First Choice Deka

Annual Report 2006

DekaBank Group

Finanzgruppe

DekaBank

First Choice Deka

To be first choice as the central asset manager for the savings banks: this is the objective which we have set ourselves. In 2006, we laid the basis on which we will be able to operate **faster** and **closer to the customer**. With new solutions for the problems of private and institutional investors we have become markedly **more innovative**. Internally we have defined our structures and processes **more clearly**, in order to work **more effectively** in our three business divisions, in sales and in the corporate centres. In order to become **stronger** in this we are backing the know-how of the men and women we employ.

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

“We’ve made good progress”

2006 was a year of new beginnings and reconstruction for DekaBank. In this interview the Chairman of the Board of Management, Franz S. Waas, describes how DekaBank intends to become once again the first choice for the savings banks and other alliance partners.

Herr Waas, how did 2006 turn out for DekaBank?

Franz S. Waas, Ph.D.: We have come a long way. But we have not yet reached our objective, and that objective is once again to be the first choice of the savings banks as their central asset manager.

What does “First Choice” mean in practical terms?

Let me clarify that in terms of three key requirements. Firstly: we must offer the savings banks products of the best quality. Secondly: we must be fast and innovative. And thirdly: we must move closer to the savings banks, our most important customers. The challenge we have set ourselves, is to meet these criteria consistently over the long term.

Let’s begin with product quality. How does DekaBank intend to improve in this area?

In 2006 we have already got a great deal better. Many of our equity, bond and mixed funds achieved top positions in the rankings, and the ongoing evaluations by the fund-rating agencies have also improved. The trend in our equity funds is particularly gratifying: most of them were placed in the top two quintiles in the performance tables. What we have to do now is make this positive trend a permanent one. How this might look in the long term is shown by our DekaFonds which has been successful in the market for the last 50 years and what’s more turned in an above-average performance in 2006.

> “We intend to be first choice for the savings banks and Landesbanken once again.”

How do things look for the other fund categories?

Both the Deka funds-of-funds and fund-linked asset management under the name of Ṡ Dynamik Depot, once again turned in excellent performances in 2006. Our bond funds were able to make a good showing in a difficult market environment. I am delighted that in the open-ended property funds we have achieved a turnaround so quickly. We were able to complete the successful reconstruction of the Deka-ImmobilienFonds in 2006 – three years earlier than originally planned.

Which brings us to the second criterion you mentioned: speed. Where and how does Deka aim to speed things up?

An essential point is product development, and that means right along the chain from recognising a need to bringing the product to market. We want not only to offer the savings banks and their customers tailor-made products, but also to be the first in the market with them and thus to keep the business within the Savings Banks Finance Group. Here, speed and the capacity to innovate go hand in hand. In the end, for us that means recognising investment trends at an early stage and quickly converting them into suitable fund products.

Can you give us some examples?

In October 2006 we brought to the market two tax-optimised funds in the Deka-OptiRent series, each within only four weeks. The newly developed content concept was quickly put in place, and the formalities for admission were also swiftly completed. The money market-related sister-product, Deka-OptiCash was also brought to the market at the right moment, before the reduction of the tax-free sums for savers. Launching the right products at the right time – in 2006 we also succeeded in doing this with the money-market fund with a target-yield track – not forgetting structured funds such as the Deka-DiscountStrategie 2013, which makes use of promising investment strategies with derivatives in equity markets.

In order to become first choice for the savings banks again, does DekaBank intend to move even closer to its partners…?

Yes, and in 2006 we have regained much of their trust as well as making new friends. The savings banks respect the strategy we have logically built up. Our product policy is the right one. The newly tailored business divisions complement each other well and mesh closely with the sales units. In addition, we co-ordinate our sales campaigns closely with those of the savings banks.

> “We intend to offer the savings banks and their customers tailor-made products.”

…and the Bank is showing more of a local presence?

That's right. And by the way, that applies personally to my Board colleagues and myself. Each of us will have additional meetings with the savings banks in one of our six sales regions and thus reach decisions even more quickly.

What added value does Deka intend to offer for institutional investors?

Here too we want to be close to the client – with products that precisely meet investment and financing needs, as well as with a sales concept that operates on the principle of “one face to the customer”. That means service from a single source – in other words, swift, competent and effective. The newly structured Corporates & Markets division will also contribute to this.

In what way?

An important job for Corporates & Markets is to provide services for our Asset Management, particularly in structured loan business and in trading with a derivative background. We can thus cover the complete value-creation chain of capital-market business, which in turn benefits product quality.

Another "construction-site" is the refocusing of the Asset Management Property business division. What has been going on there?

The turbulence in the market for open-ended property funds has abated. We have made use of 2006 to work through our "housekeeping" jobs sooner than expected and yet with great care. We anticipate an attractive performance again from all of our property funds. With two strong brands – Deka Immobilien and WestInvest – the division is well set up. Additional synergies will be provided by the integration of property financing.

In the past year DekaBank has been able to look back on 75 years of independent legal existence and 50 years of fund business. But let's take a look into the future: how do you envisage the further development of DekaBank?

We must constantly be aware that we are service-providers. Our customers, sales partners and owners measure us by the added value that we generate for them. Therefore, we will consistently pursue the path we entered on in our jubilee year, to increase the value of our business through further growth, and to place the needs of the savings banks and alliance partners even more strongly than before at the centre of our activities. I am optimistic about the future of our company.

> "We must constantly be aware that we are service-providers."

What makes you so optimistic?

As central asset manager of the Savings Banks Finance Group we are operating in a market with a future. In Germany, particularly, there is great potential; one might even say there is a need to catch up. Take a look at the average per capita fund assets: here Germany is classed as an "also ran". That means that in this country, more than anywhere, there is a great need for action. You only have to think of the necessity for private old-age pension provision. As the banking group with more customers than any other, the Savings Banks Organisation faces a particular challenge here, but it also stands to benefit the most. We, at DekaBank, intend to accompany our partners along this route and to support them to the best of our ability.

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Regardless of which way the financial markets move, they do so with increasing speed. We must make today the right investment decisions for tomorrow.
If DekaBank, as one of the leading providers of investment funds, wants to play an active part in shaping this market dynamic, we must waste no time in introducing our innovations. Under the **First Choice** programme we have once again significantly tightened up our cycle of product development, in order to make it faster and more efficient. It used to take several months to get from an idea to the launch of a fund. Today we only need a coupleof weeks for this process – which is what the market demands.

Faster with products, faster with processes

The market for asset-management services in Germany is a growth segment par excellence. This will not change much in the coming years. More and more providers are crowding into the market, as is shown by the runaway growth in asset-management companies in Germany, especially international ones. But client needs are changing too: investors are becoming more exacting and are demanding more complex services. In parallel with this, there is a growing segment of clients who make their own decisions and who largely do without investment advice.

For us, as the central asset manager of the *Sparkassen-Finanzgruppe* (Savings Banks Finance Group), this means reacting swiftly and flexibly to changes in the market, as well as to changes among competitors and customers, while actively defining our selling-points and putting them to the fore. Together with our partners in the *Sparkassen-Finanzgruppe*, our aim is to offer top quality and the best service. For only in this way will we create for ourselves the competitive advantages, with which we can consolidate and further expand the strong market presence of the savings banks to the benefit of customers.

Our slogan is: "First Choice Deka"

With the objective of expanding the strategic partnership with savings banks and *Landesbanken*, increasing added-value, and positioning the DekaBank Group as a permanent and exclusive partner, we have set up a programme of initiatives in 2006 under the overall banner of "First Choice Deka". Its key feature is the definition and positioning of three business divisions – Asset Management Capital Markets, Asset Management Property, and Corporates & Markets – as well as the cross-divisional Savings Banks Sales force and the Corporate Centres. We have supported this reorganisation with a new system of corporate governance, for controlling and monitoring the Group's business. This has created clear and non-overlapping responsibilities for the senior executives and boards. It facilitates swift decision-making processes and brings the Bank closer to its sales partners.

Shorter product development times

Getting faster – a striking example of this is the development time for new products. Up to now it used to take several months to bring a new product idea up to a marketable state. In certain cases this led to funds being launched too late to achieve significant price-rises. In the interest of our customers it was necessary, therefore, to shorten substancially the development times for new products. We have succeeded in doing this through re-organisation, not only of the business divisions but also of their working procedures. The result: very short and thus also very rapid decision-making routes.

Examples of greater speed in product development are provided by the Deka-OptiRent 12/2007 and Deka-OptiRent 12/2009 funds, both launched in October 2006. Within about four weeks we were able to complete all the administrative steps – from the approval procedure with the appropriate authorities in Luxembourg, through the production of promotional and training materials, up to the information for our sales partners.

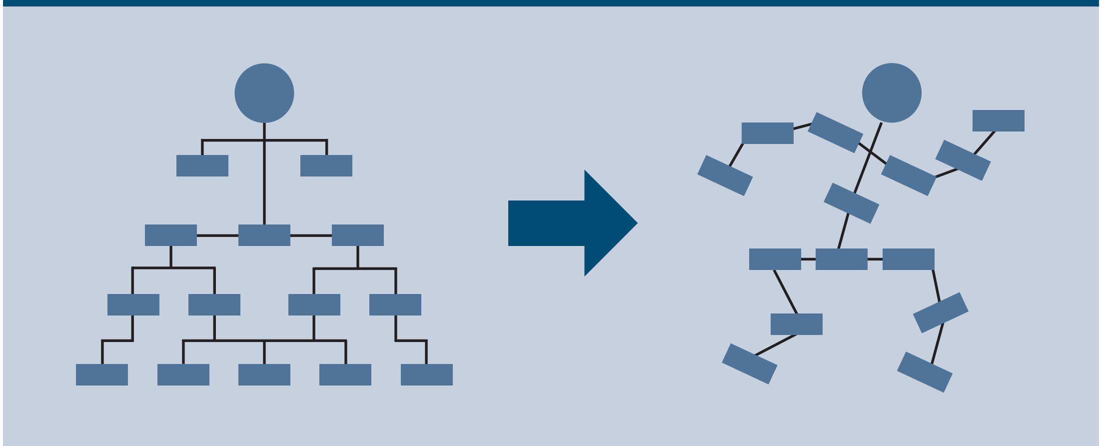
Showing a human face

In order to accelerate working procedures not only internally but also in our collaboration with external partners, the personal factors are important as well. We do not approach investors, sales and business partners as an anonymous organisation but instead show a human face – with a clear allocation of responsibilities to individuals. This applies both to the product and the sales sides.

Everyone of our funds has been given a "face" in the person of the manager of that particular fund, who bears responsibility for financial results and performance. On the sales side there is always, as in the past, a named contact-person for each savings bank. Our sales staff are the first port of call for the complete range of services provided by DekaBank Group. When necessary, they call upon specialists to deal with detailed questions.

In this way we can rapidly establish what institutions demand. And we can reach an equally swift decision on how to put together the appropriate products. This applies not only to public funds but also to institutional business.

The new structure ensures greater speed



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"For us, closeness is not a coincidence, it's deliberate." In the 1990s that was one of the key messages from our exclusive sales partners, the savings banks. This promise is of central importance for us – today as much as ever.
That is why, in repositioning DekaBank, we have taken care to seek even greater proximity to our partners in the *Sparkassen-Finanzgruppe*. Within the terms of **First Choice** this means in practice, that the Management Board of DekaBank maintains personal contact with our sales partners. Each board member is in charge of a sales region and is regularly seen there in person – so that we are even nearer to the savings banks and thus to our customers.

Close to the customer – through direct contact

"For us, closeness to the customer is not a coincidence, it's deliberate."

This classic phrase from the savings banks' advertising is a claim we take literally – not only because, as central asset manager, we are a part of the *Sparkassen-Finanzgruppe*, but also because we are convinced that a "direct line" to the customer creates added value. And this added value is crucial for "First Choice Deka".

Our range of customers, both in the retail and institutional fields, is widely diversified. Through the savings banks and *Landesbanken* we offer private investors a broad range of public funds and asset-management products based on them. However, the companies within the *Sparkassen-Finanzgruppe* are not only our owners and sales partners but also, as institutional investors, direct purchasers of our asset-management services. In addition, our direct customers include financial, industrial and commercial companies, as well as public bodies and international organisations.

Direct contact with our sales partners has been stepped up

For us, closeness to the customer means in concrete terms that all the staff of the Deka-Bank Group place customer-benefit at the centre of their activities – and this applies at all levels.

To move even closer to the customer: DekaBank, and especially its Management Board, has dedicated itself to this objective. A central sales directorate, operating across all business divisions, concerns itself exclusively with our sales partners. In addition each member of the Management Board, alongside his primary activity, is responsible for one of the six sales regions and makes regular visits to it. In this way we intend to identify the needs of our sales partners at source and thus create added value for the savings banks.

Enhanced local presence

The "fund workshop" is not supposed to be a mystery to our sales partners either. We want to show the savings banks how we create product quality. That is why we are stepping up the local presence of our fund-management staff. This will contribute decisively to familiarising the advisors in the savings banks with, and convincing them about our products, processes, and people. But we are working actively in the other direction as well. For instance, in 2006 we had a very positive response from the 110 people who attended our "advisor days", when advisors from the savings banks spend a day with our fund management teams in Frankfurt. This series of events will be continued in 2007.

Customer loyalty through information and dialogue

Proximity to customers is gained from trust and regular contact – particularly when it comes to financial products that require explanation. As a joint effort with the savings banks, we seek dialogue with our private customers through the "FondsMagazin" customer magazine. This helps us provide orientation and support for financial investment in investment funds. With a circulation of approximately 1.1 million copies, the magazine – which will be published 4 times a year as from 2007 – makes an important contribution to strengthening the securities business in the *Sparkassen-Finanzgruppe*. The positive reaction from the savings banks and their customers prompted us in 2006 to develop further potential for individualising the FondsMagazin and to offer this to the savings banks. This will allow the insitutes to address their customers individually in future and therefore reach their customers in a more targeted way.

Our funds newsletter, another means to reach out to customers and gain their loyalty, also showed positive development in 2006. At the end of the year more than 12,000 subscribers were using this monthly email service, in order to stay up-to-date about new Deka products and current investment trends.

Further information on Deka investment funds as well as the opportunity to purchase fund units are available from our website at www.deka.de.

Aggressive move into the institutional business

We want to become market leaders once again for institutional clients – not only as far as managed assets are concerned, but also in terms of quality. In 2006, we set ourselves a course for achieving this aim. The institutional business was restructured and the product range extended.

Our product offering for institutional investors ceased to be restricted to special funds a long time ago. The trend of the past few years has been towards specially developed public funds. The new Investment Act and the development towards multi-asset funds support this.

Examples of these are special money market funds with a yield that can be planned at the inter-bank level, tax optimised investment types, global currency funds with the involvement of the emerging markets and commodities funds. We offer these products to institutional investors as additional direct investments or as a mixture within a special fund, which is then further diversified. The benefits for the customers lie in the wider diversification of the portfolio, leading to a more stable performance trend.

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Is there anyone who wouldn't like to know at the beginning of the month the yield they will earn at the end of the month? The Deka-GeldmarktPlan makes this wish come true even for fund investors. With this innovative product we have become the first investment company to introduce a money market fund for private investors, which publishes a target yield that is valid till the last trading day of the month. This unusual yield prediction is not only new, it is also meaningful: the new fund is not afraid of the conditions of call money accounts. Simply **First Choice**.

More innovative. With new products.

Simply being standard is not enough if we want to get ahead of the competition. In order to be first choice for investors, a fund provider has to offer added value as well. This includes recognising new trends on the market and delivering the relevant innovative products at the right time. We are able to offer a listening "ear to customers" via the savings banks and *Landesbanken*. Local branches know the investment requirements of their customers best. In most cases, our basic products – for example, funds of funds or the big flagship funds – provide the right solution. But there are always special points to do with making it easier to plan income perhaps or optimising deposits with regards to tax, for which innovative responses are needed. Our challenge is to develop the right products to respond to these requirements and to make these available to our sales partners.

Foreseeable yields – with Deka-GeldmarktPlan

For investors who are driven by the need for security and who want to know in advance the return on their investments, conventional investment funds have a shortfall: the yield of the investment is not known until the shares are sold. In order to be able to submit a proposal tailored to suit the needs of this customer group, we introduced the Deka-GeldmarktPlan fund to market in 2006. The innovative part is that we publish the target yield in advance. At the beginning of the month the expected net yield for the whole month is published on the website www.deka.de. In this way, fund investors are able for the first time to calculate the return on their investments in advance. The Deka-GeldmarktPlan is also interesting from the point of view of alliance politics: products like this contribute towards the increase in the acquisition of financial assets in savings banks and towards more financial assets being acquired for the *Sparkassen-Finanzgruppe*. This means that the savings banks can offer their customers a suitable alternative to what the direct banks are offering and counteract the process of erosion in passive products.

In focus: Tax-optimised products

Another investment area in which we are offering innovative solutions is tax-optimised funds. The higher the tax burden, the more interest the investor will have in low-risk investments, which provide the prospect of an attractive yield even after tax. One such tax-optimised product is the Deka-OptiCash fund, which was issued in 2006 and is close to the money market. The income from this fund is predominantly tax-free. Here too we publish the yields on a monthly basis in advance. Deka-OptiCash is very attractive not only for private investors, but also for the own assets of the savings banks and other institutional investors. Such a product is particularly significant at a time when there is no clear interest rate trend to provide direction to the bond markets and the interest curve is flat. In this way, without having to expose himself to a maturity risk, the investor can achieve a relatively high yield without having to give up much to the tax authorities. The concept is supplemented by the new Deka-OptiRent-Laufzeitfonds, with which the investor can budget for a yearly post-tax yield of around 3 per cent by the end of 2007 or 2009.

Investing with a safety buffer

Apart from the slide in rates in the early part of the summer, 2006 was a good year for equities, even though it was constantly accompanied by the fear of increasing interest rates and energy prices. Potential investors who were watching equity investments expectantly – not least because of such considerations – found themselves in a dilemma in view of the advanced market trend. Deka has developed an innovative plan for them with the Deka-Discount-Strategie 2013, which can achieve positive returns in various market phases. This means that investors can realise during the seven-year term of the fund an overall performance of around 50 per cent. If stock prices have fallen by 10 per cent by the maturity of the fund, a profit of around 35 per cent will still have been achieved. Even prices falling by up to 33 per cent do not lead to a loss with the Deka-Discount-Strategie 2013.

Successful guarantee funds

For investors who seek to exploit the returns of equity markets but do not want to subject themselves to any risk of loss at the end of the investment period, we have developed guarantee funds, which have enjoyed great success for several years. In 2006 we extended our product offering in this sector with some interesting investment concepts.

For example, the Deka-KickGarant, which was issued in two tranches to coincide with the football World Cup, works on the idea of several "fund teams", which compete for the best performance from a defensive, mid-field and offensive position. At the end of the term in 2013, the investor will take a share in the result of the most successful "team" and will at the very least receive their invested capital back again. Deka-KickGarant I and II could collect a total of around €600 million within the subscription period of four weeks for each.

Deka-Best of Garant 10/2013, which invests in a basket of various Deka investment funds, follows a similar concept, whereby in each year of the duration the performance of the best fund is guaranteed for the investor.

Deka-SpreadGarant 12/2013, which was launched in December, takes up the "globalisation" theme in an innovative way: with the help of derivative instruments, it invests in the various trends of the profits and losses of globalisation – the so-called spread. Here too, the investor will be paid back at least the invested capital at the end of the term of the investment.

Globalisation mega-trend

The increasing interlinking of the global economy has developed into a complex investment topic. This includes ecological aspects such as the growing need for renewable energy sources and the increased demand for environmental technologies. This is where the Deka-UmweltInvest equity fund, which we set up at the end of 2006, comes in. The fund selectively invests in the future issues of water, renewable energy sources, environmental protection and climate change.

Another new equity fund, Deka-Commodities, acts on another topic linked with growing global demand – "commodities". With Deka-Commodities, we have become one of the first companies in Germany to offer fund investors the opportunity to benefit from the extensive growth opportunities of the commodities markets: via investments in derivatives such as options, forwards or swaps in commodity sub-indices. In this way investors can take part directly in the price growth of commodities markets while taking advantage of falling commodity prices, unlike with commodity equities.

Deka-GlobalChampions, which was also launched in 2006, focuses on the winners of globalisation. This equity fund is not restricted to the largest companies in the world, but can also invest in smaller assets while also investing in securities from emerging markets. By focusing on globalisation and through strategic orientation on both developed markets and emerging markets, Deka-GlobalChampions stands out from traditional global equity funds.

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Even as a company not listed on the stock exchange, DekaBank operates based on recognised and responsible corporate governance principles. As such, there is a member of the Board of Management who has overall responsibility for each of the three business divisions as well as for sales as a central key function. This principle of departmental business management is not only responsible for allowing a clear division of responsibility. The benefits in terms of transparency and clarity smooth the way for the implementation of **First Choice**: with short paths and clear responsibilities.

Clearer. Through transparent structures.

"First Choice Deka" also means that clear responsibilities are defined within DekaBank Group. The DekaBank Administrative Board and the Annual General Meeting set the course in this respect in 2006 and have adopted the new Corporate Governance principles. This develops clear, distinct responsibilities for boards and committees and therefore makes the management of the Bank and its subsidiaries easier. In addition, it enables clear and simple decision-making and brings DekaBank closer to its sales partners.

Sustainable concept

The previous management model can be traced back to the merger of Deutsche Girozentrale and DekaBank GmbH at the end of 1998. The historic structure has now been further developed into a concept that is sustainable for the future. Standards established along the way, such as the German Corporate Governance code, were also taken into account. The new concept makes allowances for the information and transparency obligations that arise in the banking and fund business – including the increasing number of voluntary commitments such as the ethics rules of the BVI (German Association of Investment and Asset Management), which also includes provisions on corporate governance and supervision.

Increased specialisation

A cornerstone of the new DekaBank corporate governance model is the increased specialisation of bodies and committees in their own supervisory or advisory functions. Thus external company monitoring is centrally handled at group level by the DekaBank Administrative Board. This is supported by two committees: the General Committee, which is primarily concerned with strategically relevant topics, and the Audit Committee, which specifically deals with financial statements and risk management.

New structure for Supervisory Boards of Subsidiaries

In parallel with the centralisation of external supervision at group level, in 2006 the Supervisory Boards of Deka Investment GmbH, Deka Immobilien Investment GmbH and WestInvest GmbH were each reduced to three members and staffed internally exclusively by members of DekaBank's Management Board.

The member of the Board of Management in charge of the business division to which the subsidiary is assigned, takes over as head of the relevant committee. Due to national legal standards, further members also continue to sit on the Administrative Boards of DekaBank Deutsche Girozentrale Luxembourg S.A., Deka International (Ireland) Ltd and Deka(Swiss) Privatbank AG.

Newly established advisory boards

In addition to the supervisory bodies, advisory committees were also set up in 2006. On 1 July four advisory boards were set up, which replaced the previous fund committee and are focused on various sectors of the investment fund business: Asset Management Capital Markets Retail, Asset Management Capital Markets Institutional, Asset Management Property and Retirement Provision Management.

Up to 18 Directors from institutes of the *Sparkassen-Finanzgruppe* belong to each of these committees. The experts advise the DekaBank Board of Management on the basis of their own area of expertise in the further development of products and services. In this way, we are boosting the advisory function of savings banks and *Landesbanken* and use the expertise and promiximity to markets and customers of the committee members in order to optimise our product offering while closely interlinking this product offering with the requirements of our sales partners.

Clear responsibilities

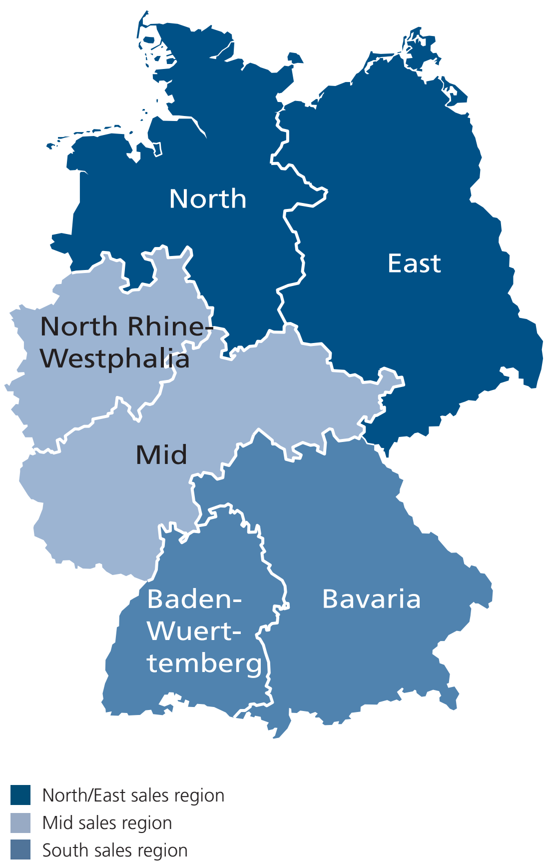
The Corporate Governance concept has also brought innovations to the DekaBank Board of Management. A model based on the principle of management per division has replaced the department model. In accordance with this principle, a member of the Board of Management takes the chair in the management of the business division allocated to him. In this function, the member of the Board of Management takes overall responsibility for all units and subsidiaires in the business division and also chairs the Supervisory Board of the relevant subsidiary.

In this way, skills and responsibility are geared first and foremost towards functions. This applies not only to the Board of Management, but also to all other management levels of the DekaBank Group. The clear allocation of responsibility makes the management of business divisions considerably easier.

Changes to regional fund committees

The composition of the regional savings banks fund committees has been adapted to the new division of sales regions. At the beginning of the new term of office on 1 January 2007, two regional savings banks fund committees become active for each of the regions North/East, Mid and South Germany – one for larger and one for small and medium-sized savings banks. These committees advise DekaBank on sales-related topics and thereby complement the work of the advisory boards, which concentrate on advice on product and production-related queries.

Sales regions



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In order to be **First Choice**, we have made radical changes to our structure. All activities of the DekaBank Group are now grouped into three business divisions: Asset Management Capital Markets, Asset Management Property and Corporates & Markets. In addition, there are Savings Banks Sales and seven Corporate Centres for internal services. This structure ensures significantly streamlined business procedures. Our plans are bearing fruit: as far as the operational transformation of the Group reorganisation is concerned, we are even ahead of our own schedule in some areas.

More effective. With three business divisions.

As the main asset manager for the *Sparkassen-Finanzgruppe*, we have a clear responsibility: to offer the savings banks and their customers the best products in asset management. We can however only ensure that we remain long-term favourites of sales partners and investors if we are in a position to make suitable high-quality products available quickly.

In order to achieve this, experienced staff with clearly defined and distinct tasks are required. Each task must only appear once in the Group if these staff are to be able to function effectively. With this in mind, we reorganised the management structure of the DekaBank Group in the financial year and organised the layout of the business divisions accordingly. We have agreed obligatory targets for the Group and business divisions and introduced a new strategic management process.

Concentration into three business divisions

The core focus of the reorganisation was the definition of three business divisions:

- Asset Management Capital Markets
- Asset Management Property
- Corporates & Markets

Market-oriented duties spanning business divisions were allocated to the Savings Banks Sales force. The total of seven Corporate Centres are responsible for duties spanning business divisions that are not market-oriented.

The main duty of the business divisions is to provide precisely tailored products of a consistently first-class quality to fit the requirements of our sales partners and their customers. The intermediary function with savings banks and other alliance partners falls to sales and is the link between production and use. The Corporate Centres fulfil cross-sectional functions for the whole Group with their special know-how.

Strong base: Asset Management Capital Markets (AMK)

With eight companies – five investment companies and three banks – AMK is our largest business division and has locations in Germany, Luxembourg, Ireland and Switzerland. In a total of 297 public funds, 517 special funds and numerous master capital investment, advisory and management mandates, the experts in this business division look after assets of around €143 billion.

Deka Investment GmbH manages public and special funds including our oldest fund, the DekaFonds issued 50 years ago, in accordance with German law. The sister company Deka FundMaster Investmentgesellschaft mbH is responsible for institutional mandates as a master capital investment company.

Funds under Luxembourg law are managed by Deka International S.A and International Fund Management S.A. – both being subsidiaries of the DekaBank Deutsche Girozentrale Luxembourg S.A. Our subsidiary in Dublin, Deka International (Ireland) Ltd, issues funds under Irish law.

In the lead: Fund-based asset management

An important business subdivision of AMK involves structured investment concepts such as funds of funds and fund-linked asset management. DekaBank Group is the clear leader in this market, and not only in terms of assets under management – €42.8 billion at the end of 2006. Our products regularly are leaders in relation to performance as well. For savings bank customers, funds of funds in the DekaStruktur series are amongst the most widespread basic investments.

Fund-linked asset management has developed into a particular success story, in which we were one of the pioneers in the German market. In addition to the Ṡ DynamikDepot, which is managed by DekaBank in Frankfurt and administrated by our Luxembourg bank subsidiary, Deka (Swiss) Privatbank AG offers the Schweiz PrivatPortfolio and the Swiss Vermögensmanagement as a premium product.

Market with a future: retirement pension management products

Also part of the AMK business division is the wide spectrum of products on the market for private and company retirement pensions – including state-aided products. Demographic growth in Germany raises many questions and problems for statutory pension insurance schemes. Supplementary old-age provision – whether private or company schemes – is therefore becoming more and more important. The market for these products will grow at an above average rate in the next few years and the *Sparkassen-Finanzgruppe* occupies a very good starting position in order to successfully dominate this area. Our work is supported in this field by the Retirement Provision Management advisory board set up in 2006, to which experts from savings banks and *Landesbanken* belong.

The Deka-BonusRente, our fund-based product for state-aided private retirement pension plans, attracted around 55,000 new customers last year. We have various products on the market for state-aided corporate retirement pensions, which are mainly marketed by savings banks to their corporate customers. Our product offers such as the financing of pension obligations and our product basis for working time models and guarantee of partial retirement also saw positive development in 2006.

New development: Asset Management Property (AMI)

In 2006 we restructured our basic business activities in the AMI business division. These include the management of open-ended public property funds, special property funds and individual property funds through the subsidiaries Deka Immobilien Investment and WestInvest. This business division also handles the portfolio management of the Group's own real estate and from 2007 property financing as well. In addition, AMI is the centre of excellence for all potential business activities linked with property. In 2006, for example, we saw the preliminary work on the introduction of Real Estate Investment Trusts (REITs) in Germany. With our property-based products we address various different target groups. We have dedicated open-ended public property funds to the investment requirements of private investors. For institutional investors, who provide for larger movements of capital in the funds, we offer special property funds and individual property funds. The latter are managed in the legal form of an incorporated company and are not subject to the provisions of the German Investment Act.

