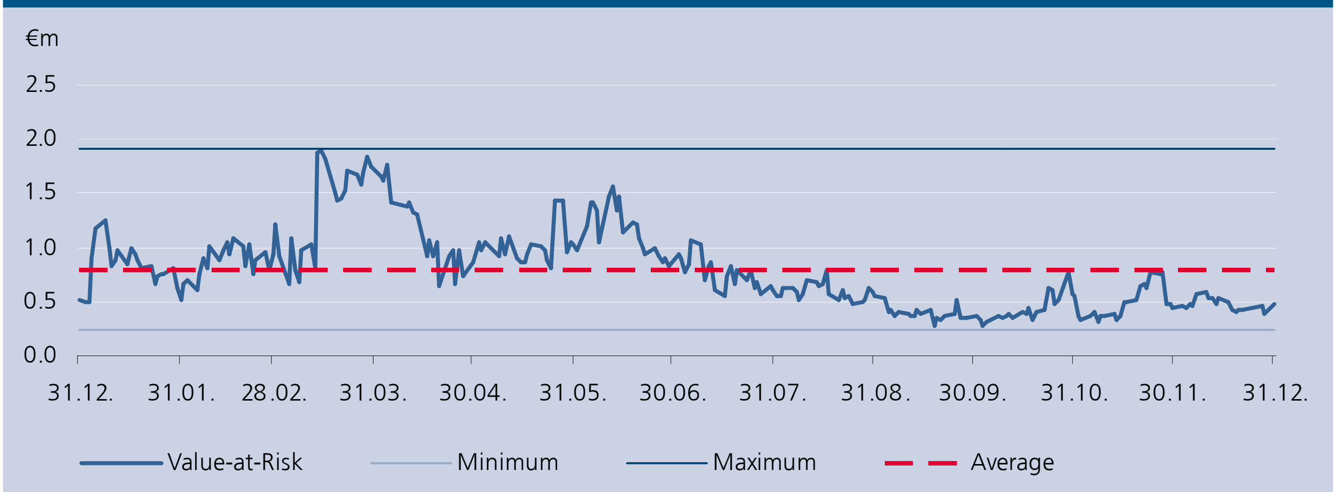


Fig. 15 Capital market credit product by product type (nominal value in €m)

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

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

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

Credit risks

Risk management and monitoring

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

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

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

Acceptances and other decisions regarding the further development of the rating procedure are the responsibility of the Rating Committee (see also section on creditworthiness risks).

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

Management, monitoring and limiting of credit risks
DekaBank manages and monitors credit risks both at individual transaction and borrower level as well as at portfolio level.

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

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

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

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

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

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

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

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

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

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

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

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

Each class is allocated a mean probability of default. The class designations and mean probabilities of default are shown in the following table (Fig. 16). 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.

Fig. 16 DSGV master scale

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

Quantification of credit risks

Limit monitoring

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

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

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

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

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

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

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

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

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

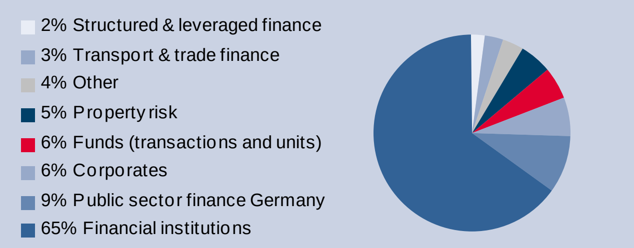
Moreover, Risk Control prepares a credit risk report as at the end of each quarter showing DekaBank's credit portfolio for the whole Group by segment in accordance with the definition under Section 19 (1) of the German Banking Act (KWG). This report includes a comprehensive structural analysis of the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

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

Current risk situation
The gross loan volume rose during the course of the year by €10.7bn to €123.1bn. The increase is largely due to money transactions, followed by loans. At €79.9bn (previous year: €71.9bn[1]) or 64.9%, financial institutions continue to account for the largest share of the gross loan volume (Fig. 17).

The rise in the gross loan volume in this segment is due in no small part to DekaBank's credit commitment relating to the liquidity pool for the short-term funding of the Sachsen LB conduit Ormond Quay. Significant growth rates were also recorded in derivatives business as well as in Corporates in relation to equities and bonds.

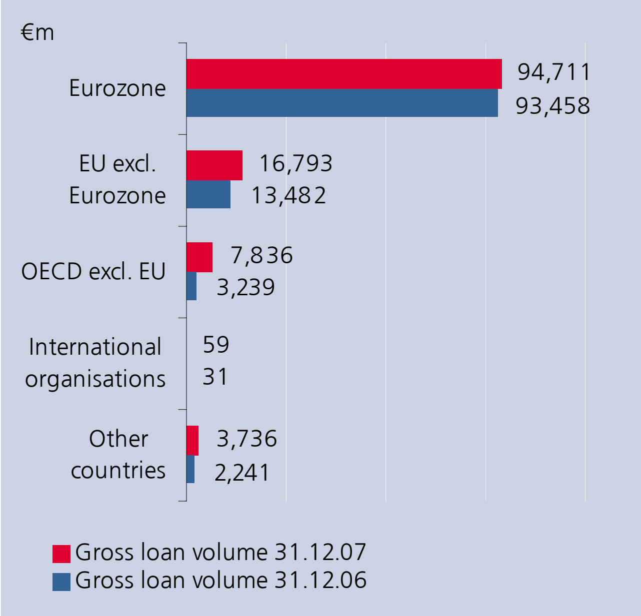
Fig. 17 Gross loan volume by risk segment



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

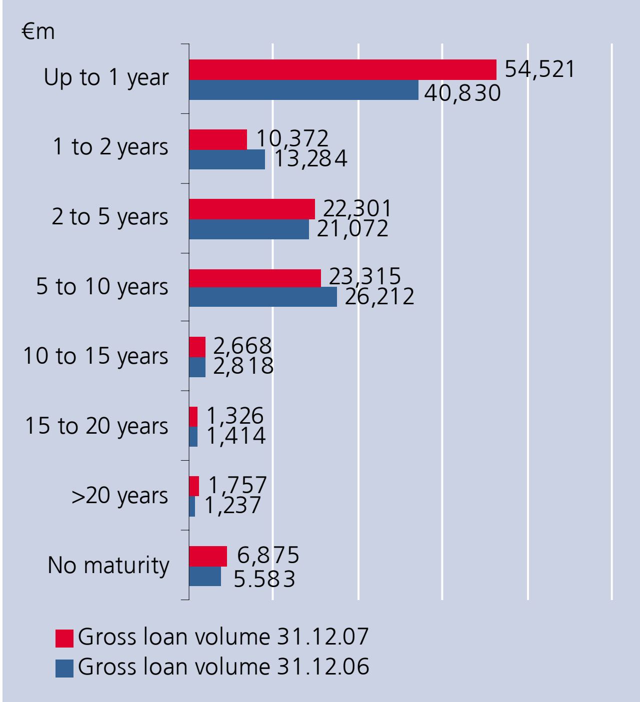
76.9% of the gross loan volume (previous year: 83.0%) was granted to borrowers in the eurozone. Of this, 83.1% was attributable to Germany. Again only a small proportion of the gross loan volume (13.6%) related to EU countries outside the eurozone (Fig. 18). Countries with a rating between 6 and 15 on the DSGV master scale are monitored using global country limits. At the year-end, only 10.3% of this limit had been utilised.

Fig. 18 Gross loan volume by region



The average remaining maturity of the gross loan volume fell slightly from 3.4 years to 3.1 years during the financial year. This was due above all to disproportionately fast growth in money transactions with a maturity of less than one year (Fig. 19).

Fig. 19 Gross loan volume by remaining maturity



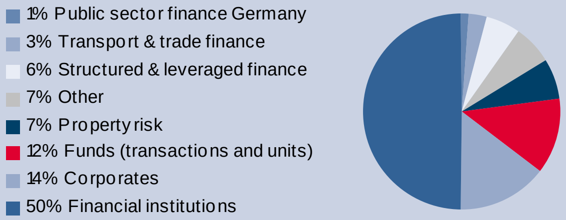
While the gross loan volume was 9.5% higher than at the end of 2006, the net loan volume dipped slightly to €45.1bn (previous year: €46.6bn). This was due to the rise in collateral of €12.1bn to €78.0bn. As in the previous year, the major portion of this collateral was attributable to the guarantor's liability; this reflects the importance of lending to savings banks and Landesbanken. In addition, the reduction in risk relating to claims on the public sector were also significant. The level of risk reduction through offsetting agreements (especially netting) was approximately the same as the previous year (Fig. 20).

Fig. 20 Reconciliation of gross loan volume to net loan volume

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

At €22.6bn (previous year: €28.4bn), financial institutions also account for the major portion of the net loan volume. This corresponds to 50.1% of the overall volume and represents the biggest segment (Fig. 21).

Fig. 21 Net loan volume by risk segment



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

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

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

Overall, as at the reporting date, 75.0% (previous year: 72.0%) of the net loan volume has a rating of A- or better. This is primarily due to the high loan volume to financial institutions which have an average rating of A+. In contrast, the probability of default in segments such as transport & trade finance and structured & leveraged finance is naturally higher (Fig. 22).