New formation: Corporates & Markets (C&M)

The C&M business division groups together the Group's credit business, sales and trading activities in the capital market area as well as refinancing. As a professional credit manager and efficient trading unit of the Group, C&M therefore undertakes – in accordance with DekaBank's goal as Asset Manager of the Savings Banks Organisation – to provide the Group and its customers with adequate services. In order to achieve this, Corporates & Markets makes available a competitive palette of innovative capital market and credit products.

faster.
closer to the customer.
more innovative.
clearer.
more effective.
stronger.

In order to get ahead with its products and services, a company needs employees with an above-average level of commitment and qualifications. To provide our new generation with expert training, we have created the new "Investment fund sales person" course. And in doing so we have already set standards: The Bundesverband der Verkaufsförderer und Trainer (German association of sales promoters and trainers) awarded the DekaBank training with the International German training prize in the category of support for new staff. For people who are just starting their career and who want to join the world of investment funds, DekaBank has now become **First Choice**.

Stronger. Through personal commitment.

"First Choice" – as the name itself suggests – is linked to values and valuations. After all, anyone who has to make a choice must first evaluate the available alternatives. And wherever values come into play, the "human factor" is the decisive factor. People give a company its face – each and every one of us. The employees of DekaBank and its subsidiaries have really made their mark on the year 2006. They have injected life into "First Choice Deka" – a strong achievement, for which we would like to thank ourselves. And our thanks for committed and constructive cooperation also go to the Staff Committee and the equal opportunity commissioner.

Performance-related pay

Strong performance should be recognised accordingly, and this also applies to the employees of the DekaBank Group. With the introduction of the target system agreed the previous year and performance-related pay, the Bank lay the foundations in 2006 for a modern bonus system, which is based on the business success of the company and on the individual performance of its employees.

The first experiences of this show that the new system promotes a focus on results at all levels of the company and offers both managers and employees transparent, traceable evaluation criteria for determining the bonus.

Demographic growth in the focus of the personnel policy

Demographic growth – especially in industrial countries – presents new challenges to a company's personnel management system. Not only is society growing older, but the average age of employees in companies will also increase in years to come. DekaBank is preparing itself for this change and is developing analysis and control instruments for personnel policy, which anticipate the effects of the demographic change and counteract the potential negative trend in a targeted way. As well as focusing on life stages, special attention is paid to a better balance between work and family life. The Bank is taking ideas from the current discussions on this topic and is actively promoting debate in society. An example of this is the Deka Personalforum 2006, an event organised by DekaBank to exchange experiences on the question "The demographic factor: things are not half so bad – or is there really a problem?". Well-known experts on politics, science and economics lectured on this topic in front of 120 participants, including a number of directors of savings banks and alliance companies, and discussed how companies can prepare themselves for the upcoming revolutions.

Company retirement pension schemes: Becoming increasingly important

Financial provisions for retirement is one of the top topics in current societal discussions. All the experts agree that a fully functional pension system must be supported by several strong aspects. Therefore the basic conditions for the second "pillar", company retirement pensions, have gradually been improved in Germany over recent years.

One example of this is deferred compensation. The DekaBank Group offers its employees based in Germany several different options for converting parts of their salary into a company pension, thereby complying fully with legal requirements. Since 2006, Sparkassen Pensionskasse AG (savings banks pension plan) products can also be used for this. Employees of the DekaBank Group are informed and explained at length via individually formulated sessions on pensions and via regular events on the topics of statutory pension insurance, private and company retirement pension schemes.

Training: Innovation and retaining junior staff

In order to continue to be "First Choice" in the future as well, DekaBank attaches great importance to the training and further training of its employees. It has taken a pioneering role in the development of the new investment fund salesperson profession, which requires training and is specially adapted to suit the core skills of capital investment companies and therefore ensures its own new generation of professionals. In January 2006 the first investment fund salespersons took the Chamber of Industry and Commerce exam – with excellent results. The great news is that we could offer an in-house permanent position to all 20 investment fund salespersons.

The quality of professional training at DekaBank is excellent when compared with the rest of the market, as is confirmed by the fact that the Deka concept was presented with the International German training prize in the category of support for the new generation by the Bundesverband der Verkaufsförderer und Trainer e.V. (BDVT or German association of sales promoters and trainers). In total the DekaBank Group provides training in seven professions. The trainees who show particular commitment and talent are rewarded with the opportunity of studying at the University of Applied Sciences or the Frankfurt School of Finance & Management as part of their job.

DekaBank has also provided considerable impetus in the introduction of "Investment specialist" part-time further training. This is directed at trainees who have finished their standard training, as well as at people who are changing careers and who specialize in the subject areas of investment funds, portfolio management, sales and marketing, fund control and risk management and can build on their training up to a Masters study course.

Management development

Another anticipatory personnel policy at DekaBank involves the early preparation of current and potential managers for ongoing duties and responsibilities. Experienced managers are especially prepared for further management roles on the basis of an individual development diagnostic and a personal development plan. As part of personnel risk control, the succession planning initiated in the previous year was carried out Group-wide for the first time in 2006 for the first and second levels under the Board of Management.

Ethics code boosts responsible trade

DekaBank relies on the trust of its customers and shareholders and on the publicity of its performance and integrity. This trust is considerably influenced by the behaviour of its employees, who must adhere to high ethical standards. The Bank therefore developed an ethics code during 2006, which is binding across the Group for all employees, managers and the Board of Management. In addition, the Bank has nominated an independent ombudsman. All employees can turn to him if they are confronted with legally questionable or dishonest acts in their job environment.

Our employees: "First Choice" for us

Faster, closer to the customer, more innovative, clearer, more effective and stronger: this is what the employees of the DekaBank Group stand for. And that's why they are "First Choice" for us.

Group Management Report for 2006

Being first choice for a growing number of customers by offering first class products and services. Ensuring our position as exclusive partner of savings banks and *Landesbanken* (regional state banks) with the optimum interplay of strategic business divisions and ongoing sales. Adding considerable value to the business through focused exploitation of all potential for earnings and efficiency improvements. These objectives are all part of "First Choice Deka" – our motto for the initiative programme for the Group's strategic and organisational refocusing, which was launched and largely completed during 2006.

We have already come a long way to improve DekaBank's performance and efficiency. Our funds and asset management products are very well positioned in the market in terms of both quality and performance. Indeed, we enjoyed particular success with our guarantee funds in 2006. DekaBank has developed tailored, innovative solutions for the changing requirements of private and institutional investors. We managed to stabilise the Deka-ImmobilienFonds considerably more quickly than planned while meeting the requirements for a profit-focused market position in property finance. Furthermore, at the end of 2006 we began the process to combine our expertise in liquidity, credit and risk management, capital market trading and sales and refinancing in the new Corporates & Markets business division while aligning them with the specific requirements of foreign and domestic customers.

The refocusing is designed to meet ambitious targets for increasing value. We want to achieve a higher return on equity over the next few years and bring down the cost-income ratio. During our special anniversary year – 2006 marked the 50th anniversary of the foundation of Deka Deutsche Kapitalanlagegesellschaft and the launch of the first fund as well as the 75th anniversary of the Bank's legal independence – the various measures already began to bear fruit. DekaBank Group closed the financial year with a pre-tax profit of 447 million euros – an increase of around 6% on the previous year. Net commission income of 883 million euros was the highest in the company's history.

Strategy and structure of DekaBank Group

DekaBank is the main provider of fund services to the German *Sparkassen-Finanzgruppe* (Savings Banks Finance Group). As the asset manager of choice, it aims to achieve sustainable added value for shareholders, sales partners and customers through excellent products and services and by boosting cost efficiency and profitability. In addition to asset management, DekaBank's services extend to credit business, capital market trading and sales activities as well as financing.

DekaBank is a German public institution with registered offices in Frankfurt and Berlin.

It functions as a central institution of the German *Sparkassen-Finanzgruppe*. The Deutsche Sparkassen- und Giroverband (DSGV ö.K.) (German Savings Banks and Giro Association), and eight *Landesbanken* are guarantors of DekaBank. DSGV and *Landesbanken* both hold 50% equity stakes in DekaBank; the shares of the *Landesbanken* are held directly by GLB GmbH & Co. OHG (49.17%) and NIEBA GmbH (0.83%).

The main subsidiaries and investments of DekaBank include capital investment companies in Germany, Luxembourg and Ireland, banks in Luxembourg and Switzerland as well as further investments including land and property management companies.

Strategic refocusing: "First Choice Deka"

For the DekaBank Group, 2006 was very much shaped by the strategic refocusing and the resulting adaptation of group structures. The initiatives brought together under the "First

Choice Deka" motto have the primary objective of expanding our partnership with savings banks and *Landesbanken*, creating added value for the alliance partners in the *Sparkassen-Finanzgruppe* through excellent sales and service performance, and achieving a long-term position for the DekaBank Group as an exclusive partner. The close integration of the business divisions with the retail business of the savings banks should allow the full potential of the Savings Banks Finance alliance to be exploited. Building on the exposed market position of the savings banks, DekaBank Group seeks to win market share in areas that have been underrepresented until now such as retirement pensions in particular. This will be accompanied by a targeted strategy of internationalisation.

In order to achieve these objectives, DekaBank has set itself at all levels of the Group six underlying principles. This means that for any strategic and operative measures we take, we will apply the following:

- Rapidity and innovation
- Strict focus on process
- First-class product quality
- Constant customer-focus
- Clear earnings orientation
- Solution-focused and transparent teamwork.

Achieving sustainable structures

The new organisation structure finalised in May 2006 reflects the strategic refocusing promoting a close relationship of the Bank with its partners in the *Sparkassen-Finanzgruppe*.

A core element was the definition of three business divisions – Asset Management Capital Markets, Asset Management Property and Corporates & Markets – of the Savings Banks Sales, which spans across all business divisions and a total of seven Corporate Centres.

The reorganisation was accompanied by new Corporate Governance principles for group management and supervision. It has set clear and distinct responsibilities for boards and committees and promotes rapid decision-making.

The Board of Management takes overall responsibility for managing DekaBank. In 2006, the number of Board members rose to six. These members are supported by management committees of individual business divisions and savings banks sales. The objective is to ensure all businesses work closely together, which should also result in improved investment management.

DekaBank also integrates the expertise of the Savings Banks Organisation in its decision-making via several advisory boards and sales committees.

The main supervisory body is the Administrative Board, which consists of 30 members in accordance with the Bank's statutes. In order to increase effectiveness, the Administrative Board has formed two expert committees: the General Committee and the Audit Committee.

Business divisions, markets and products

Asset Management Capital Markets (AMK) business division

Asset Management Capital Markets (AMK) is the largest business division of DekaBank Group based on operating income. AMK focuses on the capital market-driven management of currently 297 public funds and 517 special funds as well as 52 funds of funds and fund-linked asset management. Business activities cover master capital investment companies and fund administration, sales to institutional investors as well as services concerning custodial management for the Deka investment funds and for the funds of our partners.

AMK enjoys an excellent market position: In terms of fund volume, DekaBank is by far the market leader for structured investment concepts led by the Deka funds of funds and fund-linked asset management with the main DynamikDepot product. For public funds and special funds, the management of which is grouped together in Deka Investment GmbH, we are currently in third place. In total, we manage more than 5 million customer deposits.

AMK aims to offer each investor a type of investment, which is precisely suited to his individual return vs. risk 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 sale. In addition to the funds and structured investment concepts of the DekaBank Group, the product range also covers product offerings from well-known international partners. The sale of public funds is performed by the savings banks, while the realigned institutional business, which includes operational retirement pensions, is also handled through additional sales channels.

The newly formed AMK business division has set itself some demanding strategic objectives. In close cooperation with the savings banks and *Landesbanken*, it concentrates on its sales and product skills and aims to significantly increase sales figures of the funds. In order to achieve this, classic and alternative investment instruments must be even more closely linked than before. New, tailored product lines, which allow for the relevant earnings and risk profiles, are being created especially for institutional customers such as local authorities. These should supplement the established special funds and asset-management concepts, through which institutional investors can already access a wide repertoire in a variety of asset categories.

Asset Management Property (AMI) business division

The Asset Management Property (AMI) business division was formed towards the end of 2006. AMI covers all the property business activities of DekaBank Group. The division pursues a two-brand strategy in the market: Deka Immobilien Investment GmbH, Frankfurt, and WestInvest Gesellschaft für Investmentfonds GmbH, Düsseldorf, structure property funds with the objective of achieving an attractive return for private and institutional investors.

The product spectrum currently encompasses public property funds, special property funds and individual property funds. In addition, the proprietary property division has already been integrated in the business division in 2006 and property finance will be integrated from the beginning of 2007.The main focus of property asset management includes the purchase, professional management and sale of commercial property suitable for third party use in liquid markets. In open-ended public property funds, Deka Immobilien and WestInvest are market leaders in Germany with a joint investment capital of approx. 16.8 billion euros, distributed among 313 properties in Germany and abroad.

Institutional investors essentially have access to special property funds, open-ended public property funds and 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 form. An investment volume of more than 300 million euros is allotted to the two currently-managed individual property funds. Another open-ended public property fund, WestInvest ImmoValue, is available for the proprietary investment of the savings banks.

The management of the properties used by the Group units – independently of whether these are rented or owned – is incorporated in the unit Own Properties. The management of landed property according to demand also covers facility management.

The property finance subdivision, which concentrates on the financing of larger property investments for professional investors, is currently extended. Commercial or residential property suitable for third party use is financed in liquid property markets. The business focus is currently still concentrated on Germany and the USA but it should extend to other markets as from 2007. We will use syndications, securitisations and fund constructions to convert property credit into attractive assets for institutional investors.

Corporates & Markets (C&M) business division

DekaBank has grouped together its previous business divisions known as Corporate Banking and Capital Markets as well as sales from the Financial Services business division in the new Corporates & Markets (C&M) business division. This division is responsible for the lending business, trading and sales activities in the Capital Markets division and for funding. This grouping leads to considerably more efficient structures and procedures.

The focus of activities in the loans subdivision is the process of origination. Loans are generated through the consortium business or foreign direct customer business. These loans are either taken over by DekaBank in its proprietary accounts or transferred to third parties via syndication and securitisation. Within the core asset classes, a distinction is made between special financing (Structured and Leveraged Loans business sector), financing for transport, export and trade (Transport and Trade business sector) and financing of infrastructures (Public Infrastructure business sector).

In the Liquid Credits subdivision, DekaBank acts as an active portfolio manager for structured capital market products and therefore acts as both investor and structurer. This subdivision also further contributes to the active management of the Group's economic capital. The management of the default risk portfolio takes place as part of the group-wide credit risk strategy and the risk profile defined therein.

The Markets subdivision is responsible for the DekaBank customer-focused capital markets business. We manage the funding of the entire banking business as well as the interest and liquidity positioning – in each case respecting the prescribed market risk limits – through the "ALM/Strategic Investments" and "Funding/Liquidity Management" Treasury divisions. A future focal point will be on structured issues. The new organisation of the Markets subdivision will in particular guarantee a clear segregation between the control function of these two treasury units and trading execution. Further core elements of the refocusing are the division of interest and liquidity risk control as well as the transfer of these risks to the trading books.

With regard to trading activities, the main focus is on the construction of the repo/lending business and the organic development of the derivatives business according to the requirements of DekaBank Group's capital investment companies. Product and market-specific trading strategies have been defined for the three risk areas – Short Term Products (money market and foreign exchange trading, repo/loans), Trading Debt (fixed income, credit spreads and interest derivatives) as well as equity trading. The objective of the trading units is to generate income through intelligent and innovative products rather than by building up risk positions. The expertise of the Trading Desk also forms an important basis for successful sales activities.

The newly structured factoring business strives to optimise execution for customers and the capital investment companies of the DekaBank Group as well as related services. The service offering is due to be extended step by step.

As part of its sales activities, DekaBank carries out derivatives and securities transactions on various national and international markets for savings banks and banks, capital investment companies, local authorities and other institutional investors, while providing consultancy services relating to these activities.

The Credits and Liquid Credits subdivisions were basically created from the previous Corporate Banking business division, whilst the activities in the Markets subdivision can to a great extent be traced back to the previous Capital Markets business division. The property finance division, from 1 January 2007 part of the AMI business division, is still shown as part of Corporate Banking for 2006.

Savings Banks Sales and Corporate Centres

All business divisions work closely with the savings banks sales division, for which a particular Management Board member is responsible. In addition to the central marketing and sales management, the business is divided into three main regions of Germany (North/East, Mid and South).

In addition, the business divisions are supported by a total of seven Corporate Centres with clearly defined core skills, business objectives and control objectives (fig. 1).

Management system at DekaBank Group

DekaBank's strategy, recently formulated as "First Choice Deka", is represented by ongoing financial and non-financial targets.

Financial performance indicators

DekaBank's corporate value is set to increase due to a sustained increase in earnings. The profit target of the DekaBank Group is broken down by individual business divisions. Targets for growth are also defined. DekaBank seeks to increase its assets under management as well as its combined performance in cooperation with its partners in the German *Sparkassen-Finanzgruppe*.

All targets are established taking account of sustainable risk. The key figures used are cost-income-ratio and return on equity.

Non-financial performance indicators

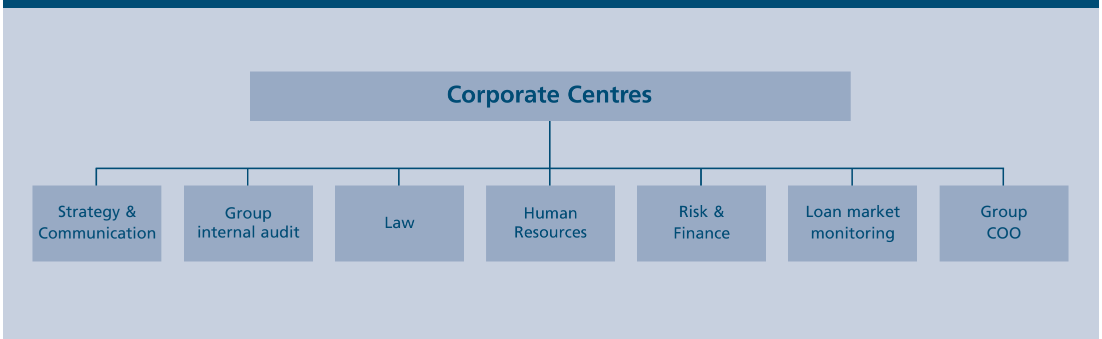
Non-financial performance indicators are presented differently in the business divisions and corporate centres and have an effect on the financial performance indicators. The higher-ranking objective in the AMK and AMI business divisions is to achieve sales success through excellent product quality and through the resulting good rating. In the C&M business division we want to achieve success in all the main markets through innovative products and consistent focus on customer requirements.

Performance indicators in business divisions and corporate centres

A major financial performance indicator in the AMK business division is assets under management. Significant non-financial performance indicators in AMK are above all market share and product performance. We are striving, inter alia, for a higher market share in the public mutual funds and special funds sectors. In addition, we would like to increase the share of top-rated funds and the number of outperformers. Market-driven product performance on the basis of an outstanding product quality along with positive sales performance bolster assets under management, which in turn underpin commissions based on the portfolio value.

Major financial performance indicators in the AMI business division are assets under management and transaction volumes. We earn transaction fees through active portfolio management (acquisition and sale of property) carried out by our capital investment companies. With the integration of property financing, AMI will continue to generate stable income from interest and fees from these property-based activities. As for AMK, market share and product performance are the core non-financial performance indicators, which also have an indirect financial effect. AMI's objective is not only to maintain its leading role in property-based asset management, but also to enlarge it still further. We want to be able to measure the achievement of this goal not only in terms of assets under management but also and above all in the quality and attractiveness of our products for our alliance partners.

Corporate Centres (fig.1)



Income in the Corporates & Markets business division is derived from several core sources. As a traditional provider of finance, in the Loans subdivision DekaBank earns interest, which depends on lending volumes and the interest margin achieved. In addition, commission income is generated from the structuring of special financing and from the arrangement of credit securitisations (liquid credits subdivision). Moreover, DekaBank also acts as a capital market investor; in this case interest income depends inter alia on the market spread. In the Markets subdivision, commission income derives from client transactions, interest from cash investments and net financial items are included within total net profit. In terms of non-financial performance indictors, it is a matter of focusing the asset classes in the originating business into core segments, for example, as well as markedly increasing the share of off-balance financing via syndications or securitisations.

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

Business and profit trend

Economic environment

DekaBank's operations enjoyed a generally buoyant economic environment in 2006. The global economy picked up perceptibly, as did the economy in Europe and in Germany in particular. This in turn bolstered equity markets, which posted gains worldwide.

While the major indices were clearly up in Germany, this did not boost sales of equity funds either in DekaBank Group or the competition. Equity funds suffered massive outflows, whilst low risk products, in particular money market funds posted high growth. Ascending global property markets promoted the stability of our property funds. Several large portfolios as well as individual properties were sold in 2006.

Overall economic trends

The growth in the global economy gathered pace again in 2006 following a brief pause in 2005, which was partly caused by increasing oil prices. The global gross domestic product rose by 5.2% based on provisional figures, almost matching growth rates in 2004, which was a record high for the past three decades. The global economy is in the third wave of globalisation, which, driven by the Internet and new up-and-coming national economies – aided by the effects of the collapse of the Eastern bloc, is forging a more dynamic and at the same time more stable expansion of the global economy. The USA continues to be the most important driver of the economy. In 2006 the gross domestic product for the USA was slightly above the potential for expansion at 3.3%. In addition, the Asia region with the outstanding national economy of China is becoming increasingly significant. Emerging Markets already account for more than half of global economic growth.

The buoyant global economic environment has also given a push to the European national economies. In the twelve countries of the Euro zone, the gross domestic product enjoyed an above average growth rate of 2.7%. Economic growth in Germany was very strong: Germany experienced a real boom with the strongest growth in six years at 2.5% due to the one-off factors of the football World Cup and the pull-in effect of the three percentage points increase in value-added tax to 19%. It is noteworthy that not only consumers have increased their expenditure, but also employers have exploited the favourable economic situation for investments. This has lent considerably more substance to economic growth.

The European Central Bank raised the base rate in a total of five small steps, each time by 25 base points, to 3.5%. Against the backdrop of an inflation rate that in the meantime is clearly above target and an above-average economic expansion, these steps were intended to achieve a neutral interest level. The normal level can lie at 3.5% and has therefore been achieved. The US Federal Reserve has exceeded its normal level with a base rate of 5.25%. Overall the Central Banks have clearly emphasised that they are still taking the goal of stability seriously. This is an important basis for the sustainability of the current economic expansion.

Trends in capital markets

Bolstered by the buoyant growth of the global economy and by upbeat corporate news, major stock exchanges worldwide once again undergone a bull trend. Only in May and June 2006 did the stock markets pause marked by doubt and setbacks against a background of rising commodity prices and increasing interest rate uncertainty. This was subsequently seen to be a starting point for a renewed bull trend rather than the end of the trend. The broadly weakening commodity prices and the emerging end of the cycle of interest rate hikes in the USA led to relief and gave the markets new impetus. Therefore, in spite of some differences in details, overall, 2006 was very similar to the previous year. In comparison to the good results in the stock markets, trends in the bond markets once more offered fewer opportunities.

Of the dominant investment regions of USA, Japan and Europe, Europe performed the best – and the German market indicators were way ahead of the rest. German blue-chip equities (DAX) rose by 22%, second-tier stocks (MDAX) rose by 29% and technology shares (TecDAX) by 26%. This performance was surpassed in Europe only by the Spanish IBEX (+ 31%). The main drivers were the upbeat global economic climate, further increases in corporate profits as well as brisk activity in company mergers and acquisitions. Some markets managed to outperform capital markets of the major regions including Peru, China, Russia and India even if these are countries that have been favourites among experts for a while.

The upside of falling prices was rising yields. In the Euro zone, coupon income for all maturities just exceeded the average sufficiently to compensate for capital losses caused by the increase in yields. For more long-term securities this comparison turned out to be more unfavourable. Unexpectedly, the rise in yields was less significant in the USA and the price losses therefore more moderate. For investors in the Euro zone, the results of their US investments where however very disappointing, since the weakness of the US dollar against the Euro either materially reduced their earnings in respect of equities, or even converted them into a significant loss in respect of bonds.

For investors in funds, the bull trend on the equity markets – which has already entered its fourth year in succession – was not inviting. Quite the opposite in fact. Many investors took advantage of increasing prices to take profits. In 2006 classic equity funds had industry-wide net outflows of 5.6 billion euros. Part of this was reinvested in mixed funds and guaranteed funds. In the same period these products had net cash inflows of 4.5 respectively 4.4 billion euros. We see this adjustment as evidence of investors' high requirements for security. This is reflected even more in the demand for money market funds. This investment category received more than half of the total inflow of the industry with 10.6 billion euros out of a total of 18.6 billion euros.

According to *Deutsches Aktieninstitut* (German Equities Institute), fewer investors invested in securities in 2006 due to the overall positive market trend. The number of shareholders and unitholders in equity funds reduced in comparison to 2005 by 4.5% or 482,000 to around 10.3 million. Therefore at the end of 2006, only 15.8% of the population still owned equities or units in a fund. However, the race to catch up looks optimistic for the second half of the year – in particular for the owners of equity and mixed funds, whose number has increased since the middle of 2006 by more than 500,000.

In 2006, approximately 48 billion euros industry-wide flowed into special funds. In this market segment, the interest of many institutional investors was directed towards the services of the master and service capital investment companies. Companies with corresponding offers also recorded above-average net inflows for 2006.

The economic environment for the DekaBank Treasury and our underwriting business continues to be driven by the ongoing globalisation of markets, which in 2006 also led to buoyant growth in both products and issuers. For example, this trend could be observed in covered bonds. After numerous European countries change the law to allow their banks to accept this type of funding, the volume of issues of covered bonds rose significantly in Europe. In addition, the overhaul of the German covered bond law has liberated market entry to this segment so much that the number of domestic issuing bodies has also significantly increased in this market sector.

On the European level, the underwriting business has been affected by the implementation of EU prospectus guidelines. The continuing Europe-wide harmonisation of securities prospectus requirements has considerably increased the acceptance across national boundaries of securities prospectuses and promotes the internationalisation of the issuing business within the European market.

Trends in money and currency markets

For the currencies of the emerging markets, a mixed picture took shape for money and currency markets. The profits accrued in the first half of the year had largely reversed by the end of the year; in some currencies, the Euro even stood below the level of the previous year by the end of 2006. However, it recovered during the course of the year from its weakness against the US dollar of the previous year. The currency markets were largely affected in the past year by the commitments of big investors and hedge funds in the interest markets of some emerging market currencies. They were also influenced by the movements in commodities markets and the dependent commodity currencies.

Trends in property markets

Property markets worldwide

The continuing expansion of the US office building property market has been evident in continuing positive net absorption as well as decreasing numbers of vacant properties. The top rents for class A floor space in the best areas are increasing. The volume of transactions increased in all North American property investment markets. The pressure of available capital on the net cap rates, which serve as a reflection in the industry for property prices, continues to hold. In the best areas of Manhattan or Washington D.C. the top yields were at a historically low level of below 5%. In the Asia-Pacific office markets, the top rents increased considerably in cities such as Hong Kong and Tokyo. In particular demand exceeded supply of class A spaces in Tokyo, but in other locations as well the proportion of vacant property decreased. Even with the present low top yields of 3.5% for office buildings in Tokyo, the investment market remained lively given that the outlook for rent increases offset any worries about possible increases in interest rates.

European property markets

The turnover of office space in European commercial centres increased significantly in 2006 in comparison to the previous year. Vacancies were reduced due to the increased demand for property in the face of a reduction in the volume of new builds. London and Madrid in particular recorded a growth in rents; in most markets the extent of rent incentives remained high. The European property investment market posted a new record volume. Portfolio sales had considerable influence on the overall profit. The number of investments across national boundaries with the participation of global sources of capital continued to grow. For property with a secure income potential demand outstripped supply, which led to correspondingly high pressure on yields.

German property market

In the main German commercial property markets, vacancies have stagnated, while the number of vacant class A office space decreased. Top rents were maintained at a uniformly stable level, with moderate increases recorded in Munich and Hamburg. Retail space in A1 locations enjoyed high demand with stable rents. Due to portfolio sales in particular, the investment volume for commercial property continued to increase in comparison to the previous year, which was already very good. On the buyer side, foreign investors dominated with a share of over 80%. They benefited from the financial possibilities, which were still favourable in spite of increases in interest rates, as well as from yields that were higher than the rest of Europe. Domestic institutional investors are currently tending to be buyers. In 2006 open-ended funds bought German property valued at almost 10 billion euros.

Property funds sector

At the beginning of the year, the temporary closure of the three funds Grundbesitz-invest, KanAm US-grundinvest and KanAm grundinvest late in 2005 or early 2006 led to significant returns in open-ended public property funds, in particular in the Germany-focused funds. During the year, the sector was able to win back the trust of investors. The interest of institutional capital investors in special property funds is greater than ever before, as shown by surveys. It was only the lack of suitable property products that put a brake on the growth required by the market.

Business growth and profit trends of DekaBank Group

Main trends for DekaBank Group

DekaBank Group continued to improve its competitive position in key points in the 2006 financial year.

In the investment fund business, new business reached its highest level for six years. At the same time, important progress was made with regard to performance. Our guaranteed funds maintained their top position in the market and posted net inflows of more than 1 billion euros. Workflows in product management were optimised, which will in future lead to a significant acceleration in the development of new products. In addition, the refocusing of institutional sales was introduced.

Against the background of a favourable market environment for property investments, the stabilisation of the Deka-ImmobilienFonds was successfully completed in 2006, which was therefore considerably faster than planned. In spite of reduced fund volumes, DekaBank Group was able to maintain its leading market position. In the Corporates & Markets business division, we recorded a positive development in capital market investments inter alia. In the large credit sector we are increasingly successful in the capital market with complex credit structures.

Profit trend in the DekaBank Group

The Board of Management can reflect on satisfactory earnings for 2006. The net income before tax of 447 million euros exceeded the high value of the previous year by 24 million euros or 6%, in spite of expenditure for the stabilisation measures of the Deka-Immobilien-Fonds. The cost income ratio improved slightly to 60.3% (2005: 60.6%).

After income tax paid of 102 million euros (2005: 83 million euros) and a 10 million euro reduction in the revaluation reserve after tax (2005: –8 million euros), DekaBank Group posted 2006 overall profit for the period after tax of 335 million euros, which corresponded approximately to the value for 2005. The post-tax return on equity was reduced as a result of the increased equity capital base to 12.6% and remained slightly under the level for the previous year (14.0%).

The main value driver was once more net commission income, which posted a new high soaring 14% to 883 million euros. Net commission income therefore makes up three quarters of DekaBank Group’s total earnings. The main contributor to the positive trend was the AMK business division: defining factors for the significantly higher net commission income included sales successes in the fund-based asset management, but also higher portfolio-driven commission based on assets under management, which were higher on a yearly average.

Since 2006 net interest income includes net interest on non-trading positions stated at fair value, which in 2005 was stated under net financial income. Non-trading net financial income is now reduced by the corresponding value of net interest income. This reclassification was made to comply with IFRS 7 in advance of the latest deadline. We have adjusted 2005 P&L data in order to compare 2006 and 2005 on a like-for-like basis.

2006 net interest income decreased to 256 million euros (2005: 409 million euros) largely on account of lower operating income from Treasury, which was partly due to higher interest on debt in view of the rise in interest rates, and partly due to 2006 net interest income in Treasury being hit by position changes and an increasingly flat interest curve. A positive effect however was made by a higher customer term contribution in Corporate Banking.

Net movements to the provision for risk represented income of 2 million euros (2005: 36 million euros). The total transfers to specific country and bad debt provisions to cover future risks corresponded approximately to the value of provisions written back in respect of no longer necessary provisions.

The profit from trading positions was up sharply at 77 million euros (2005: 39 million euros) largely due to higher operating income from equity and currency trading. Net financial income on non-trading amounted to a loss of 40 million euros (2005: loss of 27 million euros). Whilst in 2005, the loss was attributable to material mark-to-market charges on strategic interest risk items stated at fair value, in 2006 the loss was due to purchases of Deka-ImmobilienFonds units in association with the stabilisation measures: the expected reduction in fund price following the 2005/2006 investment fund dividend, which was included in net interest income, was also reflected in 2006 net financial items, thereby accruing for the expected return of fund units in 2007.

Net income from other financial investments of approximately 23 million euros (2005: loss of 6 million euros), included in particular approximately 26 million euros of capital gains on the sale of a Group-owned property, undertaken as part of DekaBank Group's refocusing with the objective to optimise capital allocation. The equity released from this can be used for other growth areas.

Total DekaBank Group expenses amounted to 726 million euros (before restructuring expenses), up 7% over 2005 expenses of 677 million euros. This moderate increase is partly due to additional costs for the strategic refocusing included largely within personnel and other expenses.

Personnel expenses increased by 6% to approximately 302 million euros (2005: 285 million euros). This was partly due to an increase in the average number of employees during the year. This small headcount increase was principally focused on jobs required to carry out the strategic refocusing.

Other costs were up 10% on 2005 at 326 million euros, which was in part due to a sale of property owned by the Group in the preparation phase, and in part due to legal compliance costs. In addition, DekaBank increased marketing and sales expenditure, which should be seen in conjunction with the strategic refocusing designed to generate a long-term increase in turnover through an improved market presence.

2006 write-downs of around 73 million euros were slightly up on the charge for 2005 of 69 million euros.

Restructuring costs of 34 million euros (2005: 54 million euros) include funds allocated for the stabilisation of the Deka-Immobilien-Fonds of 123 million euros. This allowed the early completion of the reorganisation and refocusing of the fund. A further sum of around 20 million euros was allotted restructuring in conjunction with the refocusing of DekaBank Group. This expenditure was in part compensated by a capital gain of 97 million euros on the sale of a property, which DekaBank had acquired in 2005 for the further stabilisation of the Deka-ImmobilienFonds. In addition, the income of around 12 million euros from the write-back of an accrual for sales incentives, which was no longer needed, also had a positive effect (fig. 2).

Asset Management Capital Markets

In its largest business division, Asset Management Capital Markets, DekaBank Group has maintained its prominent position in the market. Not only were very high gross sales achieved in public funds, but also the performance of the main products improved in a market comparison. We have systematically extended the product range through numerous innovations and new, intelligent fund concepts. DekaBank was particularly successful with its fund-based asset management product range. We also achieved average growth for mandates from institutional investors, even if these remained behind market growth.

Public funds: Successful new business

New business in the investment fund business was very buoyant – a high since 2000, which was an exceptional year. Given the high value of redemptions of fund units, the net inflows of own public funds of 1.4 billion euros remained below the values for 2005 of 2.3 billion euros.

New business was boosted by our guaranteed products reflecting the current general requirement among investors for security, which were successfully launched on the market. In addition to the net inflows of equity and bond funds, which grew in line with the industry trend, all other asset classes posted sharp growth.

Consequently, money market funds were up 21% on 2005 at 13.1 billion euros, while guaranteed funds increased to 3.1 billion euros. Since 2006, a part of the funds which were issued in conjunction with fund-based asset management has been taken into account in the mixed fund asset class. In total, the assets of the public funds increased in 2006 to 90.4 billion euros. DekaBank Group's market share in the public fund sector increased in 2006 to 18.3% (2005: 16.5%).

Fund-based asset management retirement products, which are being adopted by an increasing number of investors, drove sales as in previous years. In 2006, a total of 4.4 billion euros was invested in our fund-based products. Fund-linked asset management received cash-inflows of some 2.3 billion euros and funds of funds over 2.0 billion euros. Most net inflows were invested in income-focused products (fig. 3).
In spite of the moderate growth in comparison to the exceptional year of 2005, in terms of volume DekaBank remained the market leader in

Profit trend (fig. 2)

	2006	2005	Change	
	€m	€m	€m	%
Net interest income	255.8	408.7	−152.9	−37.4
Risk provision	2.2	36.1	−33.9	−93.9
Net commission income	883.2	772.8	110.4	14.3
Income from trading positions	76.6	39.1	37.5	95.9
Financial income – non-trading	−39.6	−26.5	−13.1	−49.4
Income from other financial investments[1)]	22.5	−6.2	28.7	(>300)
Income from repurchase of own issues	−3.5	−70.9	67.4	95.1
Other operating income	10.2	1.3	8.9	(>300)
Total income	**1,207.4**	**1,154.4**	**53.0**	**4.6**
Personnel expenses	301.5	285.2	16.3	5.7
Other expenses	325.7	296.7	29.0	9.8
Write-downs	72.7	68.5	4.2	6.1
Other operating expenses	26.5	26.9	−0.4	−1.5
Restructuring expenses	33.9	53.9	−20.0	−37.1
Total expenses	**760.3**	**731.2**	**29.1**	**4.0**
Net income before tax	447.1	423.2	23.9	5.6
Income tax paid	−102.4	−83.4	−19.0	−22.8
Net income after tax[2)]	**344.7**	**339.8**	**4.9**	**1.4**
Change in revaluation reserve after tax	−9.7	−7.7	−2.0	−26.0
Overall profit for the period after tax	**335.0**	**332.1**	**2.9**	**0.9**

[1)] Includes net income from investments accounted for using the equity method
[2)] Before interest expenses for atypical silent capital contributions

Germany in the fund-based asset management product sector. The volume of the product line grew from 36.5 billion euros in the previous year to 42.8 billion euros in 2006 (fig. 4).

Convincing Performance

The package of measures implemented in 2005 to improve the funds' quality was successful. A persistently held investment principle, which follows the guidelines of transparency, measurability and responsibility, along with clear decision-making structures and the personal performance responsibility of fund managers, led to a significantly higher identification and noticeably better performance of products. Initiatives such as "Giving the fund a face" also contributed to a more stringent product and teamwork.

Whilst the bond funds, which were already well positioned, also fulfilled expectations in 2006, we achieved marked improvements in equity funds in particular. Our top equity funds designed to outperform our leading competitors largely met their objectives. With a gain of around 24%, DekaFonds exceeds the benchmark by over 2 percentage points and is way ahead in a market comparison. The globally oriented DekaSpezial fund has completed a long-term turnaround and with growth of 8% is also significantly above its benchmark. AriDeka has increased its attractiveness for investors with absolute growth of approximately 15% (one year) or 50% (three years), but is still behind some competitive products.

According to S&P Micropal, in 2006, over 50% of DekaBank equity funds came in the top

Net sales – public securities funds and fund-based asset management (fig. 3)

	2006 €m	**2005 €m**
Equity funds	-3,219	–3,333
Guaranteed funds[1]	1,077	
Bond funds	–402	5,367
Money market funds	2,127	4
Other funds	1,843	234
Public securities funds	**1,426**	**2,272**
Funds of funds	2,025	2,682
Fund-linked asset management	2,344	4,157
Fund-based asset management	**4,369**	**6,839**

[1] In accordance with *Bundesverband Investment und Asset Management* (BVI) principles, guaranteed funds (e.g. Deka-WorldGarant funds) are shown in the new guaranteed funds asset class as from January 2006.

Fund assets – public securities funds and fund-based asset management (fig. 4)

	2006	**2005**	**Change**	
	€m	**€m**	**€m**	**%**
Equity funds	31,687	33,170	1,622	5
Guaranteed funds[1]	3,105			
Bond funds	29,353	30,482	–1,129	–4
Money market funds	13,101	10,819	2,282	21
Other funds	13,121	1,331	11,790	(>300)
Public securities funds	**90,367**	**75,802**	**14,565**	**19**
Funds of funds	20,697	17,681	3,016	17
Fund-linked asset management	22,062	18,824	3,238	17
Fund-based asset management	**42,759**	**36,505**	**6,254**	**17**

[1] In accordance with *Bundesverband Investment und Asset Management* (BVI) principles, guaranteed funds (e.g. Deka-WorldGarant funds) are shown in the new guaranteed funds asset class as from January 2006.

two quintiles – i.e. the top 40% of all comparative funds, whilst the proportion of funds in the two bottom quintiles – the worst 40% of all comparative funds – continued to fall.

This upward trend was also reflected in the ratings of the funds issued by rating agencies. The number of funds with a top rating has grown considerably. The calculation of these ratings over several years takes account of earlier less good years. Over time we continue to strive for a further significant improvement in ratings.

Innovative product range

We have extended our product range offering for public funds with intelligent concepts such as tax-optimised products, money market funds with clear yield targets or innovative guaranteed funds. These pursue current capital market objectives and have attractive fund solutions while developing new product ideas. Examples:

- With Deka-Commodities the growth opportunities of the commodities markets can be directly exploited.
- Deka-KickGarant 2006 and 2006 II attracted strong interest during the football World Cup and generated cash inflows of more than 600 million euros within a few weeks.
- With Deka-Best of Garant 10/2013, a new concept was set up, which throughout its seven-year duration exploits equity and bond opportunities as well as the money markets and alternative investments.
- Deka-Global ConvergenceRenten invests worldwide in government and corporate loans in emerging countries and invests significantly in local currencies.
- Deka-OptiCash and Deka-OptiRent stand for tax-optimised fixed-term funds.
- Deka-GeldmarktPlan provides a competitive alternative to the products offered by direct banks for short-term investments.

Special funds: Moderate cash inflows

The performance of the special funds also continued to improve in 2006. However, DekaBank Group was below average in the sales growth of the entire sector.

In the special funds and mandates business, there was a clear trend away from classic special funds in favour of master capital investment company mandates and advisory/management mandates, which resulted in outflows of 6.8 billion euros for the special securities funds. However, these were offset by sales growth in advisory/management mandates (4.4 billion euros) and master capital investment company mandates (8.6 billion euros) (fig. 5).

The performance of managed volumes of special funds and mandates was in line with sales growth. While for classic special securities funds, the managed fund volume reduced from 42.0 billion euros to 35.2 billion euros, master capital investment company mandates saw a volume increase to 10.3 billion euros and the volume of

Net sales – special securities funds/mandates (fig. 5)

	2006 €m	2005 €m
Special securities funds	−6,831	−3,367
Master-KAG mandates	8,635	1,040
Advisory/management mandates	4,382	1,167

Fund assets – special securities funds/mandates (fig. 6)

	2006	2005	Change	
	€m	€m	€m	%
Special securities funds	35,196	42,037	−6,841	−16
Master-KAG mandates	10,316	1,332	8,984	(>300)
Advisory/management mandates	7,614	3,234	4,380	135

advisory/management mandates more than doubled to 7.6 billion euros (fig. 6).

Profit trend in the AMK business division

DekaBank's Asset Management Capital Markets business division posted earnings of 286 million euros, up 19% over 2005 earnings of 240 million euros.

Total income amounted to 682 million euros, up over 93 million euros compared with 2005 total income of 589 million euros. Income of the AMK business division consisted largely of commissions, which mostly comprised fees for administrative and custodial bank functions. Total income also includes custodial fees.

The positive trend is above all due to the sales success of fund-based asset management as well as the positive growth of our funds.

Expenses amounted to a total of 397 million euros (2005: 349 million euros) and in both years, the vast majority of expenses consisted of administrative expenses, which increased 9% to 369 million euros compared with 338 million euros in 2005. This increase is largely due to intensive activities undertaken for our sales partners. The increase of other expenses is due in part to the measures introduced in connection with the strategic refocusing in the AMK business division (fig. 7).

Asset Management Property

In the Asset Management Property business division, DekaBank Group took full advantage of the favourable German property market: the structure of the Deka-ImmobilienFonds was considerably improved by the sale of large property portfolios and a series of individual sales and the financial restructuring was completed three years sooner than planned.

In addition, the situation stabilised in the second half of 2006 following high cash outflows in the first half of the year. In spite of an overall decline in fund volume, we managed to maintain the market leadership in the open-ended public property fund business.

Stabilisation of the property funds

The main focus in 2006 was on the stabilisation of Deka Immobilien Investment GmbH and the financial restructuring of the Deka-ImmobilienFonds. Both measures were achieved successfully. A considerable contribution to this success was made by the aforementioned portfolio sales of the Germany-focused funds Deka-ImmobilienFonds and WestInvest 1.

The total value of these transactions alone was approximately 1.5 billion euros. With these transactions we exploited the current market opportunities in line with fund strategies, in order to sell off properties not suited to the portfolio strategy and to boost earnings for our products.

Through consistent cost and income management, we have prepared the ground for a significantly improved efficiency in the business division in future. In addition, the IT environment was reorganised during the year and an integral risk management approach set up.

Asset Management Capital Markets (fig. 7)

	2006 €m	2005 €m	Change €m	%
Net commission income	679.2	596.0	83.2	14.0
Other income	2.9	–7.3	10.2	139.7
Total income	**682.1**	**588.7**	**93.4**	**15.9**
Administrative expenses	369.3	337.8	31.5	9.3
Other expenses	27.3	11.1	16.2	145.9
Total expenses	**396.6**	**348.9**	**47.7**	**13.7**
Net income before tax	**285.5**	**239.8**	**45.7**	**19.1**

Representation of the complete segment reporting see note [41]

Positive performance

The performance of all public funds sharply improved. This, together with other measures for the restructuring of the Deka-ImmobilienFonds and for protecting the interests of investors, resulted in upgrades to fund ratings by the Scope rating agency for the open public funds WestInvest 1, WestInvest InterSelect, Deka-ImmobilienFonds and Deka-ImmobilienGlobal. In the management rating, both subsidiaries are now among the top five companies in the sector. Deka Immobilien won the Scope special award for the successful reorganisation of the Deka-ImmobilienFonds.

Stabilisation of net sales

Net sales of –4.0 billion euros for public property funds in 2006 were some 1.6 billion euros lower than 2005 due to industry-wide customer redemptions as well as the control of special assets in accordance with product strategy. In the second half of the year, the demand of savings banks' customers for our products noticeably picked up again, so that customers' redemptions normalised again. Since the guarantee covering product performance is in the spotlight and, after the sales, all funds have a high liquidity, we have in agreement with our sales partners only targeted authorised cash inflows and only to quite a small extent (fig. 8).

The fund assets of the public property funds amounted to a total of 16.8 billion euros (2005: 20.8 billion euros) at the end of 2006. In spite of the reduced fund volume, we have maintained market leadership with a comfortable margin with a 22.3% share (2005: 24.5%).

Due to higher cash commitments, the special property funds' assets of 963 million euros were only slightly above the 2005 level of 943 million euros.

Here too, the growth was caused by the investment options and not by investor interest in the market. In the individual property fund sector, fund assets were up 60% at 99 million euros over 2005 assets of 62 million euros (fig. 9).

Profit trend in the AMI business division

2006 earnings in the AMI business division was hit by the Deka-ImmobilienFonds restructuring costs. The reorganisation of the fund was completed by the end of the 2005/2006 fund financial year rather than 2008/2009, as scheduled in the original timetable. The 2006 loss of 150 million euros reflected the expense caused by the purchase of Deka-ImmobilienFonds units as part of the stabilisation measures undertaken by DekaBank, by the fee waiver and by restructuring costs. Without these exceptional costs the segment earnings would amount to approx. a loss of 46 million euros. The key factors under-

Net sales - property funds (fig. 8)

	2006 €m	2005 €m
Deka-ImmobilienEuropa	–1,602	–1,082
Deka-ImmobilienFonds	–1,530	–1,128
Deka-ImmobilienGlobal	–269	–75
WestInvest 1	–600	–323
WestInvest ImmoValue	41	14
WestInvest InterSelect	–22	243
Public property funds	**–3,982**	**–2,351**
Special property funds	**8**	**–13**
Individual property funds	**36**	**29**
Institutional business	**44**	**16**
Total	**–3,938**	**–2,335**

pinning these ongoing losses included write-downs following impairment tests on own property as well as renovation work for own property during preparations for sale.

Breaking down the individual components of earnings, the division's net interest income includes both income earned of 127 million euros on the distribution of Deka-ImmobilienFonds units held by the Bank and interest costs incurred of 94 million euros due to this distribution and due to the Group's own property. Since the Deka-ImmobilienFonds units are being reduced over 2007, the expected fund price reduction as a consequence of the distribution has been accrued in the non-trading financial result.

Net commission income increased by 7 million euros to 110 million euros (2005: 103 million euros), in particular due to a rise in acquisition fees and building fees due to an increase in transaction volumes generating income. Earnings from other financial assets reflect a capital gain of some 26 million euros on the sale of a Group-owned property.

Total expenditure decreased from 223 million euros in 2005 to 186 million euros in 2006 suggesting that the increase in administrative expenditure – due to higher write-downs – of 8 million euros was compensated by a reduction in other operating expenses. The restructuring expenditure of 20 million euros (2005: 55 million euros), largely comprises capital injections to the Deka-ImmobilienFonds of 123 million euros for stabilisation purposes. This expenditure was partly compensated by a capital gain of 97 million euros on sale of a property, which DekaBank had acquired in 2005 as part of the stabilisation of the Deka-ImmobilienFonds. Further income was generated by the write back of a provision for sales incentives of approximately 12 million euros, which was no longer necessary (fig. 10).

Corporates & Markets

In the Corporate & Markets business division DekaBank consistently developed its strategy during 2006. As a complementary activity to the acquisition of direct loan business, the company is increasingly acting as an investor in structured loan-capital market products. There has been a particularly strong demand for special financing, but we have also been able to strengthen our market position in the field of project and property financing. In addition, business in the field of capital market investments has been successful, despite the narrow spread. New issue business grew in line with expectations.

Successful financing business

In our loan business with major customers the focus in the year lay on medium to long-term

Fund assets – property funds (fig. 9)

	2006	2005	Change	
	€m	€m	€m	%
Deka-ImmobilienEuropa	6,865	8,409	–1.544	–18
Deka-ImmobilienFonds	3,182	4,799	–1.617	–34
Deka-ImmobilienGlobal	1,744	1,960	–216	–11
WestInvest 1	2,134	2,779	–645	–23
WestInvest ImmoValue	364	322	42	13
WestInvest InterSelect	2,558	2,547	11	0
Public property funds	**16,847**	**20,816**	**–3,969**	**–19**
Special property funds	**963**	**943**	**20**	**2**
Individual property funds	**99**	**62**	**37**	**60**
Institutional business	**1,062**	**1,005**	**57**	**6**
Total	**17,909**	**21,821**	**–3,912**	**–18**

maturities. Alongside its role as a classic lender, DekaBank has also created increasingly complex loan-structures in the capital market, through its Corporate Banking segment, and has in addition operated increasingly as an investor in corporate bonds as well as in structured loan investments. Thus, in the new subdivisions of credits and liquid credits, DekaBank is developing as a provider of special financing and as an asset manager in the primary and secondary markets.

In the various loan markets in 2006, DekaBank's Corporate Banking segment was successful both in bringing in new business and in the active management of existing business.

In special financing operations the Bank's range of products once again met with growing demand. Due to the sustained growth of the global transport market (airlines and shipping) we were able to boost our transport financing activities as a result of buoyant new business. In leveraged finance and project financing, DekaBank expanded its position despite increasing competition from institutional investors. In the financing of commercial property the domestic market continued to prove difficult, although an upturn in the economy caused a slight reduction in vacant buildings in certain sub-markets and a rising demand for tenancies could be observed.

Through a selective approach to the market we were able to more than absorb the regular repayments and slightly increase our loanbook. In international property financing North America continued to be by far the most important market for DekaBank. Against a largely stable background our new business grew very satisfactorily. In the financing of open-ended property funds the year under review delivered positive growth in new business, albeit with significant pressure on margins. DekaBank was able to take more than its share of business both in the area of liquidity lines and in the financing of property purchases in the German market (special funds) as well as abroad (mainly public funds).

Capital market investments: Cautious moves in a challenging market

An equally gratifying trend was shown by capital market investments in the Corporate Banking segment. In a fundamentally positive market environment, our credit-spread products proved particularly successful. We were able to counteract the generally narrow spread environment through the targeted buying-in of more "granular" and structured credit risks.

Asset Management Property (fig. 10)

	2006	2005	Change	
	€m	€m	€m	%
Net interest income	33.2	57.2	–24.0	–42.0
Net commission income	109.6	102.7	6.9	6.7
Financial income – non-trading	–149.9	–41.4	–108.5	–262.1
Income from other financial investments	25.6	0.0	25.6	n/a
Other operating income	17.6	14.8	2.8	18.9
Total income	**36.1**	**133.3**	**–97.2**	**–72.9**
Administrative expenses	165.5	157.7	7.8	4.9
Other operating expenses	1.1	10.8	–9.7	–89.8
Restructuring expenses	19.6	54.6	–35.0	–64.1
Total expenses	**186.2**	**223.1**	**–36.9**	**–16.5**
Net income before tax	**–150.1**	**–89.8**	**–60.3**	**–67.1**

For a presentation of the total reporting on this segment cf. Note [41]

Risk-adjusted yield control

We have successfully completed the measures for implementing the minimum equity regulations in accordance with Basel II and the subsequent examination for admission as an IRB institution (Internal Rating-Based Approach) by the supervisory authorities. Through the newly constructed loan portfolio model, the division can be even more actively controlled on the basis of a risk-adjusted yield-optimisation at the level of individual transactions.

Profit trend in the Corporate Banking segment

The Corporate Banking segment contributed 69 million euros to group earnings in 2006. The decline of 49 million euros compared with 2005 earnings (118 million euros) can chiefly be attributed to the trends in risk provision, in the financial result and in administrative expenditure. In 2005, the sales of individual loan portfolios and the resulting cancellation of bad-debt provisions that were no longer required, led to a significantly higher balance in risk provision. The net interest income before risk provision stood at 94 million euros, 12% above 2005's value (84 million euros). Along with this, both in special financing and in project and property financing, we succeeded in more than compensating for the declining margins by increasing the loan volume. These core segments were also responsible for a marked increase innet commission income. In the net financial result income was depressed by a change to the overall assessment in the default risk management of the loan-book.

Administrative expenses rose by about 26% over last year's figure of 32 million euros, to 40 million euros. The change is chiefly attributable to a rise in transaction costs (fig. 11).

Capital Markets: High flexibility with risks continually monitored

In the Capital Markets segment DekaBank continued to pursue its strategy of guaranteeing maximum possible flexibility in trading activities while monitoring risk at all times. In line with the Bank's risk standards we in fact only maintained business relations with partners whose credit-rating was impeccable. As in previous years we concentrated on transactions with credit institutions abroad. Open-ended trading positions were only taken up in moderate volumes.

In the money market, as in previous years, we transacted the take-up of short-term funds mainly though our Euro Commercial Paper programme (ECP). The ECP enables us to issue

Corporate Banking (fig. 11)

	2006	2005	Change	
	€m	€m	€m	%
Net interest income	94.0	83.8	10.2	12.2
Risk provision	2.2	36.1	–33.9	–93.9
Net interest income after risk provision	96.2	119.9	–23.7	–19.8
Net commission income	12.3	7.3	5.0	68.5
Financial income – non-trading	–0.4	12.5	–12.9	–103.2
Other income	1.9	10.1	–8.2	–81.2
Total income	**110.0**	**149.8**	**–39.8**	**–26.6**
Administrative expenses	39.7	31.5	8.2	26.0
Other expenses	1.0	0.0	1.0	n/a
Total expenses	**40.7**	**31.5**	**9.2**	**29.2**
Net income before tax	**69.3**	**118.3**	**–49.0**	**–41.4**

For a presentation of the total reporting on this segment cf. Note [41]

debt instruments at various points in time and with a high degree of flexibility as regards volume and currency.
In foreign exchange trading we were significantly active in classic spot and forward currency trades. Our objective in this was to provide customers with optimum order execution with regard to quality and price. In proprietary trading we continued to hold open equity and fixed-interest positions to a small extent and within prescribed limits.
The new issue business of the DekaBank Group developed in line with expectations. As in 2005 the greatest proportion was accounted for by the European Medium Term Note (EMTN) programme.

Profit trend in the Capital Markets segment

With a profit contribution of 263 million euros, the Capital Markets segment significantly exceeded 2005's figure (203 million euros) by 60 million euros, or nearly 30%.

Income totalled 335 million euros (2005: 269 million euros). The sharp decline in net interest income from 229 million euros to just 77 million euros this year chiefly reflects the high costs of refinancing and a narrowing of interest-structure curves. In addition, against the background of current trends in interest rates, changes in the treasury position were undertaken, which, while depressing net interest income in 2006, at the same time create a good starting-base for the 2007 financial year. Net commission income of 79 million euros was up nearly 21% on 2005. It is based, inter alia, on successful commission business in money market and foreign exchange trading as well as in equity trading, the latter being determined by market volatility and the resulting high volume of transactions in capital market-based asset management. The net profit from trading positions (77 million euros) showed a significant increase over 2005. The rise can be attributed to successful trading in equities and foreign exchange. The principal effect on the upward trend in revenue came from net financial income from non-trading positions, at 111 million euros. A significant driver of value was the result of reassessing interest-rate risk positions, which in 2006 produced a positive profit contribution. In 2005 the financial result was still considerably depressed by this position. The trend in other income is predominantly attributable to the markedly lower expenses arising from the redemption of our own new issues.

Total expenses rose due to a slight increase in administrative expenses, to 72 million euros (2005: 66 million euros). The chief causes for this were investments with long-term maturities and projects for implementing the new strategic focus of this business (fig. 12).

Capital Markets (fig. 12)

	2006	2005	Change	
	€m	€m	€m	%
Net interest income	76.9	229.0	–152.1	–66.4
Net commission income	79.4	65.8	13.6	20.7
Net income from trading positions	76.6	39.1	37.5	95.9
Financial income – non-trading	110.7	2.4	108.3	(>300)
Other income	–8.3	–67.4	59.1	87.7
Total income	**335.3**	**268.9**	**66.4**	**24.7**
Administrative expenses	71.2	66.1	5.1	7.7
Other expenses	1.2	0.2	1.0	(>300)
Total expenses	**72.4**	**66.3**	**6.1**	**9.2**
Net income before tax	**262.9**	**202.6**	**60.3**	**29.8**

For a presentation of the total reporting on this segment cf. Note [41]

Financial position and assets and liabilities

Balance sheet changes

As at 31 December 2006, total balance sheet assets of DekaBank Group amounted to 104.9 billion euros. Compared with year-end 2005, this has reduced by 10.1 billion euros, or 9%. Of the asset total, some 65% was accounted for by amounts due from banks and customers, which together were 1% below 2005's level. Trading activities and some of the strategic interest-rate positions of the Deka-Bank Group are stated in the balance-sheet at fair value under financial assets and liabilities. The decline in fair-value financial assets compared to 2005 is principally attributable to smaller volumes in loans and bonds. The declining volume of the Deka-ImmobilienFonds due to the successful reorganisation continues to have an impact.

On the liability side the largest item, as in 2005, is new issue business in the form of securitised liabilities. Compared to the 2005 year-end (40.5 billion euros) these dropped to 32.3 billion euros in 2006. Amounts owed to customers and banks were reduced from 58.6 billion euros to 57.1 billion euros. The main reason for this is the declining volume in loans against borrowers' notes.

The shareholders' equity on the balance-sheet amounted to 2.9 billion euros as at 31 December 2006, compared with 2.6 billion euros at 31 December 2005. These figures do not include hidden capital contributions which, under IFRS rules, are not shown under shareholders' equity but rather under subordinated capital or exceptional hidden capital contributions, as the case may be.

On the other hand, the hidden capital contributions are included in the cover funds for our risk-carrying capacity. In analysing risk-carrying capacity we differentiate between primary and secondary cover funds. The primary cover funds are comprised principally of equity as defined under IFRS rules and profit for the financial year. The secondary cover funds contain items of a hybrid capital nature; in addition to the hidden capital contributions, these include capital with profit-sharing rights as well as subordinated liabilities each with a residual maturity of at least one year.

Breakdown of equity (fig. 13)

	2006 €m	2005 €m	Change %
Core capital	2,110	2,121	−0.5
Supplementary capital	1,625	1,582	2.7
Liable capital	**3,699**	**3,668**	**0.8**
Capital and reserves	**3,699**	**3,688**	**0.3**
Risk assets	**26,176**	**25,311**	**3.4**
Market risk positions	**513**	**289**	**77.5**
	%	**%**	**Change %-point**
Equity capital ratio under Principle I	**14.1**	**14.5**	**−0.4**
Core capital ratio under Principle I	**8.1**	**8.4**	**−0.3**
Total ratio under Principle I	**11.4**	**12.7**	**−1.3**
Capital and reserves ratio according to BIS	**11.2**	**13.3**	**−2.1**
Core capital ratio according to BIS	**6.8**	**7.8**	**−1.0**

Changes in shareholders' equity as defined by supervisory regulations

Equity of the DekaBank Group, as defined by the banking regulatory authorities in accordance with the Banking Act (Kreditwesengesetz/KWG) remained largely unchanged from 2005, at 3.7 billion euros. The regulated equity differs from shareholders' equity under IFRS rules and consists of core capital, supplementary capital and third-rank funds. The core capital also includes hidden capital contributions.