Fig. 22 Net loan volume by risk segment and rating

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

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

The provisions for loan losses reported on the balance sheet totalled €130.7m (previous year: €201.0m). Of this, €35.3m (previous year: €106.6m) relates to specific valuation allowances, €20.0m (previous year: €20.0m) to portfolio valuation allowances for country risks, €63.2m (previous year: €53.4m) to portfolio valuation allowances for creditworthiness risks and €12.2m (previous year: €21.0m) to provisions for creditworthiness risks in off-balance sheet lending. The allocation of provisions for loan losses and specific valuation allowances to the segments is shown in the table below (Fig. 23).

As collateral for the impaired individual exposures, in the property risk segment, charges on property were taken into account and aircraft mortgages and sureties were included for the transport & trade finance risk segment. Sureties were taken into account when determining portfolio valuation allowances for country risks. In financial year 2007, charges on property and aircraft mortgages amounting to €9.0m (previous year: €11.0m) provided as collateral were realised.

Operational risks

Risk management and monitoring

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

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

Through the comparison with existing risk cover funds, DekaBank ensures that it can bear operational risks at all times. On this basis, these risks are incorporated in the equity management of DekaBank, through which the divisions are provided with the corresponding capital to achieve their strategic tar-

Fig. 23 Provision for loan losses by risk segment

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

1) Gross and net loan volumes impaired by specific and country valuation allowances. Reports for previous years only include loan volumes impaired by specific valuation allowances.

2) Provisions for loan losses in balance sheet exceed the net loan volume as special provisions have been recognised.

gets and profit goals. The information gathered decentrally is aggregated by Risk Control and reported to the managers of the operating units and the Board of Management. The risk assessments and loss notifications are validated and plausibility-checked by Risk Control. Moreover, it ensures that risk assessments are carried out on a standardised basis.

To identify, measure and manage operational risks, DekaBank uses cause-based risk categorisation (Fig. 24).

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

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

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

Quantifying operational risks

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

Self assessment
In the process-based self assessment method, the operational risks throughout the Group are identified and assessed on a decentralised basis by experienced employees (assessors) for

Fig. 24 Categorisation of operational risks

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

their own reporting unit in the form of detailed, regular and structured loss scenarios. To measure the risk, the amount and frequency of losses are assessed and aggregated to form a loss potential. Self assessment is aimed particularly at the implementation of a consistent and Group-wide risk inventory which can be used by the heads of the Group units to derive and prioritise action plans to reduce operational risks.

Scenario analysis

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

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

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

Loss documentation

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

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

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

Basic indicator approach and advanced measurement approach.

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

Reporting of operational risks

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

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

Current risk situation

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

The number of losses fell considerably from 76 cases in 2006 to 61 in the reporting year. In contrast, at €2.3m the loss involved varied only slightly from the previous year (€2.4m) (Fig. 25 and Fig. 26).

Fig. 25 Losses from operational risks

Number of claims

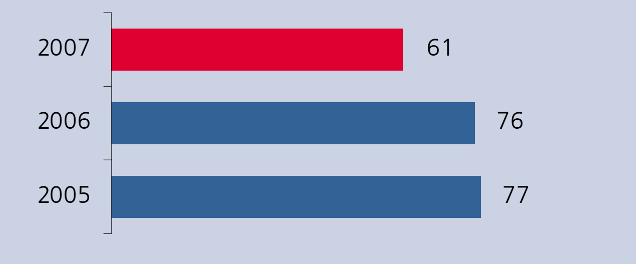
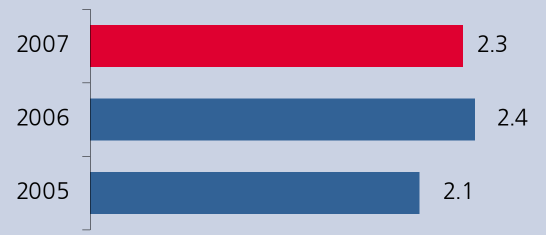


Fig. 26 Losses from operational risks[1)]

Losses in €m



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

Liquidity risks

Risk management and monitoring

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

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

Quantifying the liquidity risk

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

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

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

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

The "normal business operations" funding matrix is used to regularly monitor and manage liquidity risks (Fig. 27). Modelling and renewal assumptions are made to illustrate the cash flows on certain product types (e.g. securities or deposits eligible as collateral for ECB borrowings or repoable). The sum total of the cash flows produces a liquidity gap in each maturity band. In addition to this, the liquidity potential is calculated which takes into account freely available funds such as assets which can be readily converted into liquid funds such as securities, surpluses in cover registers and other funding sources.

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

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

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

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

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

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

Reporting the liquidity risk

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

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

Current risk situation

DekaBank continues to have a very comfortable level of liquidity. As a result of the high volume of liquid securities (often eligible as collateral for central bank borrowings) and the surplus cover in the cover pool as well as through corresponding repurchase agreement transactions, DekaBank has extensive potential liquidity that can be made liquid at short notice. The accumulated liquidity balance at the short end (less than a month) totalled €17.52bn (Fig. 27).

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

Other risks

Shareholding and property risk

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

The basis for determining the shareholding and property risk position is the respective IFRS book value of the equity investment or property. The risk is measured on the basis of volatilities in historic yields. For the shareholding risk, historic data from benchmark indices in the stock market are used. Measurement of the property risk is linked to volatilities in relative changes in value of property in the respective location.

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

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

Fig. 27 Normal business operations funding matrix of DekaBank as at 31 December 2007

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

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

Property fund risk

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

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

Business risk

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

Quantifying the business risk

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

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

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

Annual financial statements

Balance sheet

As at 31 December 2007

Assets

		€	€	€	31.12.2006 €000
1. Cash reserves					
a) Cash on hand			50,342.82		**38**
b) Balances with central banks			772,657,286.70		**242,891**
of which: with Deutsche Bundesbank	772,657,286.70 Euro			**772,707,629.52**	(242,891)
2. Due from banks					
a) due on demand			6,138,805,632.13		**7,104,883**
b) other claims			47,700,965,480.98	**53,839,771,113.11**	**40,850,712**
3. Due from customers				**23,162,598,136.34**	**20,954,853**
of which: secured by mortgages	386,873,937.83 Euro				(587,687)
Public sector loans	7,980,723,659.73 Euro				(10,061,031)
4. Bonds and other fixed-interest securities					
a) Money market securities					
aa) from public sector issuers		15,647,373.57			**0**
of which: eligible as collateral with Deutsche Bundesbank	15,647,373.57 Euro				(0)
ab) from other issuers		34,259,285.61	49,906,659.18		**0**
of which: eligible as collateral with Deutsche Bundesbank	16,331,124.47 Euro				(0)
b) Bonds and debt securities					
ba) from public sector issuers		5,502,783,248.83			**9,856,624**
of which: eligible as collateral with Deutsche Bundesbank	5,492,326,828.75 Euro				(8,684,212)
bb) from other issuers		19,684,879,256.60	25,187,662,505.43		**18,980,315**
of which: eligible as collateral with Deutsche Bundesbank	15,512,776,642.36 Euro				(15,581,518)
c) own bonds			2,253,656,154.76	**27,491,225,319.37**	**3,792,869**
Nominal amount	2,194,032,011.05 Euro				(3,698,097)
5. Shares and other non fixed-interest securities				**6,799,146,702.25**	**7,822,801**
6. Equity investments				**112,920,455.86**	**95,896**
of which: in banks	27,449,813.40 Euro				(27,450)
7. Shares in affiliated companies				**384,154,408.30**	**912,262**
of which: in banks	69,140,400.56 Euro				(319,349)
in financial services providers	26,800,368.81 Euro				(473,600)
8. Trust assets				**41,253,383.68**	**563,513**
9. Intangible assets				**9,878,250.95**	**6,240**
10. Tangible assets				**14,764,982.74**	**16,605**
11. Other assets				**2,061,421,875.85**	**994,493**
12. Prepaid expenses and accrued income				**193,299,059.89**	**212,386**
Total assets				**114,883,141,317.86**	**112,407,381**

Liabilities

		€	€	€	31.12.2006 €000
1. Due to banks					
a) due on demand			4,974,894,177.37		**4,745,919**
b) with agreed maturity or period of notice			26,631,783,214.71	**31,606,677,392.08**	**26,441,261**
2. Due to customers					
Other liabilities					
a) due on demand			4,118,109,860.27		**15,163,274**
b) with agreed maturity or period of notice			31,598,562,799.47	**35,716,672,659.74**	**18,781,479**
3. Securitised liabilities					
a) bonds issued			36,731,386,487.56		**41,008,697**
b) other securitised liabilities			378,933,986.09	**37,110,320,473.65**	**335,880**
4. Trust liabilities				**41,253,383.79**	**563,513**
5. Other liabilities				**5,681,447,866.60**	**1,325,865**
6. Accruals and deferred income				**63,166,043.10**	**54,673**
7. Provisions					
a) provisions for pensions and similar obligations			217,448,665.32		**195,014**
b) provisions for taxes			164,527,517.97		**157,110**
c) other provisions			509,218,021.58	**891,194,204.87**	**511,717**
8. Subordinated liabilities				**975,564,747.70**	**975,407**
9. Profit participation capital				**214,457,284.12**	**214,457**
of which:					
due in less than two years	61,457,284.12 Euro				(61,457)
10. Fund for general banking risks				**1,156,355,970.15**	**512,082**
11. Equity					
a) Subscribed capital					
aa) subscribed capital		286,323,453.46			**286,323**
ab) silent capital contributions		808,006,397.62	1,094,329,851.08		**808,004**
b) Capital reserves			189,366,198.03		**189,366**
c) Retained earnings					
ca) reserves required by the Bank's statutes		51,283,598.27			**51,284**
cb) other retained earnings		62,419,299.33	113,702,897.60		**57,424**
d) Accumulated profit			28,632,345.35	**1,426,031,292.06**	**28,632**
Total liabilities				**114,883,141,317.86**	**112,407,381**
1. Contingent liabilities					
Liabilities from guarantees and warranty agreements				**4,186,785,905.04**	**2,875,016**
2. Other liabilities					
Irrevocable lending commitments				**8,344,366,072.35**	**2,190,802**