Year on year, the risk assets have increased by some 3% to 26.2 billion euros. The calculation of regulatory equity and risk assets is based on the provisions of the Banking Act, Principle I, and the Commercial Code (Handelsgesetzbuch/HGB) (fig. 13).

The regulatory principle regarding equity was observed at all times during 2006, both at group and bank level. In addition, the liquidity of a lending institution is measured under Regulatory Principle II. The liquidity is considered adequate, provided the liquidity-ratio under Principle II is at least 1.0. In 2006 the DekaBank's liquidity-ratio ranged between 1.36 and 1.9. As at 31 December 2006 the figure was 1.46.

Employees

Moderate growth in positions filled

The average number of employees rose during the year by 1.9% to 3,300; of these 87.0% were employed full time. The number of occupied posts rose on average by an equivalent amount. As at the 2006 year-end DekaBank group employed 3,453 staff (of which 82 were trainees) (fig. 14).

A clear management structure

The strategic refocusing under the banner of "First Choice Deka" is particularly noticeable in the reorganisation of the Group's business division and management structure. We have established responsibilities for management and results even more clearly and strengthened our position in strategically critical areas.

Active personnel management

Management development

As part of the reorganisation of the management structure, mandatory targets were agreed for the Group and business divisions and a new strategic management process was introduced. During 2006 we expanded our management development activities. On the basis of an individual development audit and a personal development plan we are preparing more than 50 experienced managers in a targeted manner for even more challenging managerial assignments. The follow-up plan has been carried out throughout the Group for the first and second levels of management.

Performance-based remuneration

In the past financial year, with the introduction of the system of agreed targets and performance-based remuneration, the foundation was laid for a modern bonus system geared

Employees (fig. 14)

	2006	2005	Change number	Change %
Employees	**3,453**	**3,453**	**0**	**0.0**
of which trainees	82	84	–2	–2.4
Average posts occupied	**3,030**	**2,983**	**47**	**1.6**
Average number employed	**3,300**	**3,239**	**61**	**1.9**
of which full-time employees	2,872	2,848	24	0.8
of which part-time and auxiliary staff	428	391	37	9.5
Average age (in years)	**38.4**	**37.7**	**0.7**	**1.9**

to the commercial success of the company and to individual performance. With the introduction of the new system in WestInvest GmbH and in Deka(Swiss) Privatbank AG in 2006, the entire DekaBank Group now possesses an appropriate system of agreed targets and remuneration. Initial experience shows that the new tool encourages a results-orientated attitude at all levels of the company and offers transparent, comprehensible assessment criteria for fixing bonuses for management and staff.

The life-stage concept in personnel management

Thanks to our consistent personnel management approach based on life-stages, we are prepared for the demographic revolution that is taking place. Against this background we have extended our measures aimed at balancing family and professional life.

With regard to the creation of a family-friendly company, the proportion of part-time working is an important factor in our competitiveness. The proportion of part-timers in our active group workforce showed a clear and gratifying rise from 9.9 to 10.4%.

Optimisation of company pension provision

In 2006 the company pension provision for group units located in Germany was completed by offering the opportunity for converting remuneration into products of the *Sparkassen Pensionskasse AG* [Savings Banks' Pension Fund]. With this offer of provision DekaBank now fully complies with the legislative requirement for the conversion of remuneration in company pension provision. With the introduction of the Deka Basic and Bonus pension plan as well as the *Sparkassen Pensionskasse*, WestInvest has been integrated into the provision system of the other group companies based in Germany.

Post balance sheet events

No major developments and events of particular significance occurred after the 2006 balance sheet date.

Forecast report

Consistent pursuit of the new corporate strategy

With the new strategic orientation and the creation in 2006 of an organisational structure fit for the future, DekaBank has laid a stable foundation for growth and an increase in value in the coming financial years. Through the efficient system of management and control, in which responsibilities are clearly defined, we ensure entrepreneurial scope and a higher degree of transparency for our staff – as well as the greatest possible proximity to our markets and customers, and an optimum quality of service for the savings banks. Our overriding objective continues to be, as regards quality of products and services, cost-effectiveness and profitability, to create added value for DekaBank's unit-holders, sales partners and customers.

Comments on the future

We are planning 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 international capital, money and property markets, or in DekaBank's areas of business, 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 by 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

Following the gradual interest-rate increases by the central banks we anticipate, in the next two years, largely stable external conditions based on the level of interest rates that has now been reached. Despite the higher interest rates and increased commodity prices we expect a slight acceleration in the global economy. The past few years have shown that the global economy withstands such downward pressures very robustly.

In Germany the increase in Value-Added Tax is likely to have a noticeable negative effect on household consumption, particularly in the first quarter. Due to predictable added pressure on incomes, for example through rising social security contributions, consumption for the rest of the year may hardly grow at all. The rise in GDP will therefore depend less on consumer spending and rather more on growth in investment and exports. We anticipate that Germany will once again be defending its unofficial title of "world export champion". Provided the unsettled political situation in the Middle East calms down and the currently overheated global economy achieves a soft landing, the chances of a sustained upturn in Germany are good.

Trends in capital markets

Following what is now the fourth successive good year for equities, most market players are entering 2007 with confidence. Despite marked upward movements in share prices, investing in the equities market has not fundamentally become more expensive, since corporate profits have risen to the same extent. Also, the anticipated intensive M & A activity in the wake of corporate restructuring may give a positive boost to the equities market and open up attractive new opportunities.

On the other hand, once again, only relative modest yields can be expected from fixed-interest investments. Like the majority of market observers, we do not foresee any marked rise in bond yields.

Trends in property markets

In the USA we anticipate in general a continuation of the positive trend in markets for office buildings and tendency towards lower vacancy rates. The top rentals ought to show the strongest growth in New York and San Francisco. At the lower level of "cap rates" there is not likely to be much change during 2007, due to the still favourable level of interest rates and the lack of comparably high-yielding investment opportunities. In Asian markets we expect only a very slight weakening in rental growth; the high demand, especially from the banking and financial sector, continues to offer good prospects for rental growth. The supply of first-class premises in the major capitals remains limited.

In Europe, high liquidity chiefly among institutional investors is ensuring a continuing high level of purchase prices, especially in the case of rented buildings with stable yields. In the medium term, however, we foresee a weakening in investor demand in markets such as Britain, where the yield from property is increasingly approaching that from bonds. For the two big markets of London and Paris, but also for locations in Spain and Scandinavia, we anticipate a decline in vacancy and a growth in rentals. Expectations for other locations are less optimistic.

The investment markets in Prague, Budapest and Warsaw are particularly buoyant. Here there is an adequate supply of A-class premises and a well-filled pipeline of projects, but even so we have been waiting a long time for growth in rentals.

In Germany, the market for office buildings is still on the way to recovery. However, vacancy levels are in general declining more slowly than expected – despite a lively demand for A-class premises and only a moderate volume of new builds. However, there is a split to be seen here between the trend in A-class premises and the rest. At the top end of the market, Frankfurt and Munich have the best chance of rises in rentals. In the retail sector as well, we expect a continued two-tracked trend. In heavily frequented locations we are assuming a stable trend in the rental market. The limited supply of A1 sites is increasingly expanded by inner-city shopping-centres. By contrast, in inner-city locations and on the outskirts, traditional retail premises and older shopping-centres have had to contend with rises in vacancy levels and declining rentals; it is here that the number of specialist market centres is increasing.

The continuing high investment pressure in property investment is likely to last in the short to medium term. We regard the current interest-rate driven level of purchase prices as unsustainable. Opportunistic investors – predominantly from abroad – see their opportunities in older building stock in need of renovation.

Expected trend in business and financial results

In the financial years 2007 and 2008 DekaBank Group plans to increase group earnings substantially and sustainably on the basis of a stronger penetration of the market and customer groups as well as a high level of product quality.

In this, a key financial performance indicator must be the expansion of assets under management, based on first-class product performance and a higher level of sales. On this basis we believe we will achieve a marked increase in net commission income in the Capital Market Asset Management division. In the Property Asset Management division, after completing the stabilisation of the Deka-ImmobilienFonds and the integration of property financing, we expect a noticeable improvement in financial results. In the Corporates & Markets business division as well, we expect revenues in the next two years to show a positive trend overall.

Through consistent exploitation of our potential for efficiency, in our opinion, expenses will only increase moderately – despite additional growth-related spending on the basis of the re-focused business model.

We plan to achieve this sustained improvement in earnings while maintaining a largely stable risk-capital. The opportunity-risk profile of the DekaBank group should be improved in this way, as should the yield ratios and the cost-income ratio.

Asset Management Capital Markets (AMK) business division

In order to guarantee a sustained positive trend in business and financial results, in the AMK division DekaBank is concentrating chiefly on five key measures:

- Increasing sales to private and institutional clients
- Further improving the performance and rating of our securities funds
- Creating sales incentives by means of a competitive price model
- Renewed intensification of product innovation, and
- Expanding our presence in attractive foreign markets

Increasing sales effectiveness

In our business with private and institutional investors we are focusing our product and sales offensive on the very successful fund-based asset management activity (funds of funds, fund-related asset management). Here we intend to extend our market leadership. In addition, it is our objective, in the direct sale of publicly marketed funds up to the year 2008, to regain market-share and thereby to widen our sales and revenue base.

In institutional business, as part of the "Pro Sales Institutional" sales initiative, DekaBank plans to exploit the alliance with the savings-banks – the key customers for the management of their own investments – and to raise sales on an ongoing basis. For this purpose new acquisition and sales processes have been defined and new products launched.

Further improvement to performance

In the future, too, we intend to continue improving product performance in relation to the market – especially in the case of our European equity funds. Our objective is for our funds to beat the relevant benchmarks and to end up in the top two quintiles, that is to say in the top 40% of the relevant comparison groups. We are confident that the changes in fund management will continue to show their impact and anticipate a further improvement in our ratings. Overall, therefore, we are assuming significant inflows of funds and an improvement in the market position of our fund products.

Competitive pricing

By adjusting the price structures in public funds to an average level and through a stronger orientation of the bonus-system to net sales performance, we intend to create increased incentives for the savings-banks as exclusive sales partners, and to acquire new funds for the fund business with DekaBank.

Continued product innovation

The product range in the AMK division will be systematically broadened and developed through targeted innovation. In so doing we are aiming at a balanced ratio between new and existing products. In 2007, among other things, we will exploit the wave of globalisation: interesting investment ideas such as Deka-UmweltInvest, Deka-GlobalChampions and Deka-Commodities will be presented as product offers, principally to individual customers. In addition we will further expand our successful range of targeted funds. We envisage time-scales of 10 to 50 years, in order to be able to offer targeted, opportunity-orientated saving for different customer needs.

As a further variant on this idea, we are planning to launch a fund under the title "Zielfonds-Garant". These products offer our customers a monthly guaranteed maximum in savings phases that are also of 10 to 50 years.

Internationalisation

After establishing a representative office in Vienna early in 2007, the AMK Division intends to use it as a base for an intensive development of the Austrian and central and east European markets. Among other things, Austria is an attractive and growing market in the field of asset management for institutional investors. In central and eastern Europe the banking market offers particular growth potential in loan and deposit business, since this is being actively upgraded to western standards.

Significant opportunities and risks

For 2007 and 2008 we forecast a rise in assets under management. This growth will be driven chiefly through successful selling of both existing newly developed products. In addition we anticipate contributions to growth through the positive value-growth of our products.

Risks arise chiefly through uncertainties with regard to further trends in international securities markets. An unfavourable development might impair hoped-for growth in value. Furthermore, planning by the sales department of sales to private and institutional clients is beset with uncertainty.

Expected trend in financial results

Overall, DekaBank forecasts significant increased revenues in the AMK division for the next two years, with only a moderate increase in costs. Through a new fee structure, designed to encourage sales, additional income should be generated in the medium term. However, in 2007 and 2008 we expect the new sales commission model, which accompanies the new fee structure, initially to dampen income.

Asset Management Property (AMI) business division

Following the integration of property financing, all property activities in DekaBank Group have been brought together in the AMI division. After the successfully completed stabilisation in 2006, the division is once again aiming for revenue-orientated growth. On the basis of the structure created with "First Choice Deka", we intend to position ourselves more strongly than before as a manager of property-based assets for our savings-bank customers. With the traditional products we will continue to follow the proven dual market strategy with WestInvest and Deka Immobilien. At the same time we will be developing new property- and property-loan based investment products. We will also continue to drive forward the improvement in performance and in the cost and revenue structures.

Targeted purchasing policy for public funds

The high proportion of liquidity in the funds, after extensive sales in 2005 and 2006 will be used for the purchase of high-yielding properties. With an eye on the high purchase prices which are reflected in the historically low yields (cap rates) in all established property markets, we will also engage with new countries and with secondary markets in established countries. In doing this, the focus will be strongly placed on the asset classes of retail outlets, logistics facilities and hotels.

Expansion of our range of special and individual funds

As shown by the brisk demand for our special and individual funds, there is no waning of interest in special property funds among institutional capital investors. The anticipated market introduction of the G-REIT will make little difference to this, since, due to its equity-based holdings, it displays a completely different risk-return profile to that of open-ended funds. Therefore we will continue to be in a position to expand our range of special and individual funds independently of the investment opportunities.

Integration of property financing

With the integration of the property financing sub-division, the AMI division is extending its activities to the financing of major property investments for professional investors. We will use the majority of these assets to put together additional attractive investment products with a property background for our alliance partners, through syndication, securitisation and possibly also fund designs. Here too the focus lies on commercial or residential properties, immediately available for third-party use, in fluid property markets throughout the world.

Exploitation of synergies

Similar activities throughout the division will be bundled in order to improve professionalism further and thereby most importantly to improve our access to the market. We intend to have largely completed this process during 2007. The standardisation of the IT systems will continue into 2009.

Introduction of new products to the market

The high demand for property-based investment products both to private customers and institutional businesses will also be met by the AMI division with new fund concepts and innovative products outside the fund business. In addition, the division is taking all necessary steps to be REIT-compliant as early as the first half of 2007. Provided a suitable property portfolio is available, the launch of a REIT is planned. In any case, the existing public and special funds have clear precedence in the purchase of properties. Thus, in the medium term, we regard REITs as a possible vehicle for the capital-market placement of properties which do not fit our fund strategy. We will consistently pursue the path already embarked upon with the individual funds of Deka Immobilien, namely that of building up alternatives alongside the investment products regulated under the Investment Act.

Significant opportunities and risks

Under our plans, assets under management, in the case of public funds, will maintain the level of 2005. The background to this is provided by the funds' high liquid reserves, the limited availability of attractively priced properties and the redemption of remaining units held by DekaBank in the Deka-ImmobilienFonds planned for 2007. On the other hand, we expect growth in the special and individual funds for institutional investors. Likewise, newly developed products are expected to have their first positive impact on the volume of properties held. Overall, we therefore anticipate a slight growth in assets under management in the AMI division.

Due to the ongoing re-focusing of property financing, in 2007 we expect new business in this area only to be at 2005's level.

The significant risks in the AMI division include possible yield risks for the capital investment companies (KAGs) in connection with the growth in assets under management and the volume of transactions. The growth of assets under management and thus also of holdings-related commissions are currently being held back by a shortage of products in the property market. However, the negative impact on purchase transaction fees may be partly compensated for by advantageous sale terms as a result of active portfolio management. The liquidity-control of the funds is carried out on a daily basis by making use of suitable instruments and in dialogue with our sales partners. Monitoring the risk of withdrawal of liquidity, still present in older public funds, is the focus of the risk management of special assets, where the systems developed to reduce this risk are being used consistently and are biting.

In the case of our own properties there exists the fundamental risk that rental yields will be absent or that expected growth in value may not be achieved, due to market or local factors. Typical risks in property financing lie in the drying up of cash-flows, for example as a result of trends in business activity. Such risks can be kept within limits through a risk-orientated underwriting policy.

Expected trend in financial results

On the basis of planned measures we expect in each of the next two years a noticeable improvement in the financial results of the AMI division. In addition to the market-related measures, there should also be a positive impact from the optimisation of the divisional structure, handling procedures and the IT system configuration.

Corporates & Markets (C&M) business division

The bundling of loan business, trading and sales activities in capital markets, as well as the refinancing assignments in the new division will lead to markedly more efficient structures and processes and will have a positive impact both on income and costs.

Strategic orientation and measures

In the Credits sub-division, against the background of high liquidity and the resulting narrower spreads, we are focussing on special financing operations which meet our yield and risk standards. The emphasis continues to be on transport, export and trade financing, on transaction-orientated credit investments in leveraged loans, project, cross-over and other special financing operations, as well as on the financing of infrastructure projects abroad.

In the Liquid Credits sub-division, in addition to classic bonds and single-name credit default swaps, considerably higher priority is also being given to capital market instruments such as collateralised debt obligations and asset backed securities.

In the Markets sub-division the product range will be broadened once again to meet customer needs. One area for attention is the expansion of repo/loan business within short-term interest-rate and liquidity management with the aim of combine repo business activities more closely with classic short-term business and to exploit collateral holdings as far as possible. In addition, our commission business will be expanded.

Significant opportunities and risks

We expect that the demand for special financing will continue to grow in the next two financial years. By strengthening our offer of tailor-made financing we intend to make above-average profits from it in the Credits business. In Liquid Credits we are counting on growth and income opportunities through an improved range of structured and complex products for the loan-capital market; here we are principally acting as an investor. The impending implementation of the Financial Services Directive MIFID will, in our estimation, strengthen the confidence of investors in the capital markets and guarantee an even higher degree of transparency in the execution of customer orders.

Risks exist with regard to the trend in spreads and to the volatility in the loan and capital markets. A further narrowing of spreads might lead to downward pressure on profits.

Expected trend in financial results

The Corporates & Markets business division is aiming in 2007 and 2008 for a significant increase in net interest income, net commission income and financial result. This should lead to higher earnings for DekaBank Group.

In the Credits sub-division, thanks to our focus on attractive special financing opportunities, we expect higher net interest income and net commission income, with costs declining slightly. In the Liquid Credits sub-division, the expansion of the product range should also lead to a rise in contribution, with only moderate cost growth. In the Markets sub-division, we intend to increase income further through optimised processes and, above all, through an above-average quality of products and services for customers inside and outside the Bank.

Risk report

Risk management principles

Professional management and real-time monitoring of all risks are an integral part of the overall control of the Bank. Only in this way can the DekaBank Group incur controlled risks in accordance with the business strategy and regard them in a holistic manner along with the risk capital available and the required return.

The aim of DekaBank is to generate an appropriate return on equity under risks that are monitored at all times. The basis for this is a risk system with which risks can be identified at an early stage and limited in accordance with the risk-bearing capacity of the Group. The information required for risk-control is made available in real time to the responsible quarters under the risk management system.

Against this background DekaBank maintains a high-performance risk management and monitoring system, which it is continuously reworking and developing. Based on this, risks are identified, quantified, analysed and captured within an objective and comprehensive risk reporting system.

Organisation of the group-wide risk management and risk control system

Risk management

DekaBank's risk management is a system for actively controlling risk positions. The risk management functions are fulfilled by the Board of Management, the Asset-Liability Control Committee and the Corporates & Markets business division.

Responsibility for the implementation, organisation and effectiveness of the group-wide risk management system in compliance with regulations rests with the Board of Management of DekaBank as the parent company of the DekaBank Group. It determines the strategic focus of the Group and lays down its business policy with regard to risk and return. In this context the Board gives approval for the overall risk at group level – as well as the allocation of risk capital reserves. This is divided, in particular, between default and market-price risks and, within the market-price area, between trading-book and strategic positions.

The group control of default risk is the responsibility of the Corporates & Markets business division.

The Asset-Liability Control Committee sets out the framework for the management of the strategic market risk position in accordance with the limits laid down by the Board of Management. The implementation is then carried out by the Corporates & Markets business division under their own responsibility.

Within the strategy, which the Board lays down for the Group, the heads of the Group are responsible for the operational risks of their organisational units.

Control of risks

Risk control is based in the Corporate Risk and Finance Centre. Its key task is the development of a standardised and self-contained system, which quantifies and monitors the risks associated with the Group's activity. Particular attention is paid to all market-price, default, liquidity and operational risks, as well as other risks including property, direct shareholding and business risks. Risk control itself does not initiate transactions of any kind and acts independently of the business divisions.

The functions of risk control also include monitoring the limits approved by the Board of Management and the responsible divisions, as well as the ongoing further development of the relevant methods and processes according to operational and regulatory criteria.

Internal audit

Internal Audit, as a unit independent of other processes, has the task of supporting the Board and other levels of management in their supervisory function. It examines and assesses all activities and procedures on the basis of an audit plan, which has been set up in a risk-orientated manner using a scoring-model, and has been approved by the Board. Among its most important tasks is to assess the business organisation with regard to whether the internal control systems, and in particular that for controlling and monitoring risk, are fit for purpose. The Internal Audit department also examines internal and external reporting, as well compliance with legislative, regulatory and internal rules.

Risk-tolerance and Integrated Bank Control

Within the framework of overall bank control, the financial targets of the business divisions are fixed with reference, among other things, to the reserved risk-capital, in order to guarantee an appropriate return on equity for the unit-holders. The allocation of risk-capital to the individual business divisions is based on the business and risk strategy approved by the Board and forms part of both the overall planning in the form of future risk-profiles and also of the individual business case planning. Under the plans, a planned capital requirement is calculated by the business divisions ("bottom-up" view) and at the same time the available risk-capital is efficiently allocated from the standpoint of the Group as a whole ("top down" view), and then distributed among the individual business-generating units.

The risk-tolerance analysis is an essential component of DekaBank's overall banking control. DekaBank uses it to determine to what extent risks should be taken on. This ensures that DekaBank is able bear losses that may arise. For this purpose, firstly the risk control department calculates at regular intervals the Group's risk-cover funds, which can be drawn upon to cover losses. They reveal the level to which risks can be incurred pursuant to our business policy.

Secondly, the group risk is regularly calculated, taking in all significant income-generating types of risk. These include not only default, market and operational risks, but also property risk, shareholding risk, property fund risk and general business risk. To this extent the group risk also includes those risks that are not considered from a regulatory standpoint.

The comparison of the group risk with the risk-cover funds ensures that DekaBank's overall risk-bearing capacity is known. The risk-tolerance analysis thus conforms with DekaBank's prudent business policy. It serves to protect creditors and is a precondition for a further improvement in our already good ratings.

In the framework of integrated bank control, the risk-bearing capacity is quantified with the aid of graduated risk-cover funds. In doing so, DekaBank distinguishes, according to the legal status of the capital provider, between primary and secondary risk-cover funds: the primary risk-cover funds principally comprise IFRS-defined equity and retained net profit for the year; the secondary risk-cover funds contain items of a hybrid capital nature. The retained net profit for the year represent the planned net profit reduced by a safety-margin. Both types of reserve funds may be used to cover losses without any charge on DekaBank's priority creditors. While calls on the primary cover funds are exclusively borne by the providers of equity, recourse

Group risk through the year (fig. 15)

to the secondary cover funds also impacts on dormant partners, the holders of profit-sharing rights and second-rank creditors of DekaBank.

The risk-cover funds are set against group risk, which is made up of all income-generating types of risk incurred by DekaBank.

In this the individual risks are uniformly summarised under a "value-at-risk" index-figure over a one-year duration. This means that DekaBank can always cover unexpected losses that occur within a given year. The "value-at-risk" measurement makes it possible to compare and aggregate individual types of risk. At the same time, the Board has aligned the upper loss-limit for the taking on of risk arising from normal business activities, with a corresponding limiting of risk-cover funds.

Under the risk-tolerance analysis we calculate the group risk to a confidence-level of 99.9% and 99.97%. The latter is thus based on default probability of a maximum of 3 base-points and is thus one of the most prudent approaches generally taken in the market.

The aggregation of individual risks to make up the group risk is cumulative. Thus in calculating the overall risk of the Group, correlations across the individual risk types are left out of account. From this, too, it is clear that DekaBank proceeds in a prudent and conservative manner when calculating group risk.

The risk-tolerance analysis is carried out regularly and, since the middle of 2006, on a monthly basis. On each occasion the results are reported to the Board of Management and, on a quarterly basis, to the Administrative Board.

In our view the risk-tolerance analysis tool together with overall bank control are sufficient to meet the demands of modern business as well as regulatory requirements.

At the 2006 balance sheet date the group risk, calculated to a confidence-level of 99.9%, totalled 2,322 million euros (2005: 2,588 million euros). As at 31 December 2006 only 44.1% of the total risk-bearing capacity was taken up.

The proportions of the overall risk taken by the individual risk-types have remained largely unchanged over the year, and there have been no structural shifts. A reduction is recorded in the property risk as at the 2006 balance sheet date due to the sale of the "Skyper" office tower (fig 15).

The default risk represents the principal individual risk for DekaBank. However, the credit-risk indices in the reporting period are comparable with each other to a limited extent, due to beginning to use the loan portfolio model as from 30 June 2006. In particular, the new loan portfolio model also includes low-risk claims on the Federal Government or within the *Sparkassen-Finanzgruppe*. (fig. 16).

Group risk by risk-type (fig. 16)

Risk categories – individual risks

Market-price risks

Definition

By market-price risk, DekaBank means the risk of a financial loss on positions in its holdings, arising from future market-price fluctuations. DekaBank incurs market-price risks in the form of interest-rate, equity, credit-spread and currency risks, including any option risks attached to them.

Organisation of business subject to market risk

The tasks of risk control and risk monitoring for market-price risks are assumed by the Board of Management, the Asset-Liability Control Committee (ALCC) and the Corporates & Markets business division, as well as the risk-control department in the Corporate Risk & Finance Centre.

Risk control is carried out by the Corporates & Markets business division and by the ALCC. The ALCC is made up of the Board members responsible for the Corporates & Markets business division and the Corporate Risk & Finance Centre, together with their departmental managers and a representative of the Macro Research Unit of the Asset Management Capital Markets business division. The ALCC holds formal meetings twice a month. The limits laid down by the Board are always announced at the Board meeting, which follows the meeting of the ALCC. Changes to the limits for the trading portfolios as a whole, and for strategic positions, are discussed by the ALCC and submitted to the Board for decision.

Risk monitoring is carried out by the Risk Control unit in the Corporate Risk and Finance Centre. The unit is responsible for developing the methodology, for quality assurance and for supervising the procedure for quantifying market price risks. The tasks of Risk Control also include risk reporting, as well as monitoring limits and reporting any overstepping of the limits up the line to the Group Board.

For the measurement and monitoring of the risk position, all the DekaBank Group's individual positions as at the balance sheet date are taken into account. The measurement, monitoring and reporting of the risk figures are based on a standardised group-wide portfolio hierarchy. In particular, a distinction is made between the trading-book and the treasury (strategic positions). Each transaction is immediately assigned to a portfolio at close of business.

Quantifying market-price risks

The most significant market-price risks for DekaBank Group lie in interest-rate changes and equity risk and arise both from strategic positions and from traded holdings. Because of the extent of transactions affected by interest rates and equity prices, and because of their complexity and risk-content, DekaBank assigns a particularly high priority to the development and refinement of the system for measuring and monitoring the risks in interest-rate and equity positions.

Under the internal market-price risk calculation, risk indices are calculated daily by means of scenario analyses using the scenario-matrix method and the value-at-risk procedure. In addition to the limiting of risk positions, stop-loss limits are applied at the portfolio level to ensure an effective containment of loss.

Standard scenarios

In the framework of the scenario-analyses, standard scenarios are defined to cover each of the different risk factors: interest-rate, credit-spread, foreign exchange and equity price changes. The scenarios provide operational control and limiting of linear risks arising from trading and treasury positions.

As a standard scenario for calculating interest-rate risk, use is made of a hypothetical parallel shift in current currency-specific and sector-specific yield-curves by 100 base-points upwards or downwards. The calculation of the interest-rate risk is performed for each currency by a comparison of the cash value of all individual transactions, which are calculated by means of current and shifted interest-rate curves.

The negative value change reflects the potential loss or interest-rate risk. At the same time it documents whether the risk exists of a general increase or decrease in interest rates.

In addition to the scenario analyses described above for the general risk of an interest-rate change, there is also an examination of the specific risk of interest-rate change arising from capital market products and credit derivatives. The specific risk for these products results from the variability of the product-specific or borrower-specific spreads. In order to quantify the risk, the borrower-specific spread-curves are shifted according to the portfolio-specific degree of diversification. The specific risk of interest-rate change across all individual transactions is then defined by the difference of the cash values calculated by means of the current and shifted spread-curves.

The currency risk is determined by the shift of a particular exchange-rate by 5% against the Euro. For each individual portfolio there is thus an assumption that the exchange-rate will move against the position.

In calculating the equity risk DekaBank takes account of the varying degrees of diversification of the portfolios. Whereas for portfolios with low diversification a price change of 20% is set against the net position, the hypothetical price-change for diversified portfolios such as the treasury portfolio is only 10%.

Stress scenarios

In order to be able to estimate the risk of extreme movements in the market, in addition to the standard scenarios, supplementary stress-tests are regularly carried out to analyse the interest-rate risk position. These are currency and sector-specific and are divided into market- and portfolio-orientated stress-tests.

Market-orientated stress-tests are derived from historical trends in interest rates. In addition to the classic parallel shift, further scenarios such as twisting, tipping and bending of the yield-curve are brought into the analysis. In comparison to these, portfolio-orientated stress-tests are more strongly related to the current positioning of the portfolio being analysed.

Additionally, in collaboration with the Macro Research Unit, the impact of concrete results for given positions is analysed on the basis of current interest-rate expectations.

Value-at-risk

In addition to the potential losses estimated by means of scenario analyses, risk indices are calculated for the linear risks on the basis of value-at-risk. The calculation of the value-at-risk indices is carried out for the whole group using the variance-covariance method.

The indices are calculated daily for all risk-categories and for all portfolios, and set against the appropriate portfolio-orientated limits. The calculations are based on volatilities and correlations derived from historical market-price changes. Here account is taken of market correlations within the risk categories of interest rates, foreign currencies and equities; correlations across the individual risk categories are only taken into consideration for the treasury portfolio.

Because of the different anticipated settlement-periods or decision-making horizons, the treasury's value-at-risk index is calculated for a duration of ten trading days, whereas the value-at-risk index for trading portfolios is only calculated for one trading day. The confidence-level in both cases is 95 percent. A value-at-risk figure calculated on this basis thus indicates, with a probability of 95%, the maximum loss when holding a position for a period of one or ten trading days, as the case may be.

Scenario-matrix procedure

The scenario-matrix method is applied when taking account of the non-linear risks associated with options. The method consists of a scenario-analysis for changes in the two risk-defining parameters which are significant for the type of option in question. The matrix boundaries are regularly adjusted to the current fluctuation-intensities of the underlying parameters. DekaBank only takes up option positions to a very small extent.

Limiting and reporting of market-price risks

Under internal calculations of market-price risk, risk indices, as described above, are calculated daily by means of scenario-analyses, using the scenario-matrix method and the value-at-risk procedure, and are used in particular for the operational limiting of trading and treasury positions. The limiting of the calculated loss-potential is carried out at portfolio level.

In addition to these risk limits, stop-loss limits are defined to contain losses effectively. The basis of calculation for the uptake of stop-loss limits is the accumulated financial earnings for the year. This is calculated by the Accounting Unit in the Corporate Risk & Finance Centre.

All risk limits are monitored by Risk Control. The uptake of limits is reported daily to the relevant business divisions and to the Board members responsible for those divisions. In addition, the Chief Risk Officer is informed daily about the risk positions and the corresponding limit uptakes both in the trading-books and in the treasury position.

Breaches of the limits are immediately reported by Risk Control to the Group Board.

Back-testing of the risk indices

In order to test the validity of our value-at-risk forecast, we carry out regular back-testing. In this process, on the basic assumption of unchanged positions, the day's results, which are theoretically achieved on the basis of observed market movements on the following day, are compared with the value-at-risk figures for the previous day, which were forecast using the variance-covariance method. We use the results of back-testing in the further development of the risk model.

A report on the back-testing results is made quarterly to the ALCC by Risk Control.

Current risk situation

Overall outlook

The following chart shows current VAR for the Group according to interest rate, share price and currency risk: (fig. 17).

Value-at-risk of DekaBank Group[1] (fig. 17)

	Holding period in days	Year-end 2006 €m	Average 2006 €m	Min./Max. 2006 €m	Year-end 2005 €m	Average 2005 €m	Min./Max. 2005 €m
Interest rate risk							
Trading	1	0.88	1.74	0.79/3.19	1.53	0.63	0.25/2.04
Treasury	10	8.94	20.34	8.94/35.55	23.96	28.53	19.18/42.37
DekaBank Group	10	10.23	23.16	9.16/40.57	27.24	29.60	19.75/42.98
Share price risk							
Trading	1	0.65	1.41	0.65/2.24	0.84	1.28	0.56/1.98
Treasury	10	20.71	14.66	8.57/21.93	11.01	10.92	6.59/16.81
DekaBank Group	10	22.11	17.86	10.44/26.00	12.72	13.83	10.08/21.15
Currency risk							
Trading	1	0.06	0.16	0.04/0.39	0.06	0.24	0.02/0.55
Treasury	10	0.63	0.99	0.37/1.68	0.64	0.54	0.12/1.30
DekaBank Group	10	0.51	1.07	0.31/2.29	0.52	1.06	0.21/2.27

[1] all VARs were calculated on the basis of parameters used for internal risk calculation

Looking at the various risk types, at the 2006 year-end (given a holding-period of ten days) 10.23 million euros was accounted for by interest rate-change risks. This equates with a share of 31% of the group-wide market price risk. Share price risks, at 22.11 million euros, accounted for 67% and currency risks, at 0.51 million euros, for the remaining 2%. Share price risks resulted largely from special investor fund investments and to a smaller extent from start-up financing activities.

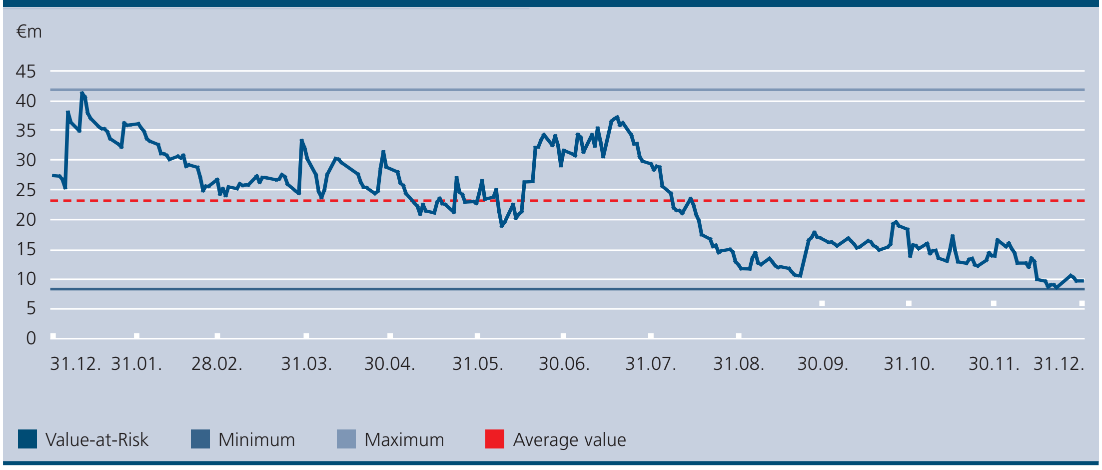
Interest rate risk

Compared with year-end 2005, interest rate-change risks decreased by 17.01 million euros Group-wide. This drop in risk can be attributed to the marked reduction of risk positions given a flattening interest-rate curve. The following chart shows the interest rate-change risk for the Group during 2006 (fig. 18).

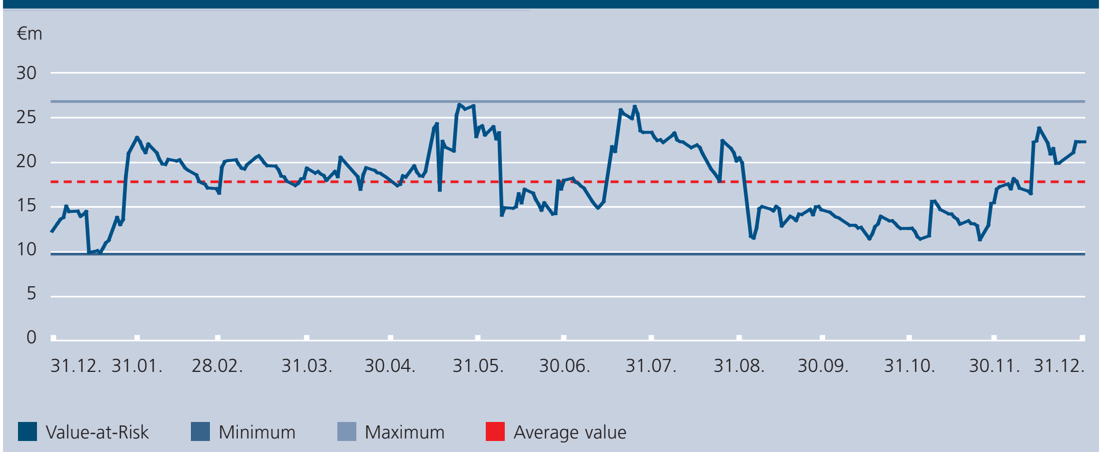
At Group level the interest rate-change risk on trading positions based on VAR in 2006 was between 9.16 and 40.57 million euros.

The interest rate-change risk was also determined by the euro positions in 2006 although the risk positions as a whole decreased significantly over all periods. As at year-end 2006 the share of the risk from euro positions was nearly 82 percent of interest rate risk Group-wide.

Interest rate risk: Group – 2006 (fig. 18)



Share price risk: Group – 2006 (fig. 19)



Share price risk
The share price risks rose by a total of 9.39 million euros compared with 2005. With prices firming during the year and volatilities increasing, equity positions were further built up, especially in the special fund area.

Growth in share price risk during the year can be seen in the following graph (fig. 19).

In 2006 Group-wide share price risk ranged between 10.44 and 26 million euros and resulted mainly from positions in the euro zone. As at year-end the share of risk emanating from the euro zone was around 73 percent of Group-wide share price risk.

Currency risk
The exchange rate risk remained at an extremely low level between 0.31 million and 2.29 million euros throughout the past year, standing at 0.51 million euros at year-end, just 0.01 million euros lower than at year-end 2005. The following graph shows the change in the currency risk during 2006 (fig. 20). The currency risk comprises primarily US dollar positions.

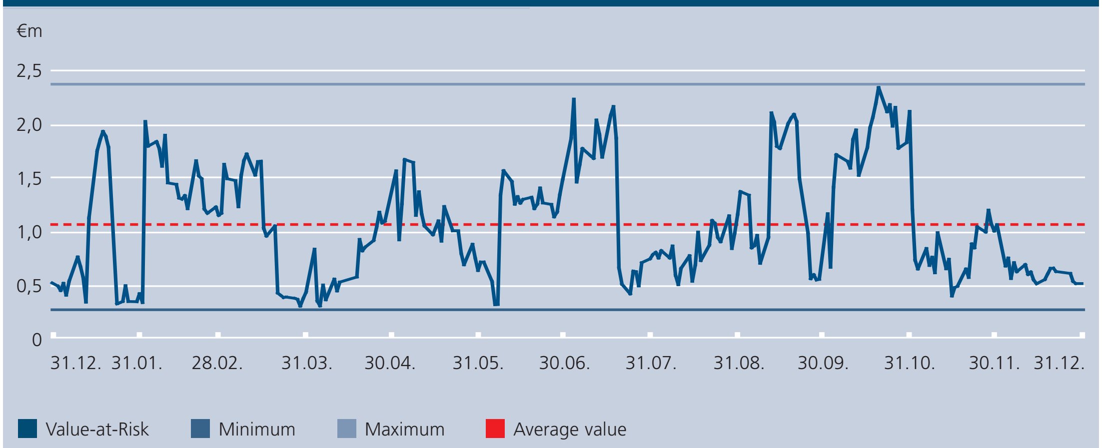
Default risks

Definition
Default risks are defined as risks which arise if a borrower or counterparty is unable to meet his contractual obligations on time or to meet them at all. DekaBank uses its own internally defined risk concepts above in addition to those laid down by the regulatory authorities in order to ensure that all the different risk types are covered. The default risk is subdivided into position risk and advance performance risk. Position risk subsumes borrower risk or issuer risk as well as buying-in risk and uncleared items. Advance performance risk is the risk that the counterparty does not render consideration after advanced performance by the institution. The monitoring of default risks is ensured in DekaBank by the daily monitoring of limits as well as the regular analysis of loan portfolios.

Organisational structure for default risks
The monitoring and control of default risks follows standard principles, regardless of whether the risks result from trading or non-trading transactions. The related tasks are performed by the Board of Management, the Corporates & Markets business divisions, the loan-office department of the Corporate Centre Loan Market Tracking division and the Risk Control Unit of the Corporate Centre Risk and Finance division.

The Corporates & Markets business division is responsible for drawing up and implementing a uniform default risk policy and for managing the Group's default risks. It is here that, among other things, business is generated, risks analysed, internal rating scores established,

Currency risk: Group – 2006 (fig. 20)



decision-parameters for lending decisions drawn up, first-vote status assigned and products developed. As a result, group-wide portfolio management for counterparty risk is also handled here.

As a market segment, the Corporates & Markets business division is integrated into the process chain of the lending and trading business. In accordance with MaRisk requirements (Minimum requirements for the Risk Management), certain functions must be segregated from the 'market' or front office segment. Some of these tasks, designated as "market tracking functions", are carried out in the loan-office department in the Loan Market Monitoring Corporate Centre and include the assignment of market-independent second vote status for loan decisions, the verification of specific collateral as required by MaK and the monitoring of the processing of urgent problem loans as a permanent member of the Monitoring Committee. In addition the loan office department is responsible for the development and quality assurance of loan procedures. The monitoring committee, established in 2004, is responsible for controlling and tracking the processing of significant exposures and consists of representatives of the Corporates & Markets business division and the Legal and Loan Market Monitoring corporate centres.

Along with the loan office, the corporate centre's Risk & Finance risk control unit assumes back office functions. It monitors default risks at portfolio level and also at borrower unit level and is responsible for drawing up risk reports on default risks. In addition it is responsible for the methodical development, quality assurance and monitoring of the procedures for identifying and quantifying default risk.

The functional and organisational separation of risk control and the loan office from the Corporates & Markets business division's operational responsibilities guarantees independent risk assessment and risk management.

The control and monitoring of default risks takes place for each borrower in relation to individual transactions and also at portfolio level. DekaBank has established limits for borrowers and borrower units for the control and monitoring of risks. The control and monitoring of portfolios is done by dividing the borrower portfolios into risk segments. In this process, all financing operations with comparable financing and risk structures or with special features of a specific market or industry background, are assigned to one risk segment.

Assessing creditworthiness

The internal assessment of a borrower's creditworthiness is of central importance for the control of default risks. In the framework, also, of the new rules for the equity backing of banks ("Basel II") the estimation of probability of default is becoming a key benchmark for regulatory minimum equity requirements.

DekaBank has been quick to adapt to the increasing importance of valid quantitative procedures for the assessment of creditworthiness, and as early as 2001 began to develop appropriate internal rating systems in conjunction with eight other *Landesbanken*. As a result of this development work DekaBank today has at its disposal a differentiated rating system, which not only covers the field of classic borrower risks, for example in business with companies, banks and sovereign states, but also delivers highly selective creditworthiness indicators in the area of special and project financing.

The first rating modules were put into service in the middle of 2003 and subsequently the range of tools was increased with the addition of further modules up to 2005. Today DekaBank employs ten rating modules, of which six can be defined as classic scorecard models. Lastly, under these models, an estimation of creditworthiness is carried out on the basis of current quantitative and qualitative borrower features. In order to be able to take fuller account of the particularities of genuine special financing, four further modules are used, which use simulated macro- and micro-scenarios of the relevant risk-generators to carry out an assessment of the probability of default, based on expected future cash-flows. In addition to the assessment of creditworthiness focussing on the borrower or on the project being financed, allowance is also made in the rating score for risk-reducing factors such as possible liability assumption commitments from third parties.

In order to measure existing transfer risks in payment obligations, denominated in foreign currencies from the debtor's viewpoint, borrower ratings and country ratings are combined.

All the rating modules currently in use are calibrated to a one-year probability of default, in which the DSGV master-scale serves as a standardised reference-point for a differentiated assesment of creditworthiness.

The DSGV master-scale provides for a total of 21 rating classes for non-defaulting borrowers and 3 rating classes for defaulters. A mean probability of default is assigned to each class. The class designations and mean probabilities of default (PDs) are shown in the following table (fig. 21).

The existence of three default classes (classes 16 to 18) is explained by the need to facilitate a differentiated categorisation of defaults. Regulatory definitions of defaulting in connection with Basel II embrace a broad spectrum of default scenarios, which can range from temporary interruptions in payment right up to a borrower's insolvency proceedings.

All told, use of the DSGV master-scale makes possible the exceptionally differentiated measurement and forecasting of default risks, which match to a high degree the demands of DekaBank's market environment.

Rating systems should be regarded as dynamic systems that must be continuously adapted to changing risk structures and commercial demands, and their validity tested against this background. The best way to meet the regulatory and managerial demands on the ongoing maintenance and validation of our systems as well as on efficient IT support for the rating system of the *Landesbanken* participating in the project, is for a central service provider to perform the tasks associated with this and for this purpose DekaBank has appointed the Rating Service Unit GmbH & Co. KG (RSU), a company established in 2004 in Munich as a joint company owned by the participating *Landesbanken*. Since then, that company has taken over key tasks in the area of central operation of IT applications as well as documentation, maintenance, validation and further development. In addition, the RSU, a joint venture of the participating *Landesbanken*, is supporting the institutions to a significant extent to comply with regulatory requirements. The optimised division of work facilitates the cost-effective provision of central processes and services.

The rating system in use is an integral part of all transaction processes and reporting formats relevant to credit risk control and is consequently the key instrument in the measurement and control of credit risks. In order to be able to also use the internal rating procedures for determining regulatory equity cover in accordance with the IRBA [internal ratings based approach], in the past year the rating systems and internal credit

DSGV-Master scale (fig. 21)

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	Outturn

risk systems and processes were subject to a regulatory equity audit as a result of which DekaBank was granted corresponding recognition as at 1 January 2007 at group and bank level.

Quantifying default risks

The monitoring of default risks per borrower takes place on a daily basis for all group-wide transactions. For this purpose the limits centrally administered in the Risk Control Unit are applied to major exposures arising from securitised and unsecuritised receivables as well as from derivative transactions.

For the calculation of the total default risk a basic distinction is made between position risk and advance performance risk. To calculate these types of risk all transactions liable to default risk that are concluded group-wide are taken into account. In principle, calculation of the default risk is based on the market value of the products in question. In the case of products for which there is no immediately observable market value, the cash value or the maximum current or future recourse is applied.

Monitoring of limits and reporting of default risks

The monitoring of default risk limits is carried out daily by the Risk Control Unit per economic borrower unit or, where no economic borrower unit exists, per economic partner. The position risk and the advance performance risk are limited as sub-limits and the total position of the borrower unit or partner as an aggregate limit.

Instances where the overall limit is exceeded are immediately reported to the main Board of Management.

Every month the Risk Control Unit draws up a comprehensive report containing additional explanations and also any breaches of sub-limits during the month in question.

Credit risk report

In addition to the daily calculation of the default risk position per borrower, the Risk Report also contains an analysis of the major structural features of the loan portfolio. The Risk Report presents the DekaBank loan portfolio, divided into risk segments, in accordance with the definition in paragraph 19 (1) KWG (Banking Act) for the entire DekaBank Group.

The Risk Report is drawn up at the end of each quarter and submitted both to the Board of Management and the Administrative Board.

The purpose of the Risk Report is to provide a fully comprehensive presentation of the loan portfolio with respect to the default risks it contains in accordance with the MaRisk requirements. Consequently, the Risk Report contains an extensive structural analysis of the loan portfolio, an analysis of the limits and their uptake as well as a presentation of the collateral. Other components of the Risk Report are analyses of concentration, a presentation of rating-related changes in the form of a migration analysis and a presentation of noteworthy commitments and of new market and product activities.

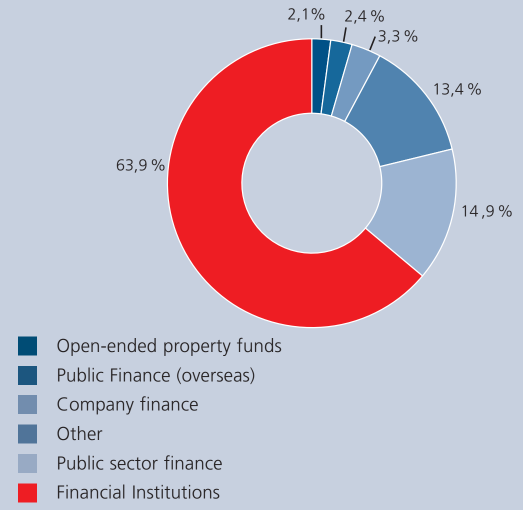
Portfolio analysis

In addition to the structural analysis of the loan portfolio presented in the Risk Report, credit risk is regularly quantified with the aid of a portfolio model. Given the increased economic and regulatory requirements, in 2006 DekaBank developed and introduced a new portfolio model that aims to comprehensively cover credit risks per portfolio. It will focus specifically on

- determining the capital requirement or equity uptake from default risks and incorporating this into the analysis of capacity to sustain risk
- quantifying concentration, diversification and offsetting effects and
- providing suitable risk ratios and risk premiums for portfolio and bank control.

The portfolio model is based on a credit metrics approach. In addition to the default risks in the narrower sense the risks due to a change in creditworthiness are also taken into account in the form of rating migration. Probability allocation for portfolio value changes driven by credit

Gross loan volume (fig. 22)



risk is generated using a Monte Carlo simulation. A key result of the portfolio model is that it determines a credit value-at-risk with a confidence level of 99.9% and an assumed holding duration of one year. The credit risk is currently determined each month at the level of the entire portfolio and incorporated into the processes and reports that are relevant to the control of credit risks.

Current risk situation

As at 31 December 2006 total gross loans amounted to 112.5 billion euros, down 5.9 billion euros compared to 118.4 billion euros as at 31 December 2005. In 2006, the two largest segments – Financial Institutions (71.9 billion euros) and Public Sector Financing (16.7 billion euros) – represented some 88.6 billion euros or 79% of total gross loans (fig. 22).

Total gross loans correspond to a net loan volume of 46.6 billion euros (2005: 45.3 billion euros) after adjusting for risk reduction factors such as, for example, guarantor's liability, amounts due from the Federal and state governments and from municipalities, and personal and material collateral (fig. 23).

The default risk from derivative instruments is reduced on our books by framework contracts concluded bilaterally with our business partners (netting agreements such as the 1992 ISDA Master Agreement Multicurrency Cross Border, the German Framework Contract for Financial Forward Transactions). By means of these netting agreements the positive and negative market values of derivative contracts covered by a framework contract can be netted off against each other. In the context of this netting process the default risk is reduced to a single net liability to the contracting partner (Close-out netting). After deduction of the risk reduction factors the Financial Institutions risk segment represented the largest net loan volume at 28.4 billion euros (fig. 24 and 25).

The average rating of the total gross loans according to the DSGV rating scale was A (7 basis-points) in 2006 (2005: A with 6 basis-points). The net loans achieved an average rating of A– with 10 basis-points (2005: A– with 9 basis-points). In total, 72% of the total net loans was rated higher than A–. This is essentially attributa-

Gross loan volume/net loan volume reconciliation (fig. 23)

	€bn
Gross loan volume	**112.5**
Guarantors	31.5
Federal government, states and municipalities	13.0
Netting of reverse repurchases	6.7
Personal and material collateral	6.5
Covered transactions	3.8
Netting in borrowing transactions	3.1
Netting of financial option transactions	1.2
Other risk reductions	0.1
Net loan volume	**46.6**

ble to the good ratings in the Financial Institutions and Public Sector Finance risk segments.

Whereas 36% of the total gross loans showed a residual duration of under 1 year, 5% had a residual duration of over 10 years. The average residual duration of the total gross loans was 3.4 years.

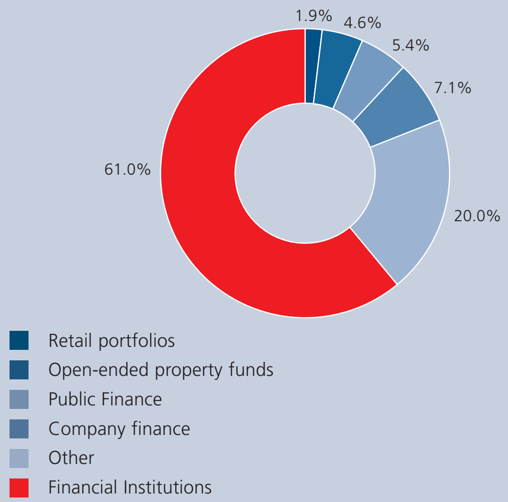
With a figure of 93.5 billion euros the bulk of total gross loans was concentrated in countries in the Euro zone. The Federal Republic of Germany accounted for 79.1 billion euros or 85% and Luxembourg for 2.9 billion euros or 3%. Only a small proportion of the total gross loans (13.5 billion euros or 12%) was lent outside the Euro zone.

The credit value-at-risk (risk horizon one year, confidence level 99.9%) was 1.17 billion euros at year-end 2006. Driven mainly by concentration effects in the leading Financial Institutions risk segment, credit value-at-risk stood at 1.51 billion euros at its peak mid-year.

Acute default risk is accrued in the consolidated financial statements by setting aside a risk provision. Credit receivables are verified for impairment in the Corporates & Markets business division. Individual value adjustments are booked if it is probable that not all interest and capital payments can be made as agreed, subject to impairment criteria being met. The amount of the impairment corresponds to the difference between the book value of a receivable and the cash value of the estimated future payments taking account of the fair value of the collateral.

Portfolio adjustments for creditworthiness are carried out for credit portfolio value write-downs that have already occurred but are not yet known at the balance sheet date.

Net loan volume (Abb. 24)



Risk segments (fig. 25)

	Gross loan volume €m	Net loan volume €m
Financial Institutions	71,908	28,421
Public sector finance	16,709	848
Public Finance (overseas)	2,758	2,529
Municipal construction projects	810	0
Company finance	3,689	3,308
Transportation finance	2,369	585
Structured company finance	1,330	1,321
Export-/ trade finance	621	425
International real estate finance	1,354	621
Domestic property finance	1,211	418
Open-ended property funds	2,370	2,163
Retail portfolios	2,282	895
Equity investments	119	119
Funds[1]	4,922	4,922
Total	**112,450**	**46,572**

[1] This risk segment contains fund units exclusively. DekaBank transactions with funds are allocated in each case to the corresponding risk segment based on investment focus.

Account is taken of transfer risk by carrying out portfolio country adjustments.

The total risk provision for 2006 amounted to 201 million euros for the Group. Of this, 107 million euros was in individual adjustments, 20 million euros in country adjustments, 53 million euros in portfolio adjustments for creditworthiness risks and 21 million euros in reserves.

The loan volume subject to acute default risk and the fair value of the collateral pertaining thereto are shown in the tables (fig. 26 and 27).

By way of collateral for individually adjusted commitments, DekaBank was assigned land charges for the domestic property finance risk segment and aircraft mortgages and pledges for the transportation risk segment.

In 2006, land charges and aircraft mortgages provided as collateral were sold in the amount of 11 million euros. In 2005 a pledge of 5 million euros that was provided as collateral was utilised by DekaBank.

Operational Risks

Definition

Operational risks (OR) are defined as risks associated with the Group's general business activity, which arise as a result of the unsuitability or fail-

Individually adjusted loan volume as at 31.12.2006 (fig. 26)

	Gross loan-volume €m	Fair value-collateral €m	Net loan-volume €m	Ind. val. adj. & reserves[1)] €m
Export-/trade-finance	12.1	0.0	12.1	12.2
Domestic property-finance	124.2	50.2	74.0	78.9
Municipal construction projects	0.0	0.0	0.0	0.0
Structured company-finance	3.2	2.2	1.0	1.0
Transportation finance	127.3	95.0	32.3	31.9
Company finance	0.7	0.0	0.7	0.7
Equity investments	0.0	0.0	0.0	2.9
Total	**267.5**	**147.4**	**120.1**	**127.6**

Individually adjusted loan volume as at 31.12.2005 (fig. 27)

	Gross loan-volume €m	Fair value-collateral €m	Net loan-volume €m	Ind. val. adj. & reserves[1)] €m
Export-/trade-finance[1)]	13.6	0.0	13.6	13.7
Domestic property-finance[1)]	228.9	99.9	129.0	134.3
Municipal construction projects	17.4	0.0	17.4	1.7
Structured company-finance	4.0	3.0	1.0	1.0
Transportation finance	174.3	128.6	45.7	45.5
Company finance	17.6	0.0	17.6	17.6
Total	**455.8**	**231.5**	**224.3**	**213.8**

[1)] Risk provision exceeds net liability since special reserves have been created.

ure of internal procedures, human error or system failure, or as the result of external influences.

Organisational structure for operational risks

The Board of Management is responsible for the adequate handling of operational risks. Among its most important duties are establishing, regularly monitoring and guaranteeing the necessary framework for handling operational risks Group-wide.

The risk control unit is responsible for the harmonisation and appropriateness of Group-wide terminology and methods and procedures and for reporting regularly to the Board and senior management in relation to operational risks. The risk control unit is also in charge of implementing the supervisory and statutory requirements for the management and control of operational risks.

Group audit is responsible for the independent monitoring and correct implementation and execution of methods and procedures within the Group as well as compliance with supervisory and statutory requirements.

Based on Group policies, the heads of all Group units are responsible for managing the operational risks of their respective organisational units.

Classification and differentiation

To identify, evaluate and manage operational risks, DekaBank uses the following cause-based risk categories (fig. 28).

Quantifying operational risks

DekaBank benefits from a comprehensive system for the management and control of operational risks, which was successively implemented group-wide in 2001 to 2006. Here, the key methods employed are decentralised self-assessment, the group-wide collection of loss data and scenario analyses. Based on the data generated using these methods DekaBank determines the operational risk on the value-at-risk basis using the internal model.

Self Assessment

Process-based self assessment involves the detailed, regular and structured identification and assessment of operational risks in the form of damage scenarios by special employees (assessors) for their respective identification units. The risk assessment is performed by assessing the potential loss frequency and extent of the relevant risk scenarios. This then yields the loss potential. The main objective of the self-assessment is to construct a standard risk inventory

Operational risks by class (fig. 28)

Risk	**Risk category**	**Risk sub-category**
Operational Risks	**Technology**	IT applications
		IT infrastructure
		Other infrastructure
	Staff	Human capital
		Unauthorised acts
		Processing errors
	Internal procedures	Processes
		Organisational structure
		Methods and models
		Internal service providers and suppliers
		Projects
	External factors	Catastrophes
		Criminal acts
		Service providers and suppliers
		Political / legal framework

that is consistent for the whole Group and that will allow us to draw up and prioritise action plans for reducing operational risk.

Scenario analysis
In the framework of the scenario analysis methods implemented in financial year 2005, a detailed examination and assessment is being carried out into serious potential losses arising from operational risks.

Like self-assessment, scenario analysis is a method of ex-ante estimation of operational risks by experts in procedures and systems. However, unlike self-assessment, the analysis is here applied to scenarios such as, for example, the "premises-related loss" scenario, whose potential impact can spread over several Group units and thus cannot be adequately covered by self-assessment. Risk-assessment by scenario analysis has the characteristic that the impact of different scenarios can be evaluated. For this purpose, the principal risks triggering a loss-scenario can be identified and systematically adjusted to their specific features.

The result is that scenario analysis provides a comprehensive representation of events leading to loss or damage; this covers a range of possible types of loss including consideration of an extreme stress event.

Besides quantifying risk, scenario analysis is used by DekaBank to produce potential measures to reduce operational risk and recommendations for possible action should the scenario event become a reality.

By combining scenario analysis and self-assesment the entire range of operational risks is covered and evaluated.

Loss database
A central loss database compiles and analyses any losses that have occurred through operational risks. To this database are reported all loss-events with a value in excess of 5,000 euros together with documentation of the measures for reducing or avoiding same and an analysis of the actions required. In addition, by means of an immediate comparison with the actual loss events, a validation of the results of self assessment or scenario analysis is carried out. This generates the data needed to draw up distribution assumptions for the extent and frequency of losses, which form the main basis for the deployment of quantitative models to identify capital requirements.

In addition, DekaBank participates in external loss consortia. These include the consortium of the Bundesverband Investment und Asset Management e.V. (BVI, German Federation of Investment and Asset Management) as well as the GOLD consortium of the British Bankers Association (BBA). The external loss event data are used in the quantification both directly and indirectly for the self-assessment and scenario analysis.