Income statement

for the period from 1 January to 31 December 2007

Expenses and Income

		€	€	€	2007 €	2006 €000
1.	**Interest income from**					
	a) Lending and money market transactions		3,435,882,116.14			3,090,703
	b) Fixed-income securities and debt register claims		969,570,293.05	4,405,452,409.19		1,223,438
2.	**Interest expenses**			4,800,631,492.88	-395,179,083.69	4,412,584
3.	**Current income from**					
	a) Shares and other non fixed-interest securities			642,511,696.90		300,355
	b) Equity investments			2,808,514.05		2,574
	c) Shares in affiliated companies			214,006,453.54	859,326,664.49	166,389
4.	**Income from profit pooling, profit transfer and partial profit transfer agreements**				87,449,458.65	90,499
5.	**Commission income**			957,711,631.98		840,781
6.	**Commission expenses**			744,617,441.48	213,094,190.50	679,990
7.	**Net profit from financial transactions**				-45,436,253.72	14,093
8.	**Other operating income**				248,732,356.16	310,617
9.	**General administrative expenses**					
	a) Personnel expenses					
	aa) Wages and salaries		170,294,733.61			146,270
	ab) Social security contributions and expenses for pensions and other employee benefits		42,212,042.09	212,506,775.70		39,019
	of which: for retirement pensions	23,113,001.09				(19,588)
	b) Other administrative expenses			290,078,910.50	502,585,686.20	275,191
10.	**Write-downs and valuation allowances on intangible assets and tangible assets**				7,808,798.60	12,730
11.	**Other operating expenses**				35,780,405.30	151,503
12.	**Write-downs and valuation allowances on claims and certain securities and allocations to provisions for loan losses**				0.00	77,466
13.	**Income from write-ups to claims and certain securities and from reversals of provisions for loan losses**				144,861,856.43	0
14.	**Allocations to the fund for general banking risks**				644,273,733.27	0
15.	**Write-downs and valuation allowances on equity investments, shares in affiliates and securities held as fixed assets**				0.00	129,171
16.	**Income from write-ups to equity investments, shares in affiliates and securities held as fixed assets**				192,385,941.47	0
17.	**Expenses due to assumption of losses**				4,086.79	827
18.	**Profit or loss on ordinary activities**				114,782,420.13	114,698
19.	**Income taxes**				1,032,544.35	666
20.	**Income transferred under profit pooling, profit transfer or partial profit transfer agreements**				80,122,279.42	80,131
21.	**Net income**				33,627,596.36	33,901
22.	**Transfers to retained earnings**					
	a) to other retained earnings				4,995,251.01	5,269
23.	**Accumulated profit**				28,632,345.35	28,632

Notes

General information

[1] Preparation of the annual financial statements

The annual financial statements of DekaBank Deutsche Girozentrale for the year ended 31 December 2007 have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the Regulation on Accounting Principles Relating to Financial Institutions and Financial Services Institutions (RechKredV).

[2] Accounting and valuation methods

The accounting and valuation of assets, liabilities and pending transactions was carried out in accordance with Sections 252 ff. and Sections 340 ff. HGB.

Write-ups were carried out in line with the requirement to reinstate original values in accordance with Section 280 (1) HGB.

Amounts due from banks and customers are reported at face value. Differences between face value and amounts payable or acquisition costs were recognised under prepaid expenses and accrued income and written back as scheduled.

Identified default risks in the lending business were adequately provided for by recognising specific valuation allowances and provisions for loan losses. There are sufficient general valuation allowances and provisions for loan losses in accordance with Section 340f HGB to cover unforeseen credit risks. Specific and general valuation allowances and provisions for loan losses have been deducted from the respective asset items.

Securities in the trading portfolio and the liquidity reserve were valued strictly in accordance with the lower of cost or market principle. In connection with the company pension plan, restricted securities were treated as fixed assets and valued according to the diluted lower of cost or market principle.

Equity investments, shares in affiliated companies and tangible assets are stated at their acquisition or production cost less any scheduled amortisation or depreciation. Where a loss of value is expected to be permanent, the asset is written down to its lower fair value. Minor value assets are written off in full in the year of acquisition in accordance with Section 6 (2) of the Income Tax Act (EStG).

Assets and liabilities in foreign currency as well as claims and commitments from foreign exchange transactions were translated and valued according to the regulations contained in Section 340h HGB. The results from the translation of hedged balance sheet items were offset by means of equalisation items. Swap premiums were accrued on a pro rata basis. Provisions were recognised for residual valuation losses per currency; residual valuation gains were not recognised as income.

Derivative financial instruments are valued at actual or calculatory market prices. Stock exchange traded derivative financial instruments are carried at listed market prices and OTC derivatives are valued using computerised valuation models.

In principle, balance sheet transactions and derivative financial instruments in the trading book were valued individually on the reporting date.

The method used to determine the net result from financial transactions was a risk-adjusted market valuation, which was carried out for the individual portfolios in the trading portfolio. Using this method, in addition to the realisation principle and imparity principle under the German Commercial Code, realisable (unrealisable) gains are also recognised in income. To take account of the principle of caution under the German Commercial Code, a risk mark-down in the form of the value-at-risk (VaR discount) is applied to the market values; this mark-down equates to the sum most probably sufficient to offset potential losses in the defined period.

In principle, claims and commitments arising from derivative financial instruments not allocated to the trading book were not valued if they actually served to hedge against market price risks. Moreover, macro valuation units were formed from interest-bearing securities in the liquidity reserve and derivatives were entered into to hedge against interest rate risks. The financial instruments in these valuation units were valued individually and valuation gains offset against valuation losses. Valuation losses remaining after this offsetting were expensed as provisions or amortisation, while valuation reserves were not recognised. All other derivative financial instruments not used to hedge against market price risks were valued. For unrealised valuation losses, provisions were recognised for possible losses from pending transactions. Unrealised valuation gains were not recognised as income.

Liabilities are stated at the face value due. Differences between the amount received and the amount repayable were reported in accruals and deferred income and written back as scheduled.

Pension provisions were determined on the basis of an expert opinion using the internationally recognised projected unit credit method based on the Heubeck reference tables 2005 G.

Pension contributions to the fund-based company pension plan were invested in fund units and term life assurance. If the price of the fund units exceeds the contractually agreed minimum benefit when pension payments begin, the beneficiaries are entitled to the contractually agreed minimum benefit or the higher price of the underlying fund units and if applicable, the benefits under the term life assurance.

Pension provisions for the fund-based company pension plan result from the highest amount reported for the corresponding fund units and the present value of the pension commitments based on an expert actuarial opinion.

Provisions for taxes and other provisions were recognised in the amounts required under reasonable commercial judgement.

With the coming into force of the Investment Amendment Act on 28 December 2007, investment companies are no longer classified as financial institutions. Consequently, contrary to the treatment in the previous year, amounts due from and to these companies are now reported as due from and to customers.

[3] Statement of subsidiaries and equity investments in accordance with Section 285 No. 11 HGB

Name, location	Equity interest in %	Equity[1)] €'000	Result[2)] €'000
Shares in affiliated companies			
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00	339,485.2	183,410.0
Deka Investment GmbH, Frankfurt/Main	100.00	60,225.9	64,713.8[3)]
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74	11,000.0	8,346.2[3)]
Deka International (Ireland) Ltd., Dublin	100.00	32,707.8	14,495.8
Deka(Swiss) Privatbank AG, Zurich	80.00	38,316.9	8,329.7
Deka FundMaster Investment GmbH, Frankfurt/Main	100.00	16,171.3	445.0[3)]
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.00	19,622.7	1,000.0
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00	30,225.9	13,872.6[3)]
WIV GmbH & Co. Beteiligungs KG, Mainz	94.90	14,494.4	706.7
Deutsche Landesbankenzentrale AG, Berlin	100.00	1,359.3	119.4
Deka Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00	301.6	3.0
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00	30.5	-10.1
Deka Treuhand GmbH, Frankfurt/Main	100.00	38.3	-3.7
Deka Vorratsgesellschaft 01 mbH, Frankfurt/Main	100.00	25.0	-2.0[3)]
Deka Vorratsgesellschaft 02 mbH, Frankfurt/Main	100.00	25.0	-2.0[3)]
Deka Vorratsgesellschaft 03 mbH, Berlin	100.00	10.0	71.9[3)]
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00	62.9	-0.8
WIV Verwaltungs GmbH, Mainz	94.90	39.8	2.7
Deka Verwaltungs GmbH, Frankfurt/Main	100.00	29.5	0.8
STIER Immobilien AG, Frankfurt/Main	100.00	50.0	0.1
Deka Immobilien GmbH, Frankfurt/Main	100.00	12,283.3	-980.1
Equity investments			
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00	20.2	4.0
Global Format GmbH & Co. KG, Munich	20.00	1,637.5	84.0
S PensionsManagement GmbH, Cologne	50.00	89,584.2	503.9
S Broker AG & Co. KG, Wiesbaden	30.64	45,507.8	-7,698.0