Advanced measurement approach
Within the new minimum equity requirements under Basel II, which come into force in 2007, with respect to the equity approach to be chosen for operational risks, companies are entitled to choose between a calculation of regulatory equity cover in accordance with a simple approach (standard approach or base indicator approach) or an AMA (Advanced Measurement Approach). DekaBank decided at the end of 2005 to opt for an Advanced Measurement Approach and in 2006 applied to the BaFin (German Financial Services Control Authority) for recognition of the approach. Verification of the AMA was conducted in the second half of the year. As at 31 December 2006 balance sheet date the BaFin had not yet made its final evaluation. Concurrently, internal control and monitoring of operational risks was converted to the Advanced Approach.

Reporting of operational risks
The executives responsible for these decisions in DekaBank receive quarterly risk reports, which give information on all significant operational risks and thus make effective control possible.

In addition to the risk reports to the heads of the Group units, an aggregate report is compiled for the Board of Management on a quarterly basis. This contains not only summary information on operational risks in the Group but also detailed information on measures taken or planned for the largest individual risks of each Group unit. In addition, each month a risk indicator in the form of value-at-risk (99.9% and 99.97% confidence level) is calculated and then entered in the Group's analysis of capacity to sustain risk.

There is an additional duty to report loss situations as they occur – graded according to the amount of the loss or damage – which ensures the timely alerting of the Board of Management and internal audit.

Current risk situation

Since the first quarter of 2006 DekaBank has been using the AMA approach for internal control. The risk ratio determined each month on the basis of value-at-risk was 97.3 million euros at year-end and between 96 and 101 million euros over the course of 2006. The figure calculated using the base indicator approach is 168 million euros, which is the same level as 2005's figure using the standard approach.

The number of loss-events was down slightly in comparison to 2005. On the other hand, the total of losses in 2006 was virtually unchanged compared to 2005 (fig. 29 and 30).

Liquidity risks

Definition

Liquidity risk in the narrow sense refers to the risk of being unable to meet payment obligations in full or when they are due. A broader definition also covers market liquidity risk and funding risk. The latter describes the risk of not being able to obtain sufficient liquidity under the expected conditions when needed (for example, as a result of a rating downgrade) while market liquidity risk is the risk that as a result of insufficient market depth or market disruptions positions can only be liquidated with market discounts.

Control and monitoring of liquidity risks

The Bank's liquidity status and liquidity balance form the basis of liquidity planning and liquidity surveys.

Control of liquidity risk is in principal carried out across all portfolios. The process takes in all relevant product types. The central aim of all methods is to avoid liquidity shortages for the entire bank and thereby to ensure overall ongoing solvency of DekaBank.

Liquidity status

The current liquidity status of DekaBank is measured on a daily basis by the Corporates & Markets business division and is used for allocating daily liquidity and for short-term control.

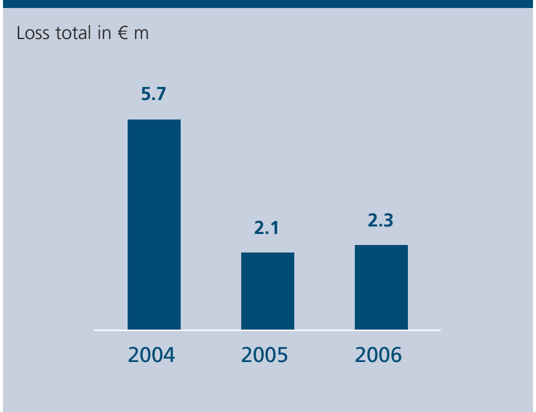
Liquidity surveys

To control medium and long-term liquidity, DekaBank's liquidity position is analysed in the corporate centre Risk & Finance with reference to various scenarios.

In essence the liquidity surveys resulting from the scenario considerations are divided into a presentation of expected cash inflows and outflows based on legal payment deadlines

Losses from operational risks (fig. 29)

Losses from operational risks (fig. 30)



underlying the transactions (standard survey) and a representation that takes account of stress scenarios. The standard survey is prepared monthly and the stress scenarios quarterly and both are reported to the Assets and Liabilities Control Committee.

The standard liquidity survey is based on date-specific, cross-portfolio documentation of future undiscounted cash flows. Allocating the future cash flows for each maturity period is in principle based on legal maturities. Where appropriate, for certain types of product such as currrent account liabilities, overnight money and the ECP [European commercial paper] issue programme conservative extension assumptions are made that are derived from historical empirical values and are verified on a regular basis. Credit drawdowns, for example based on guarantees or loan commitments, are also taken into account on the basis of historical empirical values.

On this basis the resulting liquidity requirement or surplus is determined for each maturity period. In addition to the presentation of the net total payment-stream, there is a separation by product group according to incoming and outgoing payments. The aggregated total payment stream shows the liquidity surplus or shortfall based on a maturity screen. In a further step, the resulting liquidity balances per maturity-band are cumulated, so that the cumulative balances show the level of funding required at a given point in time.

In contrast to the cumulated liquidity balances there are the available funds. Where there are liquidity shortfalls, steps are taken to procure funding, such as, for example, funding through the European Central Bank or the use of the available assets to develop the secured funding.

Stress scenarios

We use stress scenarios in order to study the impact of unanticipated events on the liquidity position. These scenarios are based on models which can in turn be subdivided into internal scenarios (such as creditworthiness downgrading of the Bank by rating agencies) and external scenarios (for instance, fund crisis or bank crisis). Depending on the stress scenario various extension measures are taken in addition to an increase of varying degrees in the funding requirement.

Liquidity ratios under Principle II

For liquidity reserve measurement and limits, DekaBank additionally applies the liquidity requirements of Principle II [of the German Banking Act].

The basis for the ratio is formed by offsetting DekaBank's short-term liquid funds with liabilities falling due within one year. Potential payment liabilities, e.g. in connection with promised lines of credit or capital contributions, are reviewed in respect of their likelihood of being drawn on (call-off risk) using the weighting factors laid down by regulatory rules in the individual maturity bands. This does not include certain product types defined by supervisory regulation, such as derivatives.

Current risk situation

DekaBank's overall liquidity position is very strong. Not least among the determining factors here are the holdings in highly liquid securities eligible for refinancing with central banks. For example, a short-term liquidity reserve of 9.2 billion euros in securities is available within one month. A total liquidity reserve of 4.8 billion euros is available within 12 months (fig. 31).

The requirements of Principle II were clearly exceeded at all times in 2006. The relevant liquidity ratio determined on a daily basis stood at between 1.36 and 1.90. It was 1.46 at year-end 2006, the average for the year being 1.56.

Other risks

Investment and property risks

Definition

DekaBank defines investment risk as the danger of a financial loss due to a reduction in value of the portfolio of equity holdings in companies, to the extent that they cannot be consolidated within risk calculation. Likewise, DekaBank defines property risk as the risk of a decreased value of properties owned by DekaBank Group.

Quantifying investment and property risks

The basis for calculating the investment and property risk position is the most recent market value established for the equity holding or property in question. Risk measurement is performed on the basis of the volatilities of historical yields. For investment risk, we use historical data from equity market benchmark indices. For property risk, we use the volatilities of the relative change in value yields for commercial properties at the site of our offices in Frankfurt since DekaBank's property portfolio is focussed on the Frankfurt site. One event that was relevant for our property risk in 2006 was the sale of the "Skyper" property and the "Mainzer Landstraße 50" property.

Property fund risks

Definition

As part of the stabilisation measures between 2004 and 2006 DekaBank took units in the Deka-ImmobilienFonds into its own investment holdings. The resulting property fund risk is defined as the risk of a financial loss due to a reduction in value of these fund units.

Quantifying property fund risks

Property fund risk is measured by using volatilities of historical change-in-value yields of the properties in the Deka-ImmobilienFonds portfolio. The change-in-value yields are drawn up separately according to location and utilisation type and weighted with the corresponding property values. This supplies the aggregated volatility of the change-in-value yields of the property portfolio.

In the past year the amount of the property fund risk decreased significantly due to the return of the units of the Deka-ImmobilienFonds taken over into its own investment holdings and at year-end it was 168 million euros. At its peak the property fund risk was 440 million euros, the average being 333 million euros.

Business risks

Definition

Business risk is the risk of financial losses arising from changes in client behaviour or the economic environment or due to technical advances. Factors which lead to changes in volume or margin are of great importance to DekaBank. Business risk plays a particularly large role in asset management.

Quantifying business risks

Business risks in the asset management segment are calculated by using scenarios that simulate the reduction in key success parameters such as fund volume, administrative commissions and the ratio of individual fund categories to total volume. The scenario analyses are performed separately for the Asset Management Capital Markets and Asset Management Property business divisions.

In the Corporate & Markets business division, business risks are assessed according to fixed sector-typical benchmarks.

Contingency planning/Business Continuity Planning (BCP)

DekaBank has a Group-wide framework structure at its disposal, along with organisational and technical regulations, to ensure a standard contingency response in the event of an emergency.

Premises-related failure or loss

To ensure against the loss or failure of premises, DekaBank has opted for a domestic and overseas internal recovery strategy, in which Group-owned property and infrastructure are utilised. In Germany, this means, for example, that our two Frankfurt city centre and Frankfurt-Niederrad sites have a shared back-up function due to their geographical proximity. The procedure provides for the affected technical units to have at their emergency work sites all the data and equipment they need to ensure that operations can continue in an emergency.

IT failure

We have a series of organisational and technical guidelines in place to ensure the immediate recovery of failed IT systems. Comprehensive and practice-based tests are carried out on a regular basis to monitor whether our recovery measures are successful.

Organisation – business continuity planning (BCP)

To be able to respond appropriately in an emergency situation, we have developed a highly flexible business continuity planning (BCP) system. This involves organisational counter-measures to deal with a wide range of service disruptions in a precisely defined escalation procedure. Depending on their scope and extent, emergencies are reported directly to a crisis management team, to which the Board of Management also belongs.

To assure the continued emergency operation or re-establishment of critical business processes, we have dedicated re-establishment teams consisting of employees from all technical units. The teams are responsible for restoring all business processes disrupted by a disaster and for ensuring the continued smooth functioning of operational processes.

Liquidity survey as at 31.12.2006 (fig. 31)

	<= 1M €m	> 1M–12M €m	> 12M–5YR €m	> 5YR €m
Securities				
Cash inflows	1,576	10,533	16,181	18,101
Cash outflows	–1,570	–8,665	–22,608	–36,272
Net	**6**	**1,868**	**–6,427**	**–18,170**
Derivatives				
Cash inflows	17,977	20,260	8,515	6,019
Cash outflows	–19,233	–19,707	–8,364	–4,628
Net	**–1,257**	**553**	**152**	**1,392**
Current account accounts and money transactions				
Cash inflows	26,415	45,724	39	30
Cash outflows	–31,483	–49,940	–326	–3,723
Net	**–5,068**	**–4,215**	**–287**	**–3,692**
Loans and loans against borrowers' notes[1)]				
Cash inflows	889	8,220	24,237	18,265
Cash outflows	–641	–1,027	–3,918	–7,003
Net	**248**	**7,193**	**20,319**	**11,262**
Other positions				
Cash inflows	0	0	0	1,137
Cash outflows	0	–64	–256	–1,583
Net	**0**	**–64**	**–256**	**–446**
Liquidity balance	**–6,071**	**5,334**	**13,501**	**–9,655**
Cum. liquidity balance	**–6,071**	**–737**	**12,764**	**3,109**
(Total) financing	**9,245**	**5,575**	**3,069**	**0**
Liquidity reserve	**3,174**	**4,838**	**15,834**	**3,109**

1) including irrevocable loan commitments and guarantees

Report of the Administrative Board for 2006

In 2006, the Administrative Board and its executive committees – the General Committee and the Audit Committee – carried out the duties assigned to them by law and their Articles of Association and bylaws. It regularly advised the Board of Management on management issues and oversaw the proper conduct of the Bank's affairs by the management. The supervisory bodies were involved in all significant decisions regarding the company.

Key issues of Administrative Board meetings

In 2006, four meetings of the Administrative Board took place, during which the Board of Management informed the Administrative Board about the Bank's current performance, risk position and the Group's planning and strategic direction. In accordance with the minimum requirements for the lending business of banks, the Board of Management also reported to the Administrative Board on the credit risk strategy and submitted the internal audit department's activity report to the Administrative Board.

The main aspect of the 2006 financial year was the strategic realignment of DekaBank Group and the stabilisation of the Deka-ImmobilienFonds.

In March 2006 a new Group structure was adopted. Commercial strategic activities were grouped together in the three business divisions Asset Management Capital Markets, Asset Management Property and Corporates & Markets and strategically realigned. The Savings Banks Sales and the Corporate Centres, with their interface functions, provide the business divisions with support and assistance in fulfilling their goals and tasks. In connection with the new Group structure DekaBank's corporate governance was also revised by making the necessary adjustments to the Articles of Association and bylaws. The Administrative Board discussed the idea and goals of the new Group structure extensively with the Board of Management. It facilitated the conversion process during 2006 and was involved in all significant decisions.

In 2006 the Administrative Board once again dealt intensively with the situation of the open-ended property funds. This particularly involved measures taken by the Bank to realign Deka Immobilien Investment GmbH and stabilise Deka-ImmobilienFonds. The measures were taken with the aim of limiting further redemptions of unit certificates and restoring investor confidence in open-ended property funds as well as the credibility of DekaBank Group asa whole. At the suggestion of the Board of Management, the Administrative Board approved an accelerated conversion plan for the Deka-ImmobilienFonds enabling the stabilisation measures for the investment fund to be largely completed in 2006.

Administrative Board Committees

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

The General Committee met six times during the past year focusing primarily on the new Group structure and the strategic development of the company. It also dealt with various Board of Management matters including staffing, business allocation and remuneration. It passed the necessary resolutions in its capacity as the loan approval body.

The Audit Committee met four times in 2006. It reviewed the audit of the financial statements and the consolidated financial statements. It also verified the requisite independence of the auditors, appointed the auditors to perform their audit based on the specified focal points and agreed their fees. The Audit Committee also reviewed in depth DekaBank Group's accounting and risk management systems and obtained a report on the audit activities of the internal audit department. The performance of the open-ended property funds and the Board of Management measures were also extensively discussed. The chairman of the Audit Committee reported o the Administrative Board on a regular basis concerning the Committee's results and recommendations.

Audit and approval of 2006 financial statements and consolidated financial statements

The DekaBank Annual Meeting again appointed PwC PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for the 2006 financial year. PwC audited the 2006 financial statements and consolidated financial statements together with the management reports and issued an unqualified audit opinion thereon.

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

The Administrative Board approved the 2006 financial statements and concurs with the Annual Meeting's proposals with regard to the authorisation and appropriation of net profit. The financial statements are therefore approved.

Changes in Administrative Board and Board of Management

The following changes occurred on the Administrative Board during the past year:

On 30 April 2006, the Chairman of the Administrative Board, Dr. Dietrich H. Hoppenstedt, resigned as Chairman of DSGV e.V. and therefore also as Chairman of the Administrative Board. As of 1 May 2006 Mr. Heinrich Haasis succeeded him as Chairman of the Administrative Board and the General Committee. Dr. Rolf Gerlach was appointed by the Administrative Board as the first deputy chairman of the Administrative Board with effect from 8 June 2006.

As at 1 January 2007 Dr. Siegfried Jaschinski took over from Dr. Gerlach as Chairman of the Audit Committee.

Mr. Thomas Christian Buchbinder, former Chairman of the Board of Management of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale, resigned from the Administrative Board as of 31 March 2006. His successor as Chairman of the Board of Management of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale, Dr. Stephan-Andreas Kaulvers, was appointed to the Administrative Board by the Annual Meeting on 1 June 2006. Mr. Alexander Stuhlmann, former Chairman of the Board of Management of HSH Nordbank AG, also resigned from the Administrative Board on 31 December 2006. Other new members of the Administrative Board appointed by the Annual Meeting were as follows: on 23 March 2006 Mr. Reinhard Henseler, Chairman of the Board of Management of Nord-Ostsee Sparkasse (with effect from 1 April 2006) and on 1 June 2006 Mr. Peter Schneider, Chairman of the Savings Banks Association of Baden-Wuerttemberg (with effect from 1 June 2006).

The Administrative Board would like to thank Dr. Hoppenstedt for his many years of successful service and high level of personal commitment. In addition, the Board wishes to extend its thanks to all the departing Administrative Board members for their valuable commitment and constructive support to the Bank and its Board of Management.

The Administrative Board at its meeting of 30 June 2006 appointed Dr. Matthias Danne and Walter Groll with effect from 1 July 2006 as members of DekaBank's Board of Management. Mr. Oliver Behrens was appointed at the meeting of 6 December 2006 with effect from 1 January 2007 as an ordinary member of the Board of Management. Dr. Bernhard Steinmetz resigned with effect from 30 June 2006 as member of the Board of Management of DekaBank.

The Administrative Board thanks all members who were part of the Board of Management in 2006 as well as all staff for their efforts during the past year.

Frankfurt am Main, 16 March 2007

Heinrich Haasis
Chairman of the Administrative Board

Consolidated financial statements

Statement of comprehensive income

from 1 January to 31 December 2006

DekaBank Group	Notes	€m	€m	2006 €m	2005 €m
Net interest income	[28]				
Interest and similar income		3,928.3			**4,231.1**
Interest expenses		3,672.5	255.8		**3,822.4**
Provisions for loan losses	[29]		2.2		**36.1**
Net interest income after provisions for loan losses				**258.0**	**444.8**
Net commission income	[30]				
Commission income			2,396.3		**2,416.2**
Commission expenses			1,513.1	**883.2**	**1,643.4**
Trading profit or loss	[31]			**468.8**	**– 37.8**
Income from financial assets and liabilities designated at fair value	[32]			**–451.6**	**11.7**
Income on hedge accounting	[33]			**3.3**	**6.8**
Income from financial investments	[34]			**–2.6**	**5.2**
Profit or loss from repurchasing issued debt instruments	[35]			**–3.5**	**–70.9**
Net income from investments accounted for using the equity method	[36]			**–0.5**	**–11.4**
Administrative expenses	[37]			**699.9**	**650.4**
Other operating income	[38]			**– 8.1**	**– 47.6**
Income before tax				**447.1**	**423.2**
Income taxes	[39]			**102.4**	**83.4**
Interest expenses for atypical silent capital contributions	[26]			**16.1**	**19.2**
Income before minority interests				**328.6**	**320.6**
Minority interests				**0.0**	**0.0**
Net income for the year				**328.6**	**320.6**
Net gains/losses on available for sale investments					
Net unrealised gains/losses on available for sale investments			–15.1		**–6.7**
Net realised gains/losses on available for sale investments reclassified to net income			1.2	**–13.9**	**–3.4**
Net unrealised adjustment in deferred tax				**4.1**	**2.5**
Currency translation adjustments				**– 1.2**	**– 0.2**
Other comprehensive income				**– 11.0**	**– 7.8**
Total comprehensive income				**317.6**	**312.8**

Consolidated balance sheet
as at 31 December 2006

Assets

	Notes	€m	31.12.2006 €m	31.12.2005 €m
Cash reserves	[43]		256.3	441.2
Due from banks	[11], [44]		46,424.3	49,014.5
(net after provisions for loan losses amounting to €1.1 m)				(7.3)
Due from customers	[11], [45]		22,263.1	20,509.7
(net after provisions for loan losses amounting to €179.0 m)				(225.3)
Financial assets at fair value through profit or loss	[13], [47]		32,669.3	39,696.9
(thereof pledged as collateral: €7,070.4 m)				(8,674.5)
Positive market values from derivative hedging instruments	[14], [48]		71.0	768.2
Financial investments	[15], [49]		1,998.5	2,117.7
Equity investments	[16], [50]		48.1	48.6
Intangible assets	[17], [51]		136.4	136.5
Property, plant and equipment	[18], [52]		487.0	915.9
Income tax assets	[20], [53]		261.3	1,091.1
Other assets	[19], [54]		312.8	241.6
Total assets			104,928.1	114,981.9

Liabilities

	Notes	€m	31.12.2006 €m	31.12.2005 €m
Due to banks	[21], [56]		31,137.6	31,067.2
Due to customers	[21], [57]		25,983.9	27,564.6
Securitised liabilities	[21], [58]		32,339.2	40,541.4
Financial liabilities at fair value through profit or loss	[13], [59]		8,996.5	8,697.4
Negative market values from derivative hedging instruments	[14], [60]		88.5	10.2
Provisions	[22], [23], [61], [62]		469.9	725.2
Income tax liabilities	[20], [63]		173.9	940.1
Other liabilities	[24], [64]		732.9	618.1
Subordinated capital	[25], [65]		2,029.1	2,130.0
Atypical silent capital contributions	[26], [66]		52.3	52.3
Equity	[27], [67]			
a) Subscribed capital		286.3		
b) Capital reserves		190.3		
c) Reserves from retained earnings		1,845.1		
d) Fund for general banking risks		570.3		
e) Revaluation reserves		2.6		
f) Currency translation reserves		0.4		
g) Accumulated profit/loss		28.6		
h) Minority interests		0.7	2,924.3	2,635.4
Total liabilities			104,928.1	114,981.9

Statement of changes in equity

from 1 January to 31 December 2006

DekaBank Group

	Paid-in equity		Group equity generated			Other comprehensive income		Total before minority interests	Minority interests	Equity
	Subscribed capital €m	Capital reserves €m	Reserves from retained earnings €m	Net income/-loss €m	Fund for general banking risks €m	Revaluation reserve €m	Currency translation reserve €m	€m	€m	€m
Holdings as at 31.12.2004	**286.3**	**190.3**	**1,272.3**	**–58.6**	**278.4**	**475.9**	**1.8**	**2,446.4**	**0.7**	**2,447.1**
Exercise of fair-value option			360.1			–455.9		–95.8	–	–95.8
Holdings as at 01.01.2005	**286.3**	**190.3**	**1,632.4**	**–58.6**	**278.4**	**20.0**	**1.8**	**2,350.6**	**0.7**	**2,351.3**
Net income for the year				28.6	291.9			320.5	–	320.5
Currency translation adjustments							–0.2			
Net unrealised gains/losses on available for sale investments						–6.7				
Net realised gains/losses on available for sale investments reclassified to net income						–3.4				
Net unrealised adjustment in deferred tax						2.5				
Other comprehensive income						–7.6	–0.2	–7.8	–	–7.8
Total comprehensive income	**–**	**–**	**–**	**28.6**	**291.9**	**–7.6**	**–0.2**	**312.7**	**–**	**312.7**
Appropriation from reserves from retained earnings			–87.2	87.2				–	–	–
Distribution				–28.6				–28.6	–	–28.6
Holdings as at 31.12.2005	**286.3**	**190.3**	**1,545.2**	**28.6**	**570.3**	**12.4**	**1.6**	**2,634.7**	**0.7**	**2,635.4**
Net income for the year				328.6				328.6	–	328.6
Currency translation adjustments							–1.2			
Net unrealised gains/losses on available for sale investments						–15.1				
Net realised gains/losses on available for sale investments reclassified to net income						1.2				
Net unrealised adjustment in deferred tax						4.1				
Other comprehensive income						–9.8	–1.2	–11.0	–	–11.0
Total comprehensive income	**–**	**–**	**–**	**328.6**	**–**	**–9.8**	**–1.2**	**317.6**	**–**	**317.6**
Consolidation and other changes			–0.1					–0.1	–	–0.1
Allocation to reserves from retained earnings			300.0	–300.0				–	–	–
Distribution				–28.6				–28.6	–	–28.6
Holdings as at 31.12.2006	**286.3**	**190.3**	**1,845.1**	**28.6**	**570.3**	**2.6**	**0.4**	**2,923.6**	**0.7**	**2,924.3**

Cash flow statement

from 1 January to 31 December 2006

DekaBank Group

	2006 €m	2005 €m
Net income	**328.6**	**320.6**
Non-cash items in net income and adjustments to reconcile net profit with net cash flow from operating activities		
+/– +/– write-downs and write-ups		
to receivables and financial investments	6.1	11.2
to intangible assets and property, plant and equipment	72.7	68.5
+/– Increase/decrease in provisions	77.8	57.4
+/– Income on hedge accounting	–3.3	–6.8
+/– Other non-cash items	–121.2	92.5
+/– Gains/losses from the disposal of financial investments and property, plant and equipment	–24.0	0.2
+/– Other adjustments	–810.2	–267.2
= Sub-total	**–473.5**	**276.4**
Change to assets and liabilities arising from operating activities		
+/– Due from banks	2,757.1	–615.2
+/– Due from customers	–1,713.2	1,943.4
+/– Financial assets at fair value through profit or loss	6,478.7	962.1
+/– Financial investments	57.7	–988.8
+/– Other assets arising from operating activities	990.4	–16.0
+/– Due to banks	63.5	–1,773.8
+/– Due to customers	–1,424.0	–281.3
+/– Securitised liabilities	–8,063.4	–222.5
+/– Financial liabilities at fair value through profit or loss	959.8	1,154.9
+/– Other liabilities from operating activities	–927.3	–777.2
+ Interest received	3,579.9	3,422.9
+ Dividends received	154.7	245.5
– Interest paid	–2,978.6	–3,167.4
– Income tax payments	–14.1	–244.0
Net cash from operating activities	**–552.3**	**–81.0**
+ Proceeds from the disposal of		
Equity investments	0.7	0.0
Property, plant and equipment	494.9	0.7
– Disbursements for the purchase of		
Equity investments	–2.7	–3.0
Shares in companies valued at equity	0.0	–20.3
Intangible assets	–9.5	–6.7
Property, plant and equipment	–6.6	–478.5
+ Proceeds from the disposal of shares in associated unconsolidated companies	36.3	0.0
– Disbursements for the purchase of shares in associated unconsolidated companies	–0.6	0.0
Net cash from investment activities	**512.5**	**–507.8**
– Payments to company owners and minority interests	–51.6	–85.8
– Dividends paid	–28.6	–28.6
+ Inflow of funds from subordinated capital	0.0	0.4
– Outflow of funds from subordinated capital	–65.1	0.0
Net cash from financing activities	**–145,3**	**–114,0**
= Changes to cash and cash equivalents	–185.1	–702.8
+/– Other effects	0.2	0.1
+ Cash and cash equivalents brought forward	441.2	1,143.9
Cash and cash-equivalents carried forward	**256.3**	**441.2**

The cash flow statement shows the change in DekaBank Group's cash balance during the financial year. Cash and cash equivalents corresponds to the balance sheet item Cash reserves (see Note [43]).

Net cash from operating activities is determined using the indirect method i.e. Group net profit is adjusted first by non-cash items, including revaluations and changes to provisions. The item Other adjustments mainly includes the breakdown of interest and dividends received in cash as well as interest and income tax payments in the financial year, which must be shown separately in accordance with IAS 7.

Net cash from investment activities shows payments and disbursements from long-term investments. Changes in the cash balance in 2005 and 2006 were due mainly to additions and disposals of investment properties.

Financing activities, include equity cash-flows from the deposits of silent partners and subordinated capital.

The cash flow statement is in principle of minor importance for banks since it does not provide any information on the actual liquidity position.

Notes

Notes

Accounting principles

The consolidated financial statements of DekaBank Deutsche Girozentrale have been prepared in accordance with internationally accepted accounting standards, International Financial Reporting Standards (IFRS) or International Accounting Standards (IAS). The standards published and adopted by the European Union at the time the financial statements were prepared and the interpretation of these standards by the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretations Committee (SIC) applied.
National regulations of the German Commercial Code (HGB) as part of § 315a HGB were also taken into account.

Changes to accounting standards relevant to DekaBank Group are discussed below:

IFRS 7 – Financial instruments: Disclosures

The purpose of IFRS 7 is to put all the financial instrument disclosure requirements together in one single standard. The disclosure requirements for financial instruments previously contained in IAS 32 and the industry-specific IAS 30 cease to be valid once IFRS 7 applies. In addition, the new standard provides comprehensive rules on the reporting of risks arising from financial instruments. IFRS 7 does not come into mandatory effect until 2007. DekaBank Group has already been applying the IFRS 7 requirements since financial year 2006, including stating 2005 comparatives. The notes have been supplemented accordingly. The risk information required under IFRS 7 is mainly shown in the risk report in the Group management report. The risk report therefore forms part of the Group's reporting under IFRS for the first time.

Amendment to IAS 1 – Presentation of financial statements

In connection with IFRS 7 an amendment to IAS 1 was also published requiring additional information concerning a company's equity. The amendments apply no later than to financial years beginning on or after 1 January 2007. DekaBank Group has been complying with the new disclosure requirements since 2006.

Amendment to IAS 39 – Financial instruments: Recognition and measurement

IAS 39 was amended to include the accounting treatment of financial guarantee contracts by the issuer of the guarantee. These amendments come into effect for financial years beginning on or after 1 January 2006 and were accordingly applied by DekaBank Group in 2006. Financial guarantees are recognised initially at fair value with the present value of outstanding premium payments being netted against the present value of the financial guarantee payable.

Amendment to IAS 19 – Employee benefits

In December 2004 the IASB adopted an amendment to IAS 19 giving the additional option of recognising in full all actuarial profits and losses in the period in which they occur, outside the profit and loss account in a statement of recognised income and expense. DekaBank Group has not made use of this option. Additional information on benefit plans is required for financial years beginning on or after 1 January 2006. The notes to the financial statements have been supplemented accordingly.

IFRIC 4 – Determining whether an arrangement contains a lease

The interpretation that must be applied with effect from 1 January 2006 contains guidelines for determining whether an arrangement constitutes or includes a lease as defined by IAS 17 and how it is to be treated in the accounts. IFRIC 4 was applied in DekaBank Group for the first time in 2006 but did not affect the consolidated financial statements.

Accounting policies

[1] General Information

The accounts have been prepared under the going concern assumption. The policies described, unless otherwise noted, have been applied uniformly and consistently to the reporting periods shown.

Income and expenses are recorded under the accruals or matching concept in the period to which they should be financially allocated. Premiums and discounts are accrued using the effective yield method and stated like accrued interest in the balance sheet item in which the underlying financial instrument is entered in the balance sheet.

All estimates and evaluations required under IFRS principles are carried out in accordance with the respective standard using the best estimate, and are revalued on an ongoing basis and are based on empirical values and other factors, including expectations of future events that appear reasonable under the given circumstances. To the extent that material estimates were necessary, the assumptions made in explaining the corresponding position are presented in detail below.

[2] Consolidated companies

The consolidated financial statements include, in addition to DekaBank as parent company, a total of 11 domestic (2005: 13) and 7 foreign (2005: 7) subsidiaries in which DekaBank holds directly or indirectly more than 50 per cent of the voting rights. In addition, the Group includes 10 investment funds (2005: 9), the investors of which are exclusively DekaBank Group companies and which must be consolidated pursuant to IAS 27 and SIC-12.

The changes in the financial year came about as a result of consolidating a newly issued investment fund and deconsolidating two non-material subsidiaries.

In all, 13 subsidiaries in which DekaBank has a direct or indirect interest were not consolidated. They are not material for the presentation of the assets, financial position and earnings of the Group. The equity investments in these companies are stated as financial investments.

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

The subsidiaries, joint ventures, associated companies and investment funds and the companies and equity investments not included due to materiality factors can be seen in the list of equity investments (Note [81]).

[3] Consolidation principles

The consolidated financial statements have been prepared using accounting policies that apply throughout the Group.

The subsidiaries and investment funds are consolidated under the purchase method. All assets and liabilities of the subsidiary at the date of acquisition or the date of obtaining a controlling interest are therefore stated at fair value. The difference arising from offsetting the purchase price against the fair value of the assets and liabilities is posted to intangible assets as goodwill. The book value of the goodwill is tested for impairment at least once a year and where there are indications of a possible decrease in value more than once a year (Impairment Test).
If a decrease in value of goodwill is found, the goodwill will be written down as an extraordinary item. The interest of non-consolidated companies in the equity or earnings of majority-owned subsidiaries of the Bank is stated separately as "Minority interests" in the equity or as "Minority interests in earnings" in the profit and loss account.

Intra-Group receivables and liabilities as well as expenses, income and interim results from intra-Group financial and services trading are eliminated by consolidating balance sheet and P&L items.

Joint ventures and associated companies are included in the consolidated financial statements under the equity method unless they are not material for the presentation of the assets, financial position and earnings of the Group. Where a company valued at equity uses different accounting policies then appropriate adjustments are made to the IFRS consolidated financial statements by means of a separate calculation.

Interests in subsidiaries which are not included in the consolidated financial statements because they are not material and are shown in the financial investments at fair value or, if this cannot be determined reliably, at historical cost.

DekaBank Group owns shares in public funds valued at Fair Value. These are shown in the balance sheet item Trading assets in the Designated at Fair Value sub-category.

[4] Financial instruments

All financial assets and liabilities including all derivative financial instruments are posted in the balance sheet pursuant to IAS 39. For estimating financial assets in the case of spot purchases and sales (Regular Way Contracts) the settlement date is used.

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

Financial Assets or Liabilities at Fair Value through Profit or Loss

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

Financial instruments classified as Held for Trading are firstly those that have been acquired with the intention of achieving profits from short-term price fluctuations or from the dealer's margin. Secondly, this sub-category includes all derivatives unless they are hedging instruments as defined in IAS 39.72f.

The Designated at Fair Value sub-category derives from application of the Fair Value option in IAS 39 and can include financial assets and liabilities which are managed as an entity in accordance with the Bank's documented risk management strategy. Both the risk and the results thereof are determined based on fair values and reported to the Board of Management. Exercising the fair value option results in this case in harmonisation of economic management and reporting in terms of the assets, financial position and earnings.

In addition, the fair value option was exercised for financial instruments with separable embedded derivatives. These financial instruments are also allocated to the Designated at Fair Value sub-category as at the date of acquisition.

Loans and receivables

Loans and receivables include all non-derivative financial instruments that have fixed or determinable payments and are not listed on an active market. As a condition for this, the corresponding financial instruments, at the time of acquisition, must not be allocated to the Financial Assets or Liabilities at Fair Value through Profit or Loss or Available for Sale categories. Loans and Receivables must be valued at cost less impairment.

At any closing date and where there are indications of potential decreases in value loans and receivables are tested for impairment. Value adjustments are made accordingly as necessary (see in this regard Note [12]). In the case of a recovery in value the effect on profit is reflected in the profit and loss account. The historical cost that would have arisen at the valuation date without impairment shall be the upper limit of the write-up.

Available for sale financial assets

The Available for Sale category includes all non-derivative financial instruments that have not already been allocated to other categories. Financial instruments in the Available for Sale category must be valued at Fair Value. The result of the valuation is stated in Equity as revaluation reserves with no effect on profit. Any impairment or realisation of valuation results shall be posted in the profit and loss account. Increases in value of debt certificates are stated in Equity with an effect on profit or loss, increases in value of equity instruments on the other hand are stated without an effect on profit or loss. Available for Sale securities are stated as financial investments.

Held to maturity investments

If financial assets have fixed or determinable payments and a fixed term and may in principle be allocated to the Held to Maturity category. These financial instruments must, however, have been acquired with the intent and ability to hold them to maturity. Held to Maturity assets must be valued at cost less impairment. DekaBank Group currently has no Held to Maturity financial instruments.

Other Liabilities

Other liabilities include financial liabilities including securitised liabilities unless they have been designated at Fair Value through Profit or Loss. They are stated in the balance sheet at historical cost.

Financial assets are written off if the contractual rights arising from the asset are extinguished or have been transferred to non-consolidated parties in such a way that the risks and opportunities have essentially been transferred. Financial assets are also written off if control or power of disposal has been transferred. Financial liabilities are written off when payment of the principal has been made in full.

[5] Fair value measurement of financial instruments

Fair Value is deemed to be the amount at which a financial instrument can be traded between competent, willing and independent parties who are making the transaction on their own free will.

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

In cases where no prices from liquid markets are available valuation methods are applied under current market conditions. Fair values of illiquid securities, interest and interest currency swap agreements as well as unlisted interest futures transactions are determined using discounted cash-flows. The market interest rates applicable to the maturity of the financial instruments are used in this case. Where not exchange-listed, options are valued using recognised option-pricing models. Fair values of forward currency transactions are determined using forward exchange rates as at the balance sheet date. Fair values of illiquid credit default swaps and collateralised debt obligations are determined using standard valuation procedures (e.g. the hazard rate and Copula models).

Financial instruments due daily are stated at nominal value. These instruments include cash in hand and cash at bank.

[6] Hedge accounting

In accordance with the rules in IAS 39 derivatives are essentially classified as trading transactions and valued at fair value. The valuation result is posted as Trading income. DekaBank Group enters into derivatives first for trading purposes and second for hedging purposes. If derivatives are used to hedge risks arising from financial assets and liabilities that are not in the At Fair Value category they may under certain conditions be posted in the accounts as a hedge.

As part of its management of assets and liabilities the Bank uses fair value hedges as defined in IAS 39 to hedge against the risk of interest rate changes. Hedge transactions include only interest rate swaps which are written to hedge the loan and issue transaction and which meet hedge accounting requirements.

In order to meet the preconditions of IAS 39 for applying the hedge accounting rules, the hedges must be documented individually at the time they are contracted. This documentation must specifically include the identification of the underlying and hedge transaction as well as the type of risk hedged against. Only microhedges where the hedging instruments can counter one or more similar underlying transactions may be designated as hedges.

IAS 39 additionally requires proof to be provided of an effective hedge. The effectiveness of the hedges is therefore monitored on a daily basis. A hedge is deemed to be effective if throughout the entire term of the hedge the ratio of changes in value of the underlying and hedge transaction is between 0.80 and 1.25.

If a hedge is not effective it is cancelled. Since monitoring of effectiveness and any necessary hedge cancellations is done on a daily basis this covers prospective measurement of effectiveness.

For fair value hedges, changes in value of the underlying transaction that are attributable to the hedged risk are included in Hedge Income along with the Fair Value change in the hedge transaction. The derivates used for hedging are shown in the balance sheet as Positive or Negative market values of derivative hedging instruments.

Derivative financial instruments which are used for economic hedging but do not meet the requirements of IAS 39 are treated like derivatives held for trading purposes and shown as Trading assets or Trading liabilities. The net interest income from derivatives held for trading purposes is shown as Trading income while the net interest income from economic hedge transactions is, like interest from hedged transactions, posted under Net interest income.

[7] Structured products

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

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

In DekaBank Group separable financial instruments are included in the Designated at Fair Value category and stated in the balance sheet under Trading assets or liabilities.

[8] Currency translation

Currency translation in the DekaBank Group is in accordance with IAS 21. All monetary foreign currency items are converted at the exchange rate as at the balance sheet date. Income from currency translation is included in Trading profit or loss with an effect on earnings. Non-monetary items are converted in accordance with the valuation standard for their respective category: items valued at historical cost are converted at the rate for the acquisition valuation (historical rate). Non-monetary items stated at Fair Value must, like monetary items, be converted at the current closing rate although the effect of the currency translation of unhedged Available for Sale-financial instruments is included in equity without an effect on earnings. Expenses and income are in principle converted at the closing rate as at the date on which they commence to impact profit or loss.

The conversion of the financial statements of Deka(Swiss) Privatbank AG prepared in Swiss francs is performed using the modified closing rate method. All assets and liabilities are converted at the closing rate. The profit and loss account items are converted arithmetically at month-end exchange rates during the reporting year. Equity, with the exception of revaluation reserves (at the closing rate) and annual income (from the profit and loss account), is converted on the basis of the historical exchange rates at the date of acquisition by the Group. The resulting translation difference is posted to Equity as reserves from currency translation.

[9] Genuine sale and repurchase agreements and securities lending transactions

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

Genuine sale and repurchase agreements are contracts transferring securities for consideration, in which it is agreed at the same time that the securities must subsequently be transferred back to the pledgor in return for consideration agreed in advance. Accounting for the security transferred shall continue to be carried out in the accounts of the pledgor in the previous category since the main opportunities and risks of ownership remain with the pledgor. A liability for the lender or a claim for the pledgee shall be accounted for in the amount of the cash sum received or paid as the case may be.

The term “securities lending” means transactions where securities are transferred by the pledgor with the obligation that the pledgee, after expiry of the agreed time, shall transfer back securities of the same kind, quality and quantity and shall pay consideration for the duration of the loan. The securities that are loaned are accounted for in a similar way to genuine sale and repurchase agreements. Securities must generally be provided in the case of securities lending transactions. Cash securities are stated in the balance sheet of the lender as payables or in the balance sheet of the pledgee as receivables. Securities provided by the pledgee continue to be accounted for by the pledgee.

Lending and sale and repurchase agreements are contracted at current market conditions. Domestic transactions are contracted using the standard German framework agreements and foreign transactions using international framework agreements. According to the standard framework agreements transferred securities may be resold or repledged by the recipient. In the event of the sale of securities borrowed the resulting short position us shown under Trading liabilities.

If transactions have been undertaken for trading purposes, interest income and expenses from sale and repurchase agreements and income and expenses from securities lending transactions are included under Trading income. Otherwise they are included under Net interest income.

[10] Lease accounting

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

DekaBank Group as Lessee

The leases entered into by DekaBank Group as lessee are mainly operating leases. The leased vehicles and computer equipment are accordingly not shown in the balance sheet. The lease instalments payable by the DekaBank Group are recorded as administrative expenses. Lease instalments paid in advance were included for the correct period end accrual as deferred expenses and accrued income.

DekaBank Group as Lessor

The leases entered into by DekaBank Group as lessor are exclusively finance leases. The balance sheet shows a claim in the amount of the net investment value. Lease instalments received are split into interest (affecting profit or loss) and repayment of principle.

[11] Due from banks, due from customers

Due from banks or due from customers mainly include loans granted, non-negotiable bearer and registered bonds, BaW money and call money and time deposits. Under IAS 39 the amounts due are categorised as Loans and Receivables or Available for Sale (see also Note [4] regarding this). Amounts due classified as Loans and Receivables are shown in the balance sheet at historical cost less any risk provision. Amounts due in the Available for Sale category are shown in the balance sheet at fair value. Income from interest payments and sale of receivables are stated as net interest income. The income from valuation of receivables in the Available for Sale category is shown as revaluation reserves. The valuation regulations described in Note [6] apply to receivables secured as part of fair value hedges.

[12] Provisions for loan losses

The default risk relating to a receivable is accounted for by creating a risk provision. If it is not probable that further payments will be made a receivable is classified as irrecoverable. An irrecoverable receivable the value of which has already been adjusted is written off by means of a risk provision.

If no specific provision is made for such a receivable it is written down directly with an effect on profit or loss. Direct write down is performed even if the Bank waives parts of a receivable the value of which is not adjusted or if a receivable is sold and the historical cost is less than the book value of the receivable.

Loan receivables are checked individually for impairment. If impairments are found specific provisions in the corresponding amount are created. In the case of receivables for which there are no specific provisions, default risk is accrued by creating portfolio value adjustments. DekaBank Group does not therefore create fixed-amount specific provisions.

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

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

The amount of the value adjustment corresponds to the difference between the book value of a receivable and the present value of the estimated future cash flows, taking account of the fair value of the collateral.

Since the specific risk provision is determined based on the cash flow valuation of the estimated future cash flows, if payment expectations remain the same, there will be an effect from the change in present value (Unwinding) as at the subsequent closing date. The change in present value must be recorded as interest income in the profit and loss account in accordance with IAS 39 AG 93.

Where the interest payments are from loans to which an adjustment in value has been made these are posted as interest income. If the difference between the change in cash (Unwinding) and the nominal interest actually received is only minor there is no need to record interest income from unwinding in the profit and loss account with an effect on profit or loss.

The portfolio value adjustments for credit risks reflect the assumptions concerning impairment of the loan portfolio that have already occurred at the balance sheet date but have not yet become known. Receivables are in this approach grouped together in homogeneous portfolios with similar risk characteristics. In determining the value adjustments firstly, the historical probabilities of default are reviewed and secondly, current developments in the economic environment.

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

Impairments are recorded with an effect on expenses by value adjustments or direct depreciation. Cancellations of value adjustments and payments received towards depreciated receivables are recorded with an effect on profit or loss as risk provisions in the lending business. The information shown in the profit and loss account is stated as risk provisions in the lending business.

[13] Financial assets and liabilities at fair value through profit or loss

Held for Trading

Financial instruments in the Held for Trading sub-category are shown as Trading assets or Trading liabilities. These are derivatives and financial instruments that have been acquired or issued with the intention of trading. In the case of derivatives, the Group distinguishes between trading derivates and economic hedging derivatives, which are economic hedges but do not meet the criteria for hedge accounting as defined in IAS 39. All financial instruments in this category are valued at fair value with an effect on profit or loss. For derivatives with outstanding premium payments the present value of the premium is netted against the fair value of the derivative.For financial instruments that are not traded on a market standard valuation procedures (in particular the discounted value method and option price model) are used to determine the balance sheet value.Unrealised valuation results and realised profits and losses are recorded as trading income with an effect on profit or loss. Interest income and dividend income minus interest expense, and trading commission are also shown as trading income.In accordance with IFRS 7, interest income from economic hedging derivatives is now no longer shown as Trading income but as Net interest income in the profit and loss account.

Designated at Fair Value

Trading assets and liabilities also include financial instruments that have been classified for the first time in the accounts as Designated at Fair Value.
Trading assets and liabilities also include financial instruments that have been classified for the first time in the accounts as Designated at Fair Value. Effects from fair value changes are recorded as income from financial assets and liabilities designated at fair value. Whereas interest and dividend income, interest expense and reinvestment gains were previously also shown in this item, they are now shown as Net interest income in accordance with IFRS 7. 2005 comparatives have also been adjusted based on IFRS 7 with retrospective effect.

[14] Positive and negative market values from derivative hedging instruments

This item includes hedging derivatives as defined in IAS 39 (Hedge Accounting) at positive market values on the asset side or negative market values on the liabilities side of the balance sheet. DekaBank Group exclusively uses the guidelines on Fair Value Hedge Accounting.

Hedging derivatives are valued using the Discounted Cash Flow method at fair value. The valuation results determined by Hedge Accounting for Fair Value Hedges are recorded as hedge income with an effect on profit. Current income from hedging derivatives is shown as net interest income.

[15] Financial investments

Financial investments include financial instruments that are Available for Sale such as bonds, including other fixed interest securities, equities and other non-fixed income securities, shares in subsidiaries that are not consolidated, associated companies not valued at equity and other equity investments.

The financial assets stated here are stated in the balance sheet at Fair Value unless this cannot be reliably determined. Interests in associated unlisted companies and other equity investments for which neither prices from liquid markets nor the factors relevant for valuation models can be reliably determined are stated at cost.

Valuation results, after taking into account deferred taxes, are recorded directly in Equity as revaluation reserves. Impairments due to creditworthiness are generally recorded with an effect on profit or loss as Income from financial investments. Increases in value of debt securities must be accounted for with an effect on profit or loss as Income from financial investments. In contrast, increases in value of equity instruments that are Available for Sale are recorded with no effect on profit or loss as revaluation reserves.

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

[16] Equity investments

Shares in associated companies or joint ventures are stated in the Group balance sheet on the date they acquire a material influence or when they are formed. In the subsequent years the equity value shown in the balance sheet is adjusted by the proportionate changes in equity of the associated company. The proportionate annual income of the associated company accrues to the Group profit and loss account as net income from investments accounted for using the equity method.

The equity method is applied essentially based on the last available financial statements of the associated company provided these are not more than three months old. At the date DekaBank consolidated financial statements were prepared S PensionsManagement GmbH did not yet have available any current consolidated financial statements for the year under review. For this reason a budgetary account was used for the at-equity valuation which takes account of the impacts of significant transactions and other events which have occurred or are expected to occur since the last balance sheet date of S PensionsManagement GmbH.

If there are indications of an impairment of the shares in a company valued at equity these willbe reviewed (Impairment Test) and where necessary the book value of the shares will be written down on an extraordinary basis. Increases in value shall be made if the reasons for impairment are no longer necessary by write-ups up to the amount of the original book value. Impairments and increases in value are recorded with an effect on profit or loss under income from associated companies.

[17] Intangible assets

In addition to software made by the Group and acquired software, intangible assets also include goodwill acquired.

Intangible assets acquired for payment are stated at historical cost. Software developed by the Group is shown in the assets as costs of manufacture provided the inclusion criteria in IAS 38 are met. Capitalised costs mainly include personnel expenses and expenses for outside services. Interest on debt is not capitalised. Software whether made by the Group or acquired is amortised over 4 years on a scheduled straight line basis. Where there are preconditions that no longer allow for the projected use an extraordinary write-down will be applied.

Goodwill arises in the case of the acquisition of subsidiaries, when the acquisition costs exceed the Group's share in the net assets of the company acquired. Goodwill acquired is stated at cost as at the date of acquisition and is not subject to regular amortisation.

The subsequent valuation shall be at cost less any cumulative impairment expenses. Goodwill will be audited for impairment on an annual basis and if there are indications of potential impairments more than once every year. If an impairment is found in the course of the Impairment Test extraordinary impairment will be applied.

Scheduled amortisation and impairment for intangible assets are recorded as administrative expenses in the profit and loss account.

[18] Property, plant and equipment

Property, plant and equipment includes land and buildings used for the company's own commercial activities as well as properties acquired for the purpose of generating income, so-called "investment properties." Property, plant and equipment are stated at cost less depreciation. Deferred expenditure for property, plant and equipment is capitalised if an increase in future potential for use is a viable assumption. All other deferred expenditure is recorded as expenses. Property, plant and equipment not shown in the accounts as Investment Property are depreciated on a straight line basis over the following periods in accordance with their estimated useful life:

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

Low-value economic assets as defined in § 6 paragraph 2 Income Tax Act (EStG) have been fully written off on materiality grounds in the year in which they were acquired.

Impairments in excess of scheduled depreciation are written down immediately. Scheduled depreciation and impairment is stated under administrative expenses, gains and losses from the disposal of property, plant and equipment is recorded as other operating income.

Properties leased to third parties or acquired to generate income are classified as Investment Properties if they are held with the intention of achieving rental income and/or appreciation in value. Even substantial parts used by non-Group companies in mixed use properties are stated separately as Investment Properties provided the criterion is met that they can be let or sold separately. Investment Properties are valued at fair value, the valuation results are stated as administrative expenses.

[19] Other assets

This line in the balance sheet includes assets which when considered separately in each case are of minor importance and cannot be allocated to any other line in the balance sheet. Receivables are valued at amortised cost. The positive valuation effects of Regular Way financial instruments valued at fair value, the settlement date of which, is after the balance sheet date are also stated in "Other assets".

[20] Income taxes

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

Deferred income tax claims and liabilities are created for timing differences between the estimated values of assets and liabilities in the IFRS balance sheet and the tax balance sheet. They are calculated based on the tax rate projected for the date they will written back. Deferred tax liabilities are booked for timing differences resulting in tax charges on write back. If tax savings are projected when timing differences are settled and it is probable that they will be utilised, deferred tax assets are recorded. Actual income tax claims and liabilities and deferred tax assets and liabilities are stated without discounting. Deferred taxes on timing differences that have arisen with no effect on profit or loss are also recorded with no impact on profit or loss as revaluation reserves.

For loss carry forwards chargeable to tax, deferred tax assets are recorded if it is probable that they will be utilised. Loss carry forwards in Germany can be carried forward for an unlimited period. Foreign loss carry forwards which cannot be carried forward for an unlimited period are shown by maturity. Deferred tax assets arising from timing differences and loss carry forwards are tested for impairment at each balance sheet date.

[21] Liabilities

Financial liabilities are accounted for in the balance sheet at historical cost if they are part of Other Liabilities. Fair Value through Profit or Loss liabilities are valued at fair value with an effect on profit or loss. The valuation guidelines described in Note [6] apply to liabilities which have been designated as hedge relationships in the context of hedge accounting.

[22] Provisions for pensions and similar obligations

The Group offers employees various types of retirement benefits. They include both defined contribution plans and defined benefit plans.

For the defined contribution plans a fixed amount is paid to an external provider (such as Sparkassen Pensionskasse, BVV and Direktversicherung).

The Group does not create any provisions for such schemes in accordance with IAS 19.

For defined benefit plans the scope of obligation is calculated by independent actuarial experts. In these cases at each closing date the present value of the pension entitlements earned (Defined Benefit Obligation) is determined using the Projected Unit Credit Method. The allocation to pension provisions is already established at the start of the financial year in accordance with the expense-related approach in IAS 19. Discrepancies between the actuarial assumptions made and what actually develops during the financial year lead, just like the annual updating of the actuarial assumptions, to differences between the book value of the pension reserves (before deduction of plan assets) and the present value of the pension entitlements earned as at the balance sheet date. These so-called actuarial gains and losses are shown in the balance sheet in accordance with the corridor approach. This means that if on the balance sheet date there is a difference of more than 10% between the book value of the pension reserve and the present value of the pension entitlements earned this is amortised with an effect on profit or loss over the average residual working life of the active employees.

Within the defined benefit obligations of DekaBank Group as well as final salary plans and general contribution schemes there are also fund-based defined contribution schemes. The contributions are provided by both employer and employee and are invested in investment funds and life insurance policies. When benefits become due the employee is entitled to a contractually agreed minimum benefit or to the market value of the underlying fund units if higher and where applicable to the benefit under the life insurance policy. The guarantee components and the variable fund components are valued separately. The value of the liability is derived from the higher value in each case. If the fund component exceeds the promised minimum benefit this gives rise to a so-called "Additional Liability."

Plan assets were created for the fund-based pension commitments of DekaBank Group in the form of a Contractual Trust Arrangement (CTA). The plan assets are held by a legally independent trustee – Deka Trust e.V. The plan assets consist largely of fund assets and life insurance policies underlying the commitments themselves.
The plan assets are valued at fair value and act to reduce the pension reserves shown in the balance sheet. Expected return from the plan assets is offset against the original pension expense.

Similar commitments include commitments for early retirement and transitional payments. These are also valued actuarially and provision is made in full when the commitment is made. In accounting for similar commitments no actuarial profits and losses arise in principle and so the provision shown in the accounts corresponds to the present value of the commitment.

[23] Other provisions

The best estimate of uncertain liabilities to third parties and imminent losses from pending business is provided for. Long-term provisions are discounted where the effect is material. Provisions are set aside or written back in respect of the P&L impact of the discounting. Provisions for credit risks in the off-balance sheet lending business are charged and written back against the risk provision in the lending business. Provisions for restructuring have been created mainly for the help afforded by the Deka-ImmobilienFonds.

[24] Other liabilities

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

[25] Subordinated capital

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

[26] Atypical silent capital contributions

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

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

[27] Equity

Subscribed capital is the capital paid in by shareholders in accordance with the Articles of Association. Capital reserves include premiums from the issue of business shares in accordance with the provisions of the Articles of Association.

Reserves from retained earnings are broken down into statutory reserves, reserves required under the Articles of Association and Other reserves from retained earnings. Other reserves from retained earnings include retained profits from preceding years. In addition, the effects of applying IFRS for the first time (with the exception of the valuation effects for Available for Sale financial instruments) are stated in Other reserves from retained earnings.

Fair Value valuation effects of Available for Sale financial instruments are stated in the revaluation reserves, where necessary taking account of deferred taxes. There is no P&L impact until the asset is sold or written down due to impairment.

The fund for general banking risks covers special risks in the banking business set aside in conjunction with earnings appropriation. Minority interests are shown as a separate sub-item in Equity.

Notes to the statement of comprehensive income

[28] Net interest income

This item includes, in addition to interest income and expenses, prorated write-downs of premiums and discounts from financial instruments. Net interest income from items in the trading book allocated to the Held for Trading category, and associated interest expense, is not included since it is stated in Trading income. Based on the classification in IAS 32 of hidden capital contributions as debt the payments to typical hidden shareholders are recorded as interest expense

	2006 €m	2005 €m	Change €m
Interest income from			
Loan and money market transactions	2,409.1	2,472.8	–63.7
Interest derivatives (economic hedge transactions)	296.9	343.8	–46.9
Fixed-interest securities and bonds issued in book entry form	946.1	1,015.5	–69.4
Hedging derivatives (Hedge Accounting)	74.5	220.8	–146.3
Current income from			
Shares and other non fixed-income securities	197.7	174.5	23.2
Equity investments	1.8	1.3	0.5
Interests in associated companies	–	–	–
Result from leasing business	2.2	2.4	–0.2
Total interest income	**3,928.3**	**4,231.1**	**–302.8**
Interest expenses for			
Liabilities	1,905.1	1,901.1	4.0
Interest derivatives (economic hedge transactions)	370.5	494.9	–124.4
Hedging derivatives (Hedge Accounting)	10.7	57.1	–46.4
Securitised liabilities	1,263.3	1,242.9	20.4
Subordinated capital	58.9	62.4	–3.5
Typical silent capital contributions	64.0	64.0	–
Total interest expenses	**3,672.5**	**3,822.4**	**–149.9**
Net interest income	**255.8**	**408.7**	**–152.9**

In the reporting year €8.3 million in interest (2005: €15.2 million) was collected for specific value adjusted loans. In DekaBank Group loans are described as non-performing loans if they have been made interest-free, the interest and/or capital payments are at least 90 days overdue or they are non-performing loans made in the process of the restructuring. The total amount of non-performing loans as at the balance sheet date amounts to €70.9 million (2005: €193.0 million).

[29] Provisions for loan losses

Risk provision P&L charge is broken down as follows:

	2006 €m	2005 €m	Change €m
Allocations to risk provision	–42.8	–33.7	–9.1
Receivables direct bad debt write-downs	–0.1	–0.2	0.1
Risk provision write-backs	44.3	70.0	–25.7
Payments received on receivables written off	0.8	–	0.8
Provisions for loan losses	**2.2**	**36.1**	**–33.9**

[30] Net commission income

	2006 €m	2005 €m	Change €m
Commission income from			
Investment fund business	2,217.0	2,266.7	–49.7
Securities business	122.8	110.6	12.2
Lending business	14.7	8.2	6.5
Other	41.8	30.7	11.1
Total commission income	**2,396.3**	**2,416.2**	**–19.9**
Commission expenses for			
Investment fund business	1,485.3	1,617.9	–132.6
Securities business	23.7	22.6	1.1
Lending business	2.5	1.0	1.5
Other	1.6	1.9	– 0.3
Total commission expenses	**1,513.1**	**1,643.4**	**–130.3**
Net commission income	**883.2**	**772.8**	**110.4**

[31] Trading profit or loss

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

	2006 €m	2005 €m	Change €m
Sale/valuation result of interest-reactive products	426.7	–74.4	501.1
Sale/valuation result of equity-reactive products	23.6	7.8	15.8
Sale/valuation result of other products	–	1,9	–1,9
Currency result	2.2	–3.0	5.2
Net interest income on non-derivative financial instruments	81.3	25.2	56.1
Current income of non-derivative financial instruments	97.8	69.7	28.1
Net interest income on derivatives (trade)	–14.1	–4.5	–9.6
Net interest income and current income from trading transactions	165.0	90.4	74.6
Interest expense	–145.4	–57.5	–87.9
Commission on trading transactions	–3.3	–3.0	–0.3
Total	**468.8**	**–37.8**	**506.6**

Valuation results from economic hedging derivatives and currency transactions in the bank book are stated in Trading income in the amount of €405.8 million (2005: €–82.3 million). Due to the application of IFRS 7 for the first time net interest on economic hedging derivatives is shown within Net interest income unlike the previous year. Interest expenses are mainly attributable to equity investments charged at the overnight interest rate.

Valuation results included in Trading income of €414.7 million (2005: €–32.7 million) were determined based on valuation models.

[32] Income from financial assets and liabilities designated at fair value

The result from financial instruments allocated to the Designated at Fair Value sub-category comprises their sale and valuation result. Valuation results are essentially determined using market prices. If no market prices are available the market values are calculated based on current market data using standard valuation methods.

	2006 €m	2005 €m	Change €m
Capital gain/loss on sale	–145.9	7.2	–153.1
Valuation result	–305.7	4.5	–310.2
Total	**–451.6**	**11.7**	**–463.3**

The valuation result contains the following value adjustments based on creditworthiness:

	2006 €m	2005 €m	Change €m
Loans and receivables in the Designated at Fair Value category	–0.1	–	–0.1
Liabilities in the Designated at Fair Value category	–9.5	–9.4	–0.1
Total	**–9.6**	**–9.4**	**–0.2**

The value adjustments based on creditworthiness arose from the difference in amount between the result based on a Full Fair Value valuation and the result from a valuation based on swap rates of the corresponding issue currency.

The income from financial assets and liabilities designated at fair value includes €2.9 million (2005: €–67.4 million) valuation results which were determined using valuation models.

[33] Income on hedge accounting

Changes in the value of the underlying transactions that are attributable to the risk hedged against together with the Fair Value change in the hedge transactions are recorded as income from hedges.

	2006 €m	2005 €m	Change €m
Valuation result from hedged underlying transactions	298.2	–134.9	433.1
Valuation result from hedging derivatives	–294.9	141.7	–436.6
Total	**3.3**	**6.8**	**– 3.5**

Hedge income is composed as follows: the income from hedge accounting was fully determined based on valuation models.