Name, location	Equity interest in %	Equity[1)] €'000	Result[2)] €'000
Indirect equity investments			
Deka International S.A., Luxembourg	100.00	134,987.6	76,495.3
Datogon S.A., Luxembourg	100.00	32.6	1.6
International Fund Management S.A., Luxembourg	100.00	37,261.2	30,737.6
Deutsche Girozentrale Overseas Limited, Grand Cayman	100.00	10,187.2	162.7
Deutsche Girozentrale Holding S.A., Luxembourg	100.00	4,501.6	65.9
Europäisches Kommunalinstitut S.A.R.L., Luxembourg	100.00	14.9	0.2
Deka Immobilien Luxembourg S.A., Luxembourg	100.00	127.5	-2.5
WestInvest Zweite Beteiligungs- und Verwaltungs GmbH, Frankfurt/Main	99.74	23.1	-0.6
S Broker Management AG, Wiesbaden	30.64	52.8	0.1
WestInvest Erste Beteiligungs- und Verwaltungs GmbH, Frankfurt/Main	99.74	84.5	12.8
Sparkassen Pensionsfonds AG, Cologne	50.00	11,209.2	-327.4
Sparkassen Pensionskasse AG, Cologne	50.00	45,844.3	970.5
Deka-WestLB Asset Management Luxembourg S.A., Luxembourg	51.00	980.9	-19.1
Perfeus S.A., Luxembourg	100.00	38.9	7.9
Roturo S.A., Luxembourg	100.00	3,304.5	109,943.0
Sparkassen PensionsBeratung GmbH, Cologne	50.00	100.0	-
Heubeck AG, Cologne	25.00	8,457.4	1,154.1
Compendata Ges. zur Verwaltung v. Vorsorgeeinrichtungen mbH, Cologne	25.00	27.6	120.8
Heubeck Richttafeln GmbH, Cologne	25.00	27.6	69.7
Richttafeln-Unterstützungskasse GmbH, Cologne	25.00	64.0	0.3
Dr. Heubeck Ges. mbH, Vienna	25.00	19.9	3.1

1) Definition of equity according to Section 266 (3 A.) in conjunction with Section 272 HGB
2) Net profit/net loss in accordance with Section 275 (2) No. 20 HGB
3) A profit transfer agreement has been concluded with these companies

Off-balance sheet contingent liabilities

[4] Letter of comfort

Except in the case of political risk, DekaBank will ensure that the subsidiaries included in the consolidated financial statements and listed below will meet their liabilities:

– DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

– Deutsche Girozentrale Holding S.A., Luxembourg

– Deutsche Girozentrale Overseas Limited, Grand Cayman

[5] Other financial commitments

There are contribution commitments amounting to €3m with regard to companies in which the Bank has invested (previous year: €3m).

There is an obligation to put up further capital amounting to €21m for Liquiditäts-Konsortialbank GmbH, Frankfurt/Main (previous year: €21m).

There is an obligation to put up additional capital amounting to €14m for Deka-S-PropertyFund No.1 Beteiligungs GmbH & Co. KG, as well as an addition capital amount of €5m for HELICON Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach.

Since 2006, contributions to the security reserve of the Landesbanken and central savings banks have to be revalued in accordance with risk-aligned principles. As at the reporting date, this resulted in subsequent payment obligations of €87m. If a case arises where financial aid is required, the subsequent payments can be immediately called up.

Notes to the balance sheet

[6] Due from banks

€m	2007	2006
This item includes: Loans to		
affiliated companies	82	132
companies in which an interest is held	8,961	5,426
Subordinated loans	-	-
Sub item b (other receivables) breaks down according to residual term to maturity as follows:		
less than three months	18,556	8,488
from three months to one year	6,569	6,179
from one year to five years	12,600	13,586
more than five years	9,976	12,598
	47,701	**40,851**
Used as cover funds	**21,177**	**25,135**

[7] Due from customers

€m	2007	2006
This item includes: Loans to		
affiliated companies	143	36
companies in which an interest is held	82	575
Subordinated loans	0	0
This item breaks down by residual term to maturity as follows:		
with indefinite term to maturity	1,791	4,029
less than three months	6,266	2,314
from three months to one year	1,270	2,249
from one year to five years	7,574	6,697
more than five years	6,261	5,666
	23,162	**20,955**
Used as cover funds	**7,350**	**8,616**

[8] Bonds and other fixed-interest securities

€m	2007	2006
The marketable securities comprising this item include:		
Listed	25,400	31,052
Unlisted	2,022	1,578
Subordinated securities	**48**	**135**
Due within one year	**9,155**	**8,630**
Used as cover funds	**772**	**3,765**

[9] Shares and other non fixed-interest securities

€m	2007	2006
The marketable securities comprising this item include:		
Listed	1,705	3,367
Unlisted	2,722	784
Subordinated securities	**17**	**17**

This item includes restricted fund units in Deka bAV-Fonds in the amount of €20m, which are treated by the Bank as fixed assets.

[10] Equity investments

As in 2006, this item does not include any marketable securities.

[11] Shares in affiliated companies

As in 2006, this item does not include any marketable securities.

[12] Trust assets

The reported trust assets comprise amounts due from banks of €35m and amounts due from customers of €6m.

[13] Fixed assets

Changes in fixed assets of DekaBank in financial year 2007 were as follows:

Assets in €'000	**Cost of acquisition/ production**	**Additions**	**Disposals**	**Accumulated depreciation/ amortisation**	**Depreciation/ amortisation for the year**	**Book value**	
						31.12.2007	**31.12.2006**
Equity investments	136,829	19,540	2,515	40,933	0	112,921	95,896
Shares in affiliated companies	1,042,642	10,090	648,578	20,000	8,398	384,154	912,262
Securities held as fixed assets	15,118	5,768	429	28	0	20,429	15,090
Total financial assets	**1,194,589**	**35,398**	**651,522**	**60,961**	**8,398**	**517,504**	**1,023,248**
Intangible assets	45,942	5,024	0	42,793	3,091	8,173	6,240
Prepayments made on intangible assets	0	1,705	0	0	0	1,705	0
Total intangible assets	**45,942**	**6,729**	**0**	**42,793**	**3,091**	**9,878**	**6,240**
Tangible assets							
Land and buildings including buildings on third party land	7,593	0	1,293	3,178	71	3,122	4,486
of which: used for the Bank's business activities						(3,122)	(4,486)
Office equipment	44,524	2,288	2,020	33,450	2,898	11,342	12,118
Prepayments made and investments	0	301	0	0	0	301	0
Total tangible assets	**52,117**	**2,589**	**3,313**	**36,628**	**2,969**	**14,765**	**16,604**
Total fixed assets	**1,292,648**	**44,716**	**654,835**	**140,382**	**14,458**	**542,147**	**1,046,092**

[14] Other assets

€m	2007	2006
This item includes:		
Premiums paid and margins for derivative financial instruments	**1,280**	**116**
Equalisation items for FFV valuation (trading book) including VaR mark-down	**333**	**124**
Tax refund claims	**191**	**91**
Due from securities lending	**109**	**26**
Corporation tax, capital gains tax and solidarity surcharge refunds	**21**	**21**
Due from custodial account holders	**13**	**16**
Leasing assets	**10**	**12**
Maturing securities and interest on maturing securities	**0**	**429**

[15] Prepaid expenses and accrued income

€m	2007	2006
This item includes:		
Premium/discount from underwriting and lending business	167	198

[16] Additional information relating to assets

€m	2007	2006
Assets in foreign currency	7,519	7,560
Book value of assets sold under repurchase agreement	6,384	12,302

[17] Due to banks

€m	2007	2006
This item includes:		
Liabilities to		
affiliated companies	1,704	233
companies in which an interest is held	3,132	3,238
Sub item b (with agreed maturity or period of notice) breaks down by residual term to maturity as follows:		
less than three months	16,156	13,526
from three months to one year	3,217	5,634
from one year to five years	4,890	4,208
more than five years	2,369	3,073
	26,632	**26,441**

[18] Due to customers

€m	2007	2006
This item includes:		
Liabilities to		
affiliated companies	217	178
companies in which an interest is held	40	23
Sub item b (with agreed maturity or period of notice) breaks down by residual term to maturity as follows:		
less than three months	14,890	1,601
from three months to one year	1,655	971
from one year to five years	4,703	4,567
more than five years	10,350	11,642
	31,598	**18,781**

[19] Securitised liabilities

€m	2007	2006
Issued bonds comprising sub item a maturing in the following year	**4,194**	**6,805**
Sub item b (other securities liabilities) breaks down by residual term to maturity as follows:		
less than three months	301	293
from three months to one year	78	43
	379	**336**

[20] Trust liabilities

Trust liabilities comprise €40m in amounts due to banks and €1m in amounts due to customers.

[21] Other liabilities

€m	2007	2006
This item includes:		
Premiums received and margins for derivative financial instruments	2,582	147
Short sales of securities	2,263	290
Securities lending	455	515
Bonuses for sales offices	96	93
Foreign exchange equalisation items	87	96
Due to custodial account holders	45	18
Trade payables	33	23
Interest on participating certificates	15	15

[22] Accruals and deferred income

€m	2007	2006
This item includes:		
Premiums/discounts from underwriting and lending business	29	36
Accruals and deferred income derivative financial instruments	21	15
Liabilities from leasing business	2	4

[23] Subordinated liabilities

€m	2007	2006
Expenses from subordinated liabilities	47	45
Accrued interest on subordinated liabilities	21	20

Borrowings structured as follows:	Currency	Amount m	Interest rate	Matures on
Bond	EUR	190	6-M Euribor	09.06.2010
Bond	EUR	40	6-M Euribor	09.06.2010
Bond	EUR	300	5.38%	31.01.2014
Bond	EUR	300	4.63%	21.12.2015
Bond	EUR	85	6.15 – 6.46%	18.05.2012
Bond	EUR	40	4.43%	11.04.2016

The subordinated liabilities comply with the requirements of Section 10 (5a) of the German Banking Act (KWG). The conversion of these funds into capital or any other form of debt has not been agreed or planned. DekaBank has no obligation to make an early repayment.

[24] Equity

€m	2007	2006
Subscribed capital	286	286
Typical silent capital contributions	756	756
Atypical silent capital contributions	52	52

[25] Other commitments: irrevocable lending commitments

DekaBank has undertaken to purchase commercial paper from SPE Ormond Quay. As at the reporting date, DekaBank held no commercial paper from Ormond Quay in its portfolio. The commitment amounting to a maximum of €6bn is in place until 24 February 2008.

[26] Additional information relating to liabilities

€m	2007	2006
Foreign currency liabilities	6,288	8,800

[27] Calculation of cover for mortgage and public sector lending business

Mortgage Pfandbriefe

Total amounts by nominal value and present value

€m	Nominal value		Present value		Risk-adjusted present value + 250 BP		Risk-adjusted present value - 250 BP	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Outstanding mortgage Pfandbriefe	60	100	59	97	57	90	61	104
Cover funds mortgage Pfandbriefe	139	147	140	146	135	141	146	152
Cover surplus/shortfall	79	47	81	49	78	51	85	48

As in the previous year, the cover funds do not contain any derivatives.

Maturity structure

Maturity ranges €m	Less than 1 yr		From 1 to 5 yrs		From 5 to 10 yrs		More than 10 yrs		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Outstanding mortgage Pfandbriefe	0	0	60	100	0	0	0	0	60	100
Cover funds mortgage Pfandbriefe	7	0	57	44	59	87	16	16	139	147

Composition of cover funds by country

Total amounts €m	Less than 0.3m		From 0.3m to 5m		More than 5m		Other cover		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Federal Republic of Germany	0	0	0	0	132	140	7	7	**139**	**147**
Total	**0**	**0**	**0**	**0**	**132**	**140**	**7**	**7**	**139**	**147**

Composition of cover funds by type of use

Federal Republic of Germany **€m**	**2007**	**2006**
Commercial use	132	140
Residential use	0	0
Other cover	7	7
Total	**139**	**147**

Composition of cover funds by type of building		
Federal Republic of Germany €m	**2007**	**2006**
Office buildings	84	92
Retail buildings	32	32
Industrial buildings	16	16
Other cover	7	7
Total	**139**	**147**

As in 2006, there were no claims on the cover fund which were in arrears by more than 90 days as at the reporting date.

Composition of total amount of mortgage repayments during the financial year		
€m	**2007**	**2006**
Repayment through redemption	30	0
Other repayment	0	0
Total	**30**	**0**

As in 2006, there were no pending compulsory sales or forced administration procedures at the year-end.

As in the previous year, no foreclosure sales were carried out in financial year 2007.

As in 2006, the Bank die not have to take over any property to prevent losses on mortgages.

As in the previous year, there were no arrears on interest payable on the mortgage debt.

Public sector Pfandbriefe

Total amounts by nominal value and present value

	Nominal value		**Present value**		**Risk-adjusted present value + 250 BP**		**Risk-adjusted present value - 250 BP**	
€m	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Outstanding public sector Pfandbriefe	25,895	30,195	26,161	30,984	24,618	29,002	28,036	33,437
Cover funds public sector Pfandbriefe	29,160	37,370	29,604	38,511	27,853	36,007	31,677	41,525
Cover surplus/shortfall	3,265	7,175	3,443	7,527	3,235	7,005	3,641	8,088

As in the previous year, the cover funds do not contain any derivatives.

Maturity structure

Maturity ranges	Less than 1 yr		From 1 to 5 yrs		From 5 to 10 yrs		More than 10 yrs		Total	
€m	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding public sector Pfandbriefe	3,830	5,552	13,470	14,398	6,699	8,152	1,896	2,093	25,895	30,195
Cover fund public sector Pfandbriefe	3,615	3,611	12,922	14,708	10,420	15,977	2,203	3,074	29,160	37,370

Distribution of cover funds

The distribution is as follows for financial year 2007:

€m	Government Nominal value	Government Guarantor*	Regional authorities Nominal value	Regional authorities Guarantor*	Local authorities Nominal value	Local authorities Guarantor*	Other debtors Nominal value	Other debtors Guarantor*	Total
Federal Republic of Germany	473		3,933		1,215		21,654		28,435
							1,105	1)	
							55	2)	
Greece	50		0		0		0		50
Turkey	10	3)	0		0		0		10
Hungary	15		0		4		15	4)	34
Spain	0		10		0		254	5)	264
Finland	0		0		61		2	6)	63
Sweden	0		0		55		6	7)	61
Latvia	0		0		45		0		45
Cayman Islands	0		0		0		86	8)	93
							7	3)	
Bulgaria	0		0		0		18	3)	18
France	0		0		0		16	8)	16
European Investment Bank (EIB)	0		0		0		31		31
USA (incl. Puerto Rico)	0		0		0		17	3)	17
Belgium	0		0		0		0		0
Cyprus	0		0		0		9	8)	9
Bermuda	0		0		0		4	3)	4
Tunisia	0		0		0		7	8)	7
Chile	0		0		0		0		0
Croatia	0		0		0		2	8)	2
Russia	0		0		0		1	3)	1
Poland	0		0		0		0		0
Total	**548**		**3,943**		**1,380**		**23,289**		**29,160**

*If there is a guarantor, type and location are indicated to the right of the 100 % guaranteed amount. If there is no guarantor, this entry remains blank,

1) Reg. authorities, Germany
2) Local authorities, Germany
3) Government, USA
4) Government, Hungary
5) Regional authorities, Spain
6) Local authorities, Finland
7) Local authorities, Sweden
8) Government, Germany

The figures for the previous year are as follows:

€m	Government Nominal value	Government Guarantor*	Regional authorities Nominal value	Regional authorities Guarantor*	Local authorities Nominal value	Local authorities Guarantor*	Other debtors Nominal value	Other debtors Guarantor*	Total
Federal Republic of Germany	498		5,825		1,356		27,228		36,383
							1,407	1)	
							68	2)	
Greece	50		0		0		0		50
Turkey	15	3)	0		0		0		15
Hungary	15		0		6		20	4)	41
Spain	0		110		0		290	5)	400
Finland	0		0		67		3	6)	69
Sweden	0		0		55		6	7)	61
Latvia	0		0		43		0		43
Cayman Islands	0		0		0		145	8)	155
							9	3)	
Bulgaria	0		0		0		28	3)	28
France	0		0		0		25	8)	25
European Investment Bank (EIB)	0		0		0		31		31
USA (incl. Puerto Rico)	0		0		0		22	3)	22
Belgium	0		0		0		10	9)	10
Cyprus	0		0		0		12	8)	12
Bermuda	0		0		0		8	3)	8
Tunisia	0		0		0		8	8)	8
Chile	0		0		0		3	10)	3
Croatia	0		0		0		3	8)	3
Russia	0		0		0		2	3)	2
Poland	0		0		0		1	3)	1
Total	**579**		**5,935**		**1,526**		**29,330**		**37,370**

*If there is a guarantor, type and location are indicated to the right of the 100 % guaranteed amount. If there is no guarantor, this entry remains blank,

1) Regional authorities, Germany
2) Local authorities, Germany
3) Government, USA
4) Government, Hungary
5) Regional authorities, Spain
6) Local authorities, Finland
7) Local authorities, Sweden
8) Government, Germany
9) Government, Belgium
10) Government, Spain

As in 2006, there were no claims in the cover funds that were in arrears by more than 90 days as at the reporting date.

Notes to the income statement

[28] Depreciation, amortisation and valuation allowances on intangible and tangible assets

Of the amount stated, €2m (previous year: €2m) related to leasing business.

[29] Other operating income

Other operating income consisted mainly of €195m from intercompany offsetting, €8m from the disposal of tangible assets, €4m from the reversal of provisions and €5m from leasing business.

[30] Audit fees

The following audit fees were charged as expenses during the year under review:

€'000	**2007**	**2006**
Professional fees for:		
– Year-end audit	1,286	1,527
– Other auditing or valuation services	664	425
– Tax consulting services	23	82
– Other services	274	687
	2,247	**2,721**

[31] Off-balance sheet transactions

As at the reporting date, outstanding forward transactions (Section 36 RechKredV) are broken down as follows.

Derivative transactions – volume	Nominal values		Full fair values positive market values	Full fair values negative market values
	31.12.2007 €m	31.12.2006 €m	31.12.2007 €'000	31.12.2007 €'000
Interest rate risks				
Interest rate swaps	285,043.3	409,296.9	2,055,528	1,815,636
Forward rate agreements	1,325.0	700.0	7	659
Interest rate options				
Purchases	260.0	585.0	4,127	—
Sales	264.6	275.0	—	4,320
Caps, floors	—	108.8	—	—
Stock market contracts	4,757.2	11,128.8	2,518	777
Other interest rate forward transactions	24.3	272.9	—	9,588
Total	**291,674.4**	**422,367.4**	**2,062,180**	**1,830,980**
Currency risks				
Forward exchange transactions	9,289.4	7,855.4	108,223	78,080
Currency swaps, interest rate currency swaps	2,406.0	2,539.9	60,227	192,724
Currency options				
Purchases	—	105.6	—	—
Sales	—	49.2	—	—
Total	**11,695.4**	**10,550.1**	**168,450**	**270,804**
Share and other price risks				
Equity forward transactions	4,468.4	272.8	245,539	106,490
Share options				
Purchases	5,733.9	617.0	748,433	2,732
Sales	4,586.6	92.5	—	930,809
Stock market contracts	10,423.1	974.8	640,374	1,718,941
Other forward transactions	3,966.7	1,547.0	16,987	43,070
Total	**29,178.7**	**3,504.1**	**1,651,333**	**2,802,042**
Overall total	**332,548.5**	**436,421.6**	**3,881,963**	**4,903,826**

Derivative transactions – classification by maturities (nominal values)

€m	Interest rate risks 31.12.2007	Interest rate risks 31.12.2006	Currency risks 31.12.2007	Currency risks 31.12.2006	Share and other price risks 31.12.2007	Share and other price risks 31.12.2006
Residual term to maturity						
less than 3 months	99,166.7	192,172.1	7,224.0	7,051.6	6,919.0	1,913.4
from 3 months to 1 year	57,829.6	86,068.7	2,735.1	1,651.6	10,215.5	908.5
from 1 year to 5 years	74,564.8	94,540.1	935.0	879.9	10,855.9	386.9
more than 5 years	60,113.3	49,586.5	801.3	967.0	1,188.3	295.3
Total	**291,674.4**	**422,367.4**	**11,695.4**	**10,550.1**	**29,178.7**	**3,504.1**

Derivative transactions – classification by counterparties

	Nominal values 31.12.2007 €m	Nominal values 31.12.2006 €m	Full fair values positive market values 31.12.2007 €'000	Full fair values negative market values 31.12.2007 €'000
Banks in the OECD	290,786.5	419,234.8	2,240,137	2,072,075
Banks outside the OECD	–	–	—	—
Public sector entities in the OECD	4,068.3	1,268.6	729	15,628
Other counterparties	37,693.7	15,918.2	1,641,097	2,816,123
Total	**332,548.5**	**436,421.6**	**3,881,963**	**4,903,826**

Derivative transactions – trading book

	Nominal values 31.12.2007 €m	Nominal values 31.12.2006 €m	Full fair values positive market values 31.12.2007 €'000	Full fair values negative market values 31.12.2007 €'000
Interest rate contracts	180,190.9	306,889.9	782,886	789,708
Currency contracts	2,041.4	2,728.4	54,543	8,493
Share contracts	25,406.2	2,481.2	1,641,961	2,757,882
Total	**207,638.5**	**312,099.5**	**2,479,390**	**3,556,083**

Other information

[32] Liquidity ratio

Pursuant to Section 11 of the German Banking Act (KWG), banks must invest their funds in such a way as to ensure that adequate solvency is ensured at all times. A ratio calculated in accordance with Liquidity Principle II, which compares the cash available short term with the amounts payable over the same period, serves as the regulatory assessment criterion for solvency. If the ratio of cash to amounts payable has a value of 1 or higher, liquidity is deemed to be assured. As at 31 December 2007, the liquidity ratio of DekaBank stood at 1.2 (previous year: 1.5).

[33] Average number of staff

Number	**2007**	**2006**
Full-time employees	1,747	1,675
Part-time and temporary employees	280	251
	2,027	**1,926**

[34] Remuneration of Board members

€	**2007**	**2006**
Remuneration of active Board members		
Board of Management	7,391,620.26	3,472,865.16
Administrative Board	744,427.84	790,549.54
Remuneration paid to former Board members and surviving dependants		
Board of Management	2,638,983.83	6,349,080.75
Provisions for pension commitments to these persons	28,628,184.00	31,453,607.00

[35] Loans to Board members

	Board of Management		**Administrative Board**	
€	**2007**	**2006**	**2007**	**2006**
Advances and loans	0.00	0.00	0.00	401,918.09
Contingent liabilities	0.00	0.00	0.00	0.00

Seats on supervisory bodies

[36] Notes to seats on supervisory bodies (as at January 2008)

Franz S. Waas, Ph.D. (Chairman of the Board of Management)		
Chairman of the Supervisory Board	Deutsche Landesbankenzentrale	Berlin
Chairman of the Administrative Board	Liquiditäts-Konsortialbank GmbH	Frankfurt/Main
Member of the Advisory Board	VÖB-Service GmbH	Bonn

Oliver Behrens (Member of the Board of Management from 1 January 2007)		
Chairman of the Supervisory Board	Deka Investment GmbH	Frankfurt/Main
Chairman of the Supervisory Board	Deka FundMaster Investmentgesellschaft mbH	Frankfurt/Main
Chairman of the Administrative Board	Deka International (Ireland) Ltd.	Dublin, Ireland
Chairman of the Administrative Board	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg
Chairman of the Administrative Board	Deka(Swiss) Privatbank AG	Zurich, Switzerland
Member of the Supervisory Board (until 27.09.2007) Deputy Chairman of the Supervisory Board (from 28.09.2007)	S PensionsManagement GmbH	Cologne
Member of the Supervisory Board (until 27.09.2007) Chairman of the Supervisory Board (from 28.09.2007)	Sparkassen Pensionsfonds AG	Cologne
Member of the Supervisory Board (until 27.09.2007) Deputy Chairman of the Supervisory Board (from 28.09.2007)	Sparkassen Pensionskasse AG	Cologne
Member of the Supervisory Board (from 11.05.2007 to 27.09.2007) Deputy Chairman of the Supervisory Board (from 28.09.2007)	Sparkassen PensionsBeratungs GmbH	Cologne

Dr. Matthias Danne (Member of the Board of Management)		
Chairman of the Supervisory Board	Deka Immobilien Investment GmbH	Frankfurt/Main
Chairman of the Supervisory Board	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Chairman of the Supervisory Board (from 25.05.2007)	Deka Immobilien GmbH	Frankfurt/Main
Chairman of the Supervisory Board (from 22.10.2007)	STIER Immobilien AG	Frankfurt/Main
Member of the Supervisory Board (from 19.12.2007)	Deka Vorratsgesellschaft 03 mbH	Berlin

Walter Groll (Member of the Board of Management)		
Deputy Chairman of the Administrative Board	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg
Deputy Chairman of the Administrative Board	Deka International (Ireland) Ltd.	Dublin, Ireland
Member of the Supervisory Board (from 19.12.2007)	Deka Vorratsgesellschaft 03 mbH	Berlin

Hans-Jürgen Gutenberger (Member of the Board of Management)		
Chairman of the Supervisory Board (until 27.02.2007) Member of the Supervisory Board (from 28.02.2007)	S PensionsManagement GmbH	Cologne
Chairman of the Supervisory Board (until 14.06.2007) Member of the Supervisory Board (from 15.06.2007)	Sparkassen Pensionsfonds AG	Cologne
Chairman of the Supervisory Board (until 14.06.2007) Member of the Supervisory Board (from 15.06.2007)	Sparkassen Pensionskasse AG	Cologne
Member of the Supervisory Board (from 11.05.2007)	Sparkassen PensionsBeratungs GmbH	Cologne
Member of the Administrative Board	Deka(Swiss) Privatbank AG	Zurich, Switzerland
Deputy Chairman of the Supervisory Board	Deka Investment GmbH	Frankfurt/Main
Deputy Chairman of the Supervisory Board	Deka Immobilien Investment GmbH	Frankfurt/Main
Deputy Chairman of the Supervisory Board (from 25.05.2007)	Deka Immobilien GmbH	Frankfurt/Main
Deputy Chairman of the Supervisory Board	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Deputy Chairman of the Supervisory Board	Deka FundMaster Investmentgesellschaft mbH	Frankfurt/Main
Member of the Supervisory Board	Deutsche Landesbankenzentrale AG	Berlin
Deputy Chairman of the Supervisory Board	S Broker AG & Co. KG	Wiesbaden
Member of the Supervisory Board (until 28.03.2007) Deputy Chairman of the Supervisory Board (from 29.03.2007)	S Broker Management AG	Wiesbaden

Dr. h. c. Fritz Oelrich (Member of the Board of Management)		
Member of the Supervisory Board	Deka Immobilien Investment GmbH	Frankfurt/Main
Member of the Supervisory Board	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Member of the Supervisory Board (from 25.05.2007)	Deka Immobilien GmbH	Frankfurt/Main
Member of the Administrative Board	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg
Member of the Supervisory Board	Deka FundMaster Investmentgesellschaft mbH	Frankfurt/Main
Deputy Chairman of the Supervisory Board	Deutsche Landesbankenzentrale AG	Berlin
Member of the Supervisory Board	Deka Investment GmbH	Frankfurt/Main
Member of the Administrative Board	Deka International (Ireland) Ltd.	Dublin, Ireland
Member of the Administrative Board	Deka(Swiss) Privatbank AG	Zurich, Switzerland
Member of the Supervisory Board	SIZ Informatikzentrum der Sparkassenorganisation GmbH	Bonn
Member of the Supervisory Board	S Rating und Risikosysteme GmbH	Berlin
Member of the Supervisory Board (from 19.12.2007)	Deka Vorratsgesellschaft 03 mbH	Berlin

Board members of DekaBank Deutsche Girozentrale

[37] Notes to the Board members of DekaBank Deutsche Girozentrale (as at January 2008)

Board of Management:

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

Oliver Behrens
Member of the Board of Management (from 1 January 2007)

Dr. Matthias Danne
Member of the Board of Management

Hans-Jürgen Gutenberger
Member of the Board of Management

Walter Groll
Member of the Board of Management

Dr. h. c. Fritz Oelrich
Member of the Board of Management

Administrative Board:

Heinrich Haasis
Chairman
President of the German Savings
Banks and Giro Association e.V., Berlin

Dr. Rolf Gerlach
First Deputy Chairman
President of the Savings Banks and Giro Association
of Westphalia-Lippe

Dr. Thomas R. Fischer
(until 02.08.2007)
Second Deputy Chairman
Chairman of the Management Board
of WestLB AG

Dr. Siegfried Jaschinski
(member until 30.11.2007)
Second Deputy Chairman (from 01.12.2007)
Chairman of the Management Board of Landesbank Baden-Württemberg

Dr. Stephan Articus
Executive Director of the German Association of Cities

Dr. Karlheinz Bentele
(until 31.12.2007)
President of the Rhineland Savings Banks and Giro Association

Hans Berger
Chairman of the Management Board
of HSH Nordbank AG

Gregor Böhmer
Managing President of the
Savings Banks and Giro Association of Hesse-Thuringia

Michael Breuer
(from 01.01.2008)
President of the Rhineland Savings Banks and Giro Association

Thomas Christian Buchbinder
(from 01.04.2007)
Chairman of the Management Board
of Landesbank Saar

Michael Dörr (from 09.01.2008)
Chairman of the Staff Committee
of DekaBank Deutsche Girozentrale

Hermann Gelsen (until 31.12.2007)
Member of the Staff Committee
of DekaBank Deutsche Girozentrale

Dr. Max Häring (until 31.03.2007)
Chairman of the Management Board
of Landesbank Saar

Professor Dr. Hans-Günter Henneke
Managing Member of the Presiding Board
of the German County Association

Reinhard Henseler
Chairman of the Management Board
of Nord-Ostsee-Sparkasse

Jürgen Hilse
(from 01.04.2007)
Chairman of the Management Board
of Kreissparkasse Göppingen

Dr. Stephan-Andreas Kaulvers
Chairman of the Management Board
of Bremer Landesbank
Kreditanstalt Oldenburg – Girozentrale –

Dieter Klepper
(until 31.03.2007)
Chairman of the Management Board
of Sparkasse Saarbrücken

Peter Krakow
(until 31.08.2007)
Chairman of the Management Board
of Stadt- und Kreissparkasse Leipzig

Thomas Mang
President of the Savings Banks Association of
Lower Saxony

Harald Menzel
(from 01.12.2007)
Chairman of the Management Board
of Kreissparkasse Freiberg

Dr. Günther Merl
Chairman of the Management Board
of Landesbank Hessen-Thüringen Girozentrale

Dr. Siegfried Naser
Managing President of the
Savings Banks Association of Bavaria

Harald R. Pfab
(from 01.12.2007)
Member of the Management Board
of Sachsen LB Landesbank Sachsen AG

Dr. Friedhelm Plogmann
Chairman of the Management Board
of LRP Landesbank Rheinland-Pfalz

Dr. Hannes Rehm
Chairman of the Management Board
of NORD/LB Norddeutsche Landesbank Girozentrale

Hans-Werner Sander
(from 01.04.2007)
Chairman of the Management Board
of Sparkasse Saarbrücken

Roland Schäfer
Mayor of the City of Bergkamen and President
of the German Association of Towns and Municipalities, Berlin

Heike Schillo
Member of the Staff Committee
of DekaBank Deutsche Girozentrale

Werner Schmidt
Chairman of the Management Board
of Bayerische Landesbank

Peter Schneider
President of the Savings Banks Association of
Baden-Wuerttemberg

Gustav Adolf Schröder (until 31.03.2007)
Chairman of the Management Board
of Sparkasse KölnBonn

Dr. Friedhelm Steinberg
Deputy Chairman of the Management Board
of Hamburger Sparkasse AG

Hans Otto Streuber
President of the Savings Banks and Giro Association of
Rhineland-Palatinate

Alexander Stuhlmann (from 01.10.2007)
Chairman of the Management Board
of WestLB AG

Herbert Süß (until 15.09.2007)
Chairman of the Management Board
of Sachsen LB Landesbank Sachsen AG

Hans-Jörg Vetter
Chairman of the Management Board
of Landesbank Berlin AG

Assurance of the Board of Management

We assure that to the best of our knowledge, the consolidated financial statements prepared in accordance with the applicable reporting standards convey a true and fair view of the net assets, financial position and results of operations of the Group and that the management report conveys a true and fair view of the business performance including the business results and position of the Group and suitably presents the material risks and opportunities and likely development of the Group.

Frankfurt am Main, 12 February 2008

DekaBank
Deutsche Girozentrale

The Board of Management

Waas, Ph.D.	Behrens	Dr. Danne
Groll	Gutenberger	Dr. h.c. Oelrich

Auditor’s report

“We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the DekaBank Deutsche Girozentrale, Berlin/Frankfurt am Main, for the business year from 1 January to 31 December 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of DekaBank's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": German Commercial Code) 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 annual financial statements in accordance with (German) principles of proper accounting and the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company’s Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.”

Frankfurt/Main, 13 February 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Herbert Sahm)	(ppa. Wolfram Hinz)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

Glossary

ABS (Asset backed securities)
Securities (mainly bonds or promissory note loans) issued by a special purpose vehicle and secured by assets (primarily receivables). ABS papers are issued in different tranches, which are subordinate to each other. The claims to repayment and interest for the respective senior tranches are serviced first from the incoming payments received by the special purpose vehicle (waterfall principle).

Advanced Measurement Approach (AMA) for operational risks
With this approach, the regulatory capital requirement for operational risks is calculated using an internal risk model. The capital requirement is determined on a VaR basis.

Advisory/management and asset management mandate
External fund which is managed by an investment company (KAG) of the DekaBank Group. For advisory mandates, the KAG acts only as an adviser, i.e. the external management company must verify compliance with investment regulations in advance. For management mandates, however, investment decisions are made, verified and implemented by the KAG of the DekaBank Group. For asset management mandates, investors' assets are managed in line with their individual investment goals and in compliance with all restrictions following the conclusion of an asset management contract.

Assessor
Decentralised process expert who updates the evaluation of the strategic risk profile of a survey unit. At DekaBank, this update is conducted quarterly. Each group unit consists of one or several survey units.

Assets under Management (AuM)
AuM essentially comprise the income-relevant volume of public and special fund products in the Asset Management Capital Markets (AMK) and Asset Management Property (AMI) divisions, direct investments in cooperation partner funds, the share of fund-based asset management attributable to cooperation partners, third party funds and liquidity as well as the advisory/management and asset management mandates.

Cap rate
Ratio of the net rental income (rental income less apportionable ancillary costs) to the total purchase prices (purchase price plus usual ancillary costs). Equivalent cap rates are quoted in the USA.

Collateralised debt obligation (CDO)
Securitisation backed by a diversified portfolio – consisting mostly of receivables from loans and bonds. As a rule, a CDO is split into various tranches of different creditworthiness. The CDO is a special form of ABS.

Collateralised loan obligation (CLO)
Securitisation whose performance depends on a portfolio of corporate loans. The CLO is a sub-form of the CDO.

Collateralised synthetic obligation (CSO)
Securitisation whose performance depends on a portfolio of credit default swaps (CDS).

Commercial mortgage backed securities (CMBS)
Securities collateralised by the cash flows from a mortgage or a pool of mortgages on commercial property.

Commission business
Trading and processing of financial instrument transactions on behalf of customers (bank trading on behalf of third party).

Confidence level
Probability that a potential loss will not exceed an upper loss limit defined by means of the value-at-risk (VaR).

Constant proportion portfolio insurance (CPPI)
Dynamic portfolio insurance concept facilitating participation in rising markets with simultaneous protection against losses in nominal value depending on an asset allocation strategy agreed in advance. The extent of investment is managed so that in the event of a worst case scenario, the minimum portfolio value does not fall below a predetermined level.

Correlation
A correlation reveals the extent of synchronisation by indicating both the strength and direction of the relationship between two risk factors. The standard sizes of a correlation range in value between -1 (perfect negative correlation) and +1 (perfect positive correlation).

Cost/income ratio
The CIR is a productivity indicator, providing information about the amount that has to be spent in order to earn €1 in profit. In the DekaBank Group, this indicator is calculated from the ratio of total expenses (excluding restructuring expenses) to total income (before risk provision) in the financial year.

Credit default swap (CDS)
A credit default swap is a credit derivative for trading default risks on loans, bonds or borrower names. Normally, the protection buyer pays a regular (often quarterly or half-yearly) fee and when the credit event defined on contract

conclusion takes place, e.g. default on a payment due to the insolvency of the borrower, the protection buyer receives a compensation payment from the protection seller. The CDS is similar to a loan insurance transaction and gives banks and other investor groups a flexible instrument for trading credit risks and hedging portfolios.

Emerging markets
A summary term for a group of countries which are in the process of turning into industrialised countries. Their main features are political-economic reforms, high industrial growth, declining but still relatively high inflation rates, large foreign debt and in some cases, limited political stability.

Equity method
The shares in associated companies or joint ventures are included in the consolidated balance sheet when they have a material impact on acquisition costs. In subsequent years, the equity figure carried in the balance sheet is updated by the Group share of changes in the associated company's equity. The proportional net income of the relevant company is posted to the consolidated income statement as income from equity investments.

Euro commercial paper programme (ECPP)
Programme for issuing bonds with terms lasting from a few days to under two years. They are issued by banks and large companies to flexibly cover short-term credit requirements for loans on a revolving basis as part of the agreed total volume. Commercial paper is generally issued as discounted paper. Yields are geared to representative money market interest rates over similar maturities.

Euro medium term note (EMTN) programme
Programme for issuing bonds which can be issued as tap issues in the medium to long-term segments. They are placed with institutional investors by the banks advising on the issues. The EMTN programme uses standardised documentation and represents the contractual framework for the individual issues.

Exposure
In the monitoring of credit risks, exposure is understood as the sum of all risk positions in the transactions of an economic borrower group with the constituent partners.

Fair value
The amount at which an asset is exchanged between knowledgeable, willing parties in an arm's length transaction or the amount at which a liability can be paid. Depending on the case in question, the value concept is fleshed out by measures of value, such as market value, or in the absence of such a benchmark, by internal valuation models.

Fair value hedge
This primarily concerns fixed-interest items (e.g. loans or securities) that can be hedged against changes in fair value by derivatives.

Fund assets (according to BVI)
Fund assets according to BVI comprise the fund assets of the public and special funds and funds-of-funds as well as the Master-KAG mandates in the AMK and AMI business divisions. Direct investments in cooperation partner funds, the proportion of products for fund-based asset management attributable to cooperation partners, third party funds and liquidity as well as the advisory/management and asset management mandates are not included.

Fund-based asset management
Generic term for structured investment products such as funds-of-funds and fund-linked asset management products.

Fund of funds
Investment fund that invests indirectly in securities, i.e. via other funds. The investment policy of a fund-of-funds is mostly geared to the steady reproduction of a certain portfolio structure on the basis of a defined risk/reward profile.

Goodwill
In a shareholding acquisition or a company takeover, the difference arising from offsetting the acquisition cost against the fair value of assets and liabilities is called goodwill.

Hybrid capital
Mixed form of borrowed capital and equity making it possible to find an optimum position in balancing interests between the desire to assume risk and the constraints placed on corporate management. Typical representatives of hybrid capital are subordinated loans, silent capital contributions or participating certificates.

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.

IRB basic approach
Approach to calculating the equity requirements for a credit risk, in which the risk weightings of the loans depend on the bank's own credit ratings. Where the probability of default for each rating class and borrower is calculated by the bank, while all other risk parameters are set by the supervisory authority, this is referred to as the IRB basic approach.

MaRisk (German minimum requirements for risk management)
Mandatory requirement by the German Federal Financial Supervisory Authority (BaFin) for the risk management practices of German financial institutions. As the supervisory authority concerned with implementing Section 25a (1) of the German Banking Act (KWG), BaFin has established the MaRisk by consolidating, updating and supplementing the minimum requirements for the trading activities of financial institutions (MaH), the minimum requirements for conducting internal audits (MaIR) and the minimum requirements for credit transactions (MaK). MaRisk was published in December 2005 and came into effect on 1 January 2007.

Master KAG
An investment company functioning as a specialised service KAG (capital investment company) in which portfolio management tasks for individual mandates are outsourced to various external asset managers but reporting to institutional investors is prepared on a uniform basis. This enables institutional investors to bundle all their administered assets with a single investment company.

Net funds inflow according to BVI
Difference between the funds inflow from the sale of units and the outflow from the redemption of units. Unlike net sales performance, this figure does not include the funds of cooperation partners or advisory/management and asset management mandates. However, the net sales from own investments are taken into account in the net funds inflow.

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

N-th to default (NTD)
Credit derivative for a basket of names which is linked to the n-th default.

Payments to the alliance partners
Payments made by the DekaBank Group to the savings banks and Landesbanken. These include the transfer of the front-end load from the sale of funds as well as the corresponding sales performance compensation, asset management fee and sales commission.

Primary/secondary market
The primary market (also known as the new issue market) is the capital market for the initial issue of securities. Trading of issued securities, especially bonds and shares, occurs on the secondary market (usually in organised trading on stock exchanges).

Primary/secondary cover funds
Primary cover funds are composed of the annual net income contribution, IFRS balance sheet equity and atypical silent capital contributions. Secondary cover funds consist of subordinated debt capital positions that can also be used to cover primary receivables.

Rating
Standardised creditworthiness/risk assessment of companies, countries or the debt instruments they issue based on standardised qualitative and quantitative criteria. From a bank's point of view, the result of the rating process provides the basis for establishing the probability of default, which must in turn be incorporated in calculating equity requirements for the credit risk. Ratings can be issued by the bank itself (internal ratings) or by specialised rating agencies such as Standard & Poor's, Fitch or Moody's (external ratings).

Ratio of intra-alliance business
Proportion of DekaBank Group products in the fund sales of the savings banks and Landesbanken as a measure of acceptance in the Sparkassen-Finanzgruppe.

Residential mortgage backed securities (RMBS)
Securities collateralised by the cash flows from a mortgage or a pool of mortgages on residential property.

Return on equity (RoE)
Economic income related to equity including atypical silent capital contributions at the beginning of the year. The RoE reflects the interest paid on the capital provided by shareholders.

Revaluation reserve
The revaluation reserve includes fair value measurement effects from financial instruments in the available for sale category and their deferred tax effects with no impact on profit or loss.

Securities finance
Covers all repo and securities lending transactions as well as securities lending substitute transactions with derivatives. Repos are repurchase agreements concluded as part of a repurchase agreement transaction (securities repurchase agreement). Under a repo, securities are sold and an agreement is reached at the same time to repurchase them on a fixed date at a price defined ex ante. The term of a repurchase agreement can vary from one night to 24 hours, a few days or several months. In securities lending transactions, securities are loaned for a limited period of time in return for a fee. The borrower of the securities undertakes to return securities

of the same type and quality at the end of the term (maximum 6 months). Consequently, this constitutes lending in kind in accordance with Section 607, German Civil Code (BGB). The lender of the securities is positioned as if he remains the owner of the securities. For the temporary loan of the securities, the lender receives a fee from the borrower. If necessary, the borrower furnishes collateral.

Service KAG
A service KAG is an investment company that, to begin with, concentrates its service provision on the administrative coordination and management of investments, including investment fund accounting, reporting and financial controlling, thus making it possible for an investor to issue special and public funds.

Spread
Difference between the purchase price and the selling price of certain financial products (e.g. foreign currency, certificates, futures, etc.).

Subprime loans
Loans to borrowers with a low credit-standing, usually on a mortgage basis. The collateral on subprime loans is of lower quality than standard real estate finance and higher interest rates are charged to offset the increased risk. Accordingly, mortgage bonds backed by subprime loans offer a higher return but also a greater price risk than conventional mortgage bonds.

Syndication/syndicated loans
A loan collectively awarded by a group of banks (consortium), otherwise known as a consortium loan. Syndication provides an opportunity for several banks to share the overall risk involved in a loan.

Utilisation of the risk-bearing capacity
Indicator of the relationship between the Group risk (business, market, credit, participation, property, property fund and operational risk) and the cover funds.

Value-at-risk (VaR)
The VaR of a financial instrument portfolio identifies the possible loss that might arise within a prescribed period (= holding period, for example 10 days) and probability (= confidence level, for example 95%) in the case of presupposed changes in market risk factors (for example interest rates, currencies and share prices).

Variance covariance method
Procedure for determining the value-at-risk. In the context of this method, which is also known as the parametric, analytic or delta-normal method, risk factor volatilities and correlations are used to determine the value-at-risk. It is assumed that the fluctuations in the risk factors conform to a normal distribution.

Volatility
Measure of the fluctuation intensity of a risk factor over a predefined period. A distinction is made between historical and implied volatility.

Information on the Internet

The company financial statements are available to download in English and German on the website under Investor Relations/Financial Publications.

The English translation of the annual financial statements 2007 is provided for convenience only. The German original is definite.

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Disclaimer

The management report as well as the annual report in other respects contain forward-looking statements as well as expectations and forecasts. These are based on the information available to us at this time, 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 as well as the reliability of our procedures and methods for risk management 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.

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