[34] Income from financial investments

Income from financial investments includes credit-rating induced sale and valuation income of Available for Sale-securities and of equity investments and interests in non Group companies that are not valued at equity:

	2006 €m	2005 €m	Change €m
Capital gains/losses from sale of			
Available for Sale securities	–1.0	4.4	–5.4
Equity investments	0.5	–	0.5
Interests in associated companies	–2.1	–	–2.1
Capital gains/losses from financial investments	**–2.6**	**4.4**	**–7.0**
Impairment charges on			
Available for Sale securities	–	0.1	–0.1
Depreciation on financial investments	**–**	**0.1**	**–0.1**
Impairment write-backs for			
Available for Sale securities	–	0.9	–0.9
Total	**–2.6**	**5.2**	**–7.8**

[35] Profit or loss from repurchasing issued debt instruments

Repurchase of Group registered and bearer bonds and of promissory note bonds that have been taken out results in a reduction in the liability (net result). Repurchase is associated with income realised in the amount of the difference between repurchase and book rate.

[36] Net income from investments accounted for using the equity method

In accordance with the latest forecast statement DekaBank's equity investment in S PensionsManagement Group generated year to date earnings of €0.3 million. In addition, the difference between the projected and the actual result for 2005 of €2.1 million was recorded in 2006 income. In all, the net profit from the equity investment in S PensionsManagement Group comes to €2.4 million (2005: €–8.6 million).

For S Broker AG & Co. KG an accrued loss of €2.9 million (2005: €–2.8 million) was attributable to DekaBank in 2006.

[37] Administrative expenses

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

	2006 €m	2005 €m	Change €m
Personnel expenses			
Wages and salaries	242.4	229.8	12.6
Social security contributions	31.7	30.1	1.6
Allocation to / cancellation of provisions for pensions and similar commitments	23.7	21.4	2.3
Expenses for defined contribution plans	1.7	1.2	0.5
Other expenses for retirement pension and financial assistance	2.0	2.7	– 0.7
Total personnel expenses	**301.5**	**285.2**	**16.3**
Other administrative expenses			
Marketing und sales expenses	58.4	53.5	4.9
Computer equipment and machinery	53.8	50.8	3.0
Consultancy expenses	78.2	71.3	6.9
Costs of premises	52.8	45.9	6.9
Postage/phone/office equipment and IT services	31.9	30.5	1.4
Other administrative expenses	50.6	44.7	5.9
Total other administrative expenses	**325.7**	**296.7**	**29.0**
Depreciation of property, plant and equipment	13.6	16.4	– 2.8
Amortisation of intangible assets	9.4	11.5	– 2.1
Impairment on property, plant and equipment	54.7	15.6	39.1
Impairment on intangible assets	–	25.0	– 25.0
Revaluation of property, plant and equipment	5.0	–	5.0
Total	**699.9**	**650.4**	**49.5**

Other administrative expenses include specific expenses for vocational and continuing education, the costs of preparing the annual financial statements and auditors' fees and membership subscriptions to various organisations.

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

	2006 €m	2005 €m	Change €m
up to 1 year	4.4	4.3	0.1
between 1 and 5 years	8.0	11.2	– 3.2

[38] Other operating income

Other operating income is broken down as follows:

	2006 €m	2005 €m	Change €m
Income from restructuring			
Provision write-backs for restructuring	12.5	15.4	–2.9
Restructuring expenses	143.6	69.3	74.3
Disposal of Investment Property	97.2	–	97.2
Income from restructuring	**–33.9**	**–53.9**	**20.0**
Other operating income			
Rental and lease income (Operating Lease)[1]	26.8	13.9	12.9
Write backs of other provisions	1.0	8.5	–7.5
Disposal of Investment Property	25.6	–	25.6
Other income	9.0	10.8	–1.8
Total other operating income	**62.4**	**33.2**	**29.2**
Other operating expenses			
Other taxes	–1.0	0.1	–1.1
VAT from provision of intercompany services	11.7	11.1	0.6
Other expenses	25.9	15.7	10.2
Total other operating expenses	**36.6**	**26.9**	**9.7**
Total	**–8.1**	**–47.6**	**39.5**

[1] DekaBank is Lessor.

The income from the disposal of investment property shown as income from restructuring is from the sale of the “Skyper” office building acquired in 2005 in connection with the measures taken to stabilise the Deka-ImmobilienFonds.

[39] Income taxes

This item includes all domestic and foreign taxes determined based on the net profit for the year. Income tax expenses comprise the following:

	2006 €m	2005 €m	Change €m
Current tax expense	75.9	64.7	11.2
Deferred taxes	26.5	18.7	7.8
Total	**102.4**	**83.4**	**19.0**

The rate of tax that applies in Germany comprises the applicable corporation tax rate of 25% plus the solidarity surcharge of 5.5% and the respective rate of trade tax. Because trade tax can be deducted in determining corporation tax and DekaBank is treated for tax purposes as an atypical silent partner this results for the companies in the DekaBank Group in a total valuation rate for deferred taxes of 33.06%. The other domestic companies determine their deferred taxes at a rate of approximately 40%.

The foreign companies use the respective tax rate that applies to their country to determine deferred taxes. In the companies in the DekaBank Luxemburg group this tax rate is 29.63%.

The following statement reconciles the profit before tax for the year with the tax expense:

	2006 €m	2005 €m	Change €m
Pre-tax income (IFRS)	447.1	423.2	23.9
x Income tax rate	33.06%	33.06%	
= Projected income tax expense in financial year	147.8	139.9	7.9
Increase in taxes on non-deductible expenses	14.2	4.1	10.1
Decrease in taxes on tax-exempt income	53.3	54.4	–1.1
Effects of actual tax rates that differ	–10.8	–11.7	0.9
Effects of changes in tax rates	–	– 0.3	0.3
Taxes on goodwill amortisation-	–	8.3	–8.3
Tax effects of past periods	–0.6	–16.6	16.0
Tax on joint ventures/ partnerships	–0.4	–0.2	–0.2
Tax effect of investment funds	3.1	7.2	–4.1
Withholding tax	1.6	1.0	0.6
Tax effect of equity valuation	0.1	3.7	–3.6
Other	0.7	2.4	–1.7
Tax expenses according to IFRS	**102.4**	**83.4**	**19.0**

The decrease in tax expenses by tax-exempt income is the result mainly of capital gains and dividends allocated to the investment book in accordance with § 8b Corporation Tax Act [KStG]. Most of the non-deductible operating expenses are associated with this income.

Segment Reporting

[40] Notes to the segment reporting

DekaBank Group manages its activities based on internal business segment accounting. In the course of DekaBank Group's reorganisation, the segments Asset Management – Capital markets, Asset Management - Property and Corporates & Markets and Corporate Centres were redefined in 2006.

Segment reporting is prepared based on internal management accounting per segment. Classification into segments is undertaken following a risk/return approach (the segments have a homogeneous opportunity and risk structure). The activities in Corporate Banking and Capital Markets that are combined in the Corporates & Markets segment are therefore shown in their own respective segments. The main reporting format of the segment reporting therefore includes five segments:

Asset Management – Capital Markets

The segment Asset Management - Capital Markets consists of all Group activities directly concerned with generating income and capital gains through the investment of customer funds in capital market products. In 2006, the segment was expanded by adding the activities in the area Master-KAG, results from custodial bank services for securities and the results from services in customer account business. These activities were previously shown in the segment Financial Services.

Asset Management – Property

This segment reflects all Group activities directly concerned with generating income and capital gains through the investment of funds in the property (fund) products designed by Deka Immobilien and WestInvest. The segment was expanded by the results from taking over the custodial bank function for property funds, which were previously shown in the Financial Services segment. The activities from management of properties used by the Group are also stated in this segment for the first time, regardless of whether they are leased or owned. These activities were previously shown in the Corporate Centre segment.

Corporate Banking

All business activities that are subject to credit default risk are grouped within the corporate banking segment. Credit default risk is defined as the risk of losses arising from the decrease in credit rating or default of a counterparty or issuer.

Capital Markets

The Capital Markets segment comprises all activities aimed at leveraging market and valuation differences for the benefit of DekaBank Group. This segment also includes all activities for the purpose of managing existing balance sheet and off-balance sheet risks and for ensuring the Bank's liquidity. The segment has been expanded by the addition of the sales activities and commission business. As part of the sales activities DekaBank Group acts as mediator/agent between the customer and the market, i.e. without taking on any active risks. The sales activities and commission business were previously shown under the Financial Services segment.

Corporate Centres / Other / Consolidation

In addition to cross-segment consolidation activities, this segment includes income and expenses that are not clearly attributable to any other segment. These are essentially the overhead costs of the Corporate Centre and imputed interest on own funds. Non-recurring special factors that would lead to a distortion of the particular segment result are also shown here.

Income and expenses are allocated according to the original segment. Net interest income is assigned according to origin mainly to the margin contribution from lending and deposit business, net interest income from changes in maturities and imputed return on equity (ROE).

Net interest income from economic hedge derivatives as well as interest and dividend income from financial instruments in the Designated at Fair Value category are recorded within Net interest income pursuant to IFRS 7.

Income from trading positions includes realised and unrealised capital gains and losses from financial instruments that have been issued or acquired with the intent to trade. Interest and dividend income from trading book positions, less interest expenses and commission from trading transactions are also recorded here. Financial income – Non-Trading includes valuation and sales results from financial instruments in the Designated at Fair Value category as well as income from hedges (Hedge Accounting for Fair Value Hedges). In addition, realised and unrealised income from economic hedges are included here.

The income effects from restructuring the Deka-ImmobilienFonds were allocated to the Asset Management – Property segment.

The results for each segment also include results from transactions with other segments. Exchange of services is based on the mutual agreements between the providers and recipients of the services. The services exchanged between the segments are in principle valued at arms-length prices, the segments trading with each other just like external suppliers.

The 2005 comparatives have been adjusted to show segment information. No information is provided on potential risks as at 31.12.2005 since it would necessarily be extremely costly and time consuming due to the change in the structure of the segments.

[41] Segmentation by business segments (primary reporting format)

	Asset Management Capital Markets		Asset Management Property		Corporates & Markets				Corporate Centres / Other[1]		Group	
					Corporate Banking		Capital Markets					
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	0.6	1.0	33.2	57.2	94.0	83.8	76.9	229.0	51.1	37.7	255.8	408.7
Risk provision	–	–	–	–	2.2	36.1	–	–	–	–	2.2	36.1
Net interest income after risk provision	0.6	1.0	33.2	57.2	96.2	119.9	76.9	229.0	51.1	37.7	258.0	444.8
Net commission income	679.2	596.0	109.6	102.7	12.3	7.3	79.4	65.8	2.7	1.0	883.2	772.8
Net income from trading positions	–	–	–	–	–	–	76.6	39.1	–	–	76.6	39.1
Financial income – Non-Trading	–	–	–149.9	–41.4	–0.4	12.5	110.7	2.4	–	–	–39.6	–26.5
Income from other financial investments	0.0	–11.4	25.6	–	1.9	1.9	–5.0	3.3	–	–	22.5	–6.2
Income from repurchase of own issuances	–	–	–	–	–	–	–3.5	–70.9	–	–	–3.5	–70.9
Other operating Income	2.3	3.1	17.6	14,8	–	8.2	0.2	0.2	–9.9	–25.0	10.2	1.3
Total income	**682.1**	**588.7**	**36.1**	**133.3**	**110.0**	**149.8**	**335.3**	**268.9**	**43.9**	**13.7**	**1,207.4**	**1,154.4**
Administrative - expenses (incl. depreciation)	369.3	337.8	165.5	157.7	39.7	31.5	71.2	66.1	54.2	57.3	699.9	650.4
Other operating expenses	23.4	11.9	1.1	10.8	0.1	–	0.4	0.2	1.5	4.0	26.5	26.9
Restructuring-expenses	3.9	–0.8	19.6	54.6	0.9	–	0.8	–	8.7	0.1	33.9	53.9
Total expenses	**396.6**	**348.9**	**186.2**	**223.1**	**40.7**	**31.5**	**72.4**	**66.3**	**64.4**	**61.4**	**760.3**	**731.2**
Net profit before tax	**285.5**	**239.8**	**–150.1**	**–89.8**	**69.3**	**118.3**	**262.9**	**202.6**	**–20.5**	**–47.7**	**447.1**	**423.2**
Segment assets	210.9	200.7	1,380.8	2,742.9	15,399.5	15,044.9	87,380.8	95,346.6	556.1	1,646.8	104,928.1	114,981.9
Segment liabilities	580.3	470.4	1,360.8	3,002.5	13,552.9	13,176.1	85,742.7	94,251.1	714.7	1,394.1	101,951.4	112,294.2
Cost income ratio[2]	0,58	0,59	1,32 [4]	1,39 [4]	0,37	0,28	0,21	0,25	–	–	0,60	0,61
Risk potential[3]	275		431		337		1.279		–	–	2.322	

[1] No data provided on cost income ratio and risk potential for the Corporate Centre/Other segment because not meaningful.
[2] Calculation of the cost income ratio without consideration of restructuring expenses and the risk provision in the lending business.
[3] Value-at-Risk with 99.9% confidence level and a one year equity investment period as at 31.12.2006.
[4] Cost income ratio adjusted by the special effects from the restructuring of the Deka-ImmobilienFonds.

[42] Segmentation by geographical markets (secondary reporting format)

Allocation to segments is done according to the location of the Group company branch offices. Changes were made to the reporting methods during the financial year. The presentation of Domestic sales costs was changed from the business management standpoint to a regional allocation in line with their origin. The previous year's values were adjusted accordingly for comparison purposes.

	Germany		Luxembourg		Other		Group	
	2006	2005	2006	2005	2006	2005	2006	2005
	€m	€m	€m	€m	€m	€m	€m	€m
Income	**751.6**	**786.5**	**409.5**	**323.5**	**46.2**	**44.4**	**1,207.3**	**1,154.4**
Net profit before tax	**173.5**	**215.2**	**252.6**	**185.9**	**21.0**	**22.1**	**447.1**	**423.2**
Segment assets	95,415.5	105,522.3	9,464.1	9,420.4	48.5	39.2	104,928.1	114,981.9
Segment liabilities	93,166.4	103,130.5	8,765.2	9,147.0	19.8	16.7	101,951.4	112,294.2

Notes to the consolidated balance sheet

[43] Cash reserves

Cash reserves are broken down as follows:

	31.12.2006	31.12.2005	Change
	€m	€m	€m
Cash in hand	3.5	3.8	–0.3
Balances in central banks	252.5	437.2	–184.7
Balances in post office banks	0.3	0.2	0.1
Total	**256.3**	**441.2**	**–184.9**

The balances with central banks include balances in the Deutsche Bundesbank of €242.9 million (2005: €295.7 million). The required minimum reserve was constantly maintained in 2006 and at year-end came to €174.5 million (2005: €271.1 million).

[44] Due from banks

	31.12.2006	31.12.2005	Change
	€m	€m	€m
Domestic banks	38,749.0	43,186.6	–4,437.6
Foreign banks	7,676.4	5,835.2	1,841.2
Due from banks before risk provision	**46,425.4**	**49,021.8**	**–2,596.4**
Provisions for loan losses	–1.1	–7.3	6.2
Total	**46,424.3**	**49,014.5**	**–2,590.2**

For genuine sale and repurchase agreements DekaBank paid €8,204.7 million (2005: €7,078.6 million) as lender.

[45] Due from customers

	31.12.2006 €m	31.12.2005 €m	Change €m
Domestic borrowers	14,146.7	15,229.3	–1,082.6
Foreign borrowers	8,295.4	5,505.7	2,789.7
Due from customers before risk provision	**22,442.1**	**20,735.0**	**1,707.1**
Provisions for loan losses	–179.0	–225.3	46.3
Total	**22,263.1**	**20,509.7**	**1,753.4**

Unlimited-term amounts due from customers come to €3,073.6 million (2005: €2,131.4 million). For genuine repurchase transaction DekaBank paid €3,162.6 million (2005: €1,551.9 million) as lender.

For claims from finance leasing agreements contained in the account, the gross investment value is transferred to the present value of the minimum lease payments as follows:

	31.12.2006 €m	31.12.2005 €m	Change €m
Outstanding minimum lease payments	37.3	43.1	–5.8
+ non-guaranteed residual values	–	–	–
= gross investment	**37.3**	**43.1**	**–5.8**
./. unrealised financial income	2.9	5.1	–2.2
= net investment	**34.4**	**38.0**	**–3.6**
./. present value of non-guaranteed residual values	–	–	–
= present value of the minimum lease payments	**34.4**	**38.0**	**–3.6**

The following table shows the times to maturity of the gross investment values and of the present values of the outstanding minimum lease payments:

	31.12.2006 €m	31.12.2005 €m	Change €m
Time to maturity of the total gross investment			
up to 1 year	3.4	5.8	–2.4
more than 1 year and up to 5 years	33.9	37.3	–3.4
Time to maturity of present values of minimum lease payments			
up to 1 year	1.5	3.6	–2.1
more than 1 year and up to 5 years	32.9	34.4	–1.5

[46] Risk provision

Default risks in the lending business are recorded by the creation of individual and portfolio value adjustments or by setting aside provisions for off-balance sheet liabilities. The portfolio value adjustments for creditworthiness risks reflect the assumptions concerning impairments in the loan portfolio that have already occurred but are not yet known as at the balance sheet date. Transfer risk is accrued by making portfolio value adjustments for country risks.

	31.12.2006 €m	31.12.2005 €m	Change €m
Risk provision for amounts due from banks			
Portfolio value adjustments for country risks	–	4.6	–4.6
Portfolio value adjustments for creditworthiness risks	1.1	2.7	–1.6
Risk provision for amounts due from customers			
Individual value adjustments	106.7	184.2	–77.5
Portfolio value adjustments for country risks	20.0	8.7	11.3
Portfolio value adjustments for creditworthiness risks	52.3	32.4	19.9
Total	**180.1**	**232.6**	**–52.5**

Non-Performing Loans as at the reporting date come to €70.9 million (2005: €193.0 million). A risk provision of €53.2 million was formed for this (2005: €129.0 million).

The following table shows the risk provisions:

	Opening-balance 01.01. €m	Addition €m	Utilisation €m	Release €m	Currency-effects €m	Final balance 31.12. €m
Risk provision for Due from banks						
Portfolio value adjustments for country risks	4.6	–	–	4.6	–	–
Portfolio value adjustments for creditworthiness risks	2.7	–	–	1.6	–	1.1
Total	**7.3**	**–**	**–**	**6.2**	**–**	1.1
Risk provision for amounts due from customers						
Individual value adjustments	184.2	6.3	52.9	26.8	–4.2	106.6
of which construction	62.8	20.9	25.3	25.9		32.5
of which transportation	52.6	4.0	0.1	13.3	–4.3	38.9
Portfolio value adjustments for country risks	8.6	16.7	0.6	4.3	–0.4	20.0
Portfolio value adjustments for creditworthiness risks	32.5	19.8	–	–	–	52.3
Total	**225.3**	**42.8**	**53.5**	**31.1**	**–4.6**	**178.9**
Provisions for credit risks						
Individual risks	29.6	–	–	7.0	–1.6	21.0
Total	**29.6**	**–**	**–**	**7.0**	**–1.6**	**21.0**
Total	**262.2**	**42.8**	**53.5**	**44.3**	**–6.2**	**201.0**

Risk provision figures:

	2006 in %	2005 in %
Releases/additions as at the closing date (ratio of net additions and lending volume)	–	0.06
Defaults as at the closing date (ratio of loan defaults and lending volume)	0.10	0.11
Average rate of defaults (ratio of loan defaults on a 5 year average and loan volume)	0.10	0.08
Balance as at balance sheet date (ratio of risk provision and loan volume)	0.35	0.47

The above figures are calculated based on the following loan volume:

	31.12.2006 €m	31.12.2005 €m
Due from banks1)	30,907.9	32,744.3
Due from customers1)	18,985.5	17,984.0
Contingent liabilities	2,246.9	1,284.5
Irrevocable lending commitments	2,324.2	2,241.9
Total	**54,464.5**	**54,254.7**

[1] No money transaction

Risk provision broken down by customer groups:

	Value adjustments and provisions[1]- in the lending business		Loan defaults[2]	Net increases[3] write-backs for for the value adjustments and provisions in the lending business
	2006 €m	2005 €m	2006 €m	2006 €m
Customers[4]				
Transportation	60.3	59.9	–0.4	–5.2
Construction	53.0	76.2	25.3	–2.1
Services	23.2	43.6	13.1	6.9
Trading	10.5	10.2	–	–0.3
Metal production/ Machine construction	8.0	3.9	1.6	–5.9
Utilities (energy and water)	3.4	15.5	12.6	–0.4
Telecommunications	3.0	0.8	–	–2.2
Financial institutions/ insurance	1.0	0.8	–	0.2
Public sector	0.1	3.3	0.6	2.9
Other companies/ private households	37.4	40.7	–	1.8
Total customers	**199.9**	**254.9**	**52.8**	**–4.7**
Banks	**1.1**	**7.3**	**–**	**6.2**
Total	**201.0**	**262.2**	**52.8**	**1.5**

[1] deductible and non-deductible loan provisions,
[2] Payments received towards written down receivables – negative in the column
[3] negative in the column,
[4] Allocation to industry based on economic criteria

[47] Financial assets at fair value through profit or loss

In addition to securities and claims of the categories Held for Trading and Designated at Fair Value the trading assets include market values of derivative financial instruments of the trading book and economic hedges that do not meet the requirements for Hedge Accounting in accordance with IAS 39.

	31.12.2006 €m	31.12.2005 €m	Change €m
Trading (Held for Trading)			
Promissory note bonds	2.7	2.6	0.1
Bonds and debentures	6,971.5	5,424.0	1,547.5
Shares	527.5	46.3	481.2
Trust units	289.9	0.5	289.4
Other non fixed-interest securities	17.4	–	17.4
Positive fair values of derivative financial instruments	1,874.2	1,868.6	5.6
Total trading (Held for Trading)	**9,683.2**	**7,342.0**	**2,341.2**
Designated at Fair Value			
Promissory note bonds	155.7	–	155.7
Money market instruments	–	20.1	– 20.1
Bonds and debentures	19,884.4	28,669.7	–8,785.3
Shares	375.7	267.5	108.2
Trust units	2,540.4	3,384.0	–843.6
Participating certificates	12.2	13.6	–1.4
Other non fixed-interest securities	17.7	–	17.7
Total Designated at Fair Value	**22,986.1**	**32,354.9**	**– 9,368.8**
Total	**32,669.3**	**39,696.9**	**– 7,027.6**

Loans and Receivables in the Designated at Fair Value category include cumulative value adjustments based on creditworthiness of €–0.1 million.

Included in the bonds, other fixed-interest securities, equities and other non fixed-interest securities of the trading assets, are the following listed investments:

	31.12.2006 €m	31.12.2005 €m	Change €m
Bonds and other fixed-interest securities	25,412.6	33,644.8	–8,232.2
Equities and other non-fixed-interest securities	1,192.3	318.1	874.2

[48] Positive market values from derivative hedging instruments

The market values of hedging transactions that meet the requirements for Hedge Accounting according to IAS 39 are broken down as follows according to the underlying hedged transactions:

	31.12.2006 €m	31.12.2005 €m	Change €m
Asset items			
Due from banks			
Category Loans and receivables	7.8	–	7.8
Due from customers			
Category Loans and receivables	8.1	0.4	7.7
Liability items			
Due to banks	0.5	102.3	–101.8
Due to customers	27.8	170.2	–142.4
Securitised liabilities	23.2	423.7	–400.5
Subordinated capital	3.6	71.6	–68.0
Total	**71.0**	**768.2**	**–697.2**

Only interest rate swaps were designated as hedging instruments.

[49] Financial investments

	31.12.2006 €m	31.12.2005 €m	Change €m
Bonds and other fixed-interest securities			
Money market instruments			
from public sector issuers	–	–	–
from other issuers	124.8	–	124.8
Bonds and debentures			
from public sector issuers	121.2	360.9	–239.7
from other issuers	1,717.7	1,681.4	36.3
Trust units	13.8	19.1	–5.3
Equity investments	19.6	17.1	2.5
Shares in affiliated, non-consolidated companies	1.1	38.9	–37.8
Shares in associated companies, not valued at equity	0.3	0.3	–
Total	**1,998.5**	**2,117.7**	**–119.2**

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

Of the financial investments, the following are listed:

	31.12.2006 €m	31.12.2005 €m	Change €m
Bonds and other fixed-interest securities	1,841.9	2,041.6	–199.7
Equities and other non-fixed-interest securities	9.8	13.3	– 3.5

The following table shows the changes in long-term financial investments in 2006:

	Historical cost	Additions	Disposals	Change consolidated-group	Depreciation		Book value	
					cumulative	financial-year	2006	2005
	€m	€m	€m	€m	€m	€m	€m	€m
Equity investments	17.1	2.7	0.2	–	–	–	19.6	17.1
Shares in affiliated companies	40.6	0.5	40.0	0.1	0.1	–	1.1	38.9
Shares in associated companies	0.3	–	–	–	–	–	0.3	0.3
Total	**58.0**	**3.2**	**40.2**	**0.1**	**0.1**	**–**	**21.0**	**56.3**

[50] Equity investments

No publicly listed market prices exist for companies valued at equity in the Group. There were no indications for impairment in the financial year.

The following table summarises the financial information of S Broker AG & Co. KG:

	31.12.2006 €m	31.12.2005 €m	Change €m
Assets	195.8	190.6	5.2
Liabilities	149.6	135.1	14.5
Equity	46.2	55.5	–9.3
Net profit for the year	–9.3	–9.2	–0.1

The following table shows the changes in the book values of the equity investments in companies valued at equity:

	Historical cost	Additions	Disposals	Change NBRL		Depreciation		Book value	
				cumulative	financial-year	cumulative	financial-year	2006	2005
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Shares in companies valued at equity	103.1	–	–	–	–	55.0	0.5	48.1	48.6

[51] Intangible assets

	31.12.2006 €m	31.12.2005 €m	Change €m
Purchased goodwill	118.6	118.6	–
Software			
purchased	9.9	11.1	–1.2
developed in-house	7.9	6.8	1.1
Total software	**17.8**	**17.9**	**–0.1**
Total	**136.4**	**136.5**	**–0.1**

Goodwill shown relates fully to the equity investment in WestInvest Gesellschaft für Investmentfonds mbH. DekaBank Group's equity interest in the company totals 99.74%.

As part of the DekaBank Group restructuring the internal reporting structure was reorganised in 2006, and WestInvest Gesellschaft für Investmentfonds mbH became an integral part of the segment Asset Management - Property. Planning and management is performed at segment level, and goodwill was accordingly also allocated to the segment Asset Management - Property as a cash-generating unit.

In 2006 an Impairment Test was performed on the goodwill. The recoverable sum for the cash generating unit was determined based on the utility value. The cash flows to be expected were calculated for a three-year period based on internal forecasts and empirical past values, furthermore an annuity corresponding to the forecast for 2009 has been taken into account. This is discounted at a rate of 7.64%. No impairment of the goodwill could be determined based on the internal valuation report in 2006.

The following table shows the changes in intangible assets:

	Historical cost	Additions	Disposals	Depreciation		Currency-translation	Book value	
				cumulative	financial-year		2006	2005
	€m	€m	€m	€m	€m	€m	€m	€m
Purchased goodwill	143.6	–	–	25.0	–	–	118.6	118.6
Software								
purchased	62.0	5.1	–	56.9	6.2	–0.3	9.9	11.1
developed in-house	30.9	4.4	–	27.4	3.2	–	7.9	6.8
Total software	**92.9**	**9.5**	**–**	**84.3**	**9.4**	**–0.3**	**17.8**	**17.9**
Total	**236.5**	**9.5**	**–**	**109.3**	**9.4**	**–0.3**	**136.4**	**136.5**

[52] Property, plant and equipment

	31.12.2006 €m	31.12.2005 €m	Change €m
Land and buildings	292.9	355.4	–62.5
Plant and equipment	16.3	17.8	–1.5
Technical equipment and machines	5.8	6.0	– 0.2
Investment property	172.0	536.7	–364.7
Total	**487.0**	**915.9**	**–428.9**

The part of the office building used by the Group in Mainzer Landstraße 16, Frankfurt am Main, (Trianon) is shown under Land and buildings. In 2006 an independent expert determined an impairment less than the historical cost on the basis of sustained rental prices. This was included as an impairment charge of €54.7 million in administrative expenses.

In 2006 DekaBank sold two properties shown in the accounts as Investment Property in the balance sheet. Transfer of title occurred in each case at the balance sheet date. For the "Skyper" office building acquired in 2005 for a book value of €303.1 million, a sales price of €400.3 million was received. In addition, the office property at Mainzer Landstraße 50, Frankfurt am Main, with a previously stated book value of €68.8 million, was sold for a net value of €94.4 million. In all, the two transactions resulted in a capital gain of €122.8 million.

The leased portion of the office building at Mainzer Landstraße 16, Frankfurt am Main, (Trianon) is held as an investment property. The fair value is based on a market value report prepared by independent experts as at the balance sheet date. The rental income in the financial year came to €11.8 million (2005: €10.5 million). No expenses were attributable to the leased property in 2006. Based on the valuation report a write-up of €5.0 million was taken.

The following table shows the adjustment amount between fair value under IFRS and book value under German Commercial Code of the land and buildings held as investment properties:

	Fair Value IFRS 31.12.2006 €m	Book value HGB 31.12.2006 €m	Adjustment- amount €m	Fair Value IFRS 31.12.2005 €m	Book value HGB 31.12.2005 €m	Adjustment- amount €m
Land and buildings	172.0	172.0	–	536.7	622.8	–86.1

The Group's property, plant and equipment changed as follows in 2006:

	Historical cost	Additions	Disposals	Reclas-sifications	Depreciation cumulative	Depreciation financial-year	Currency-translation	Book value 2006	Book value 2005
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Land and buildings	400.1	–	–	–	107.2	62.5	–	292.9	355.4
Plant and equipment	41.1	2.1	0.9	–	25.8	3.2	–0.2	16.3	17.8
Technical equip-ment and machines	60.4	2.5	4.2	–	52.8	2.6	–0.1	5.8	6.0
Investment Properties	823.2	1.9	559.3	5.0	98.8	–	–	172.0	536.7
Total	**1,324.8**	**6.5**	**564.4**	**5.0**	**284.6**	**68.3**	**–0.3**	**487.0**	**915.9**

[53] Income tax assets

	31.12.2006	31.12.2005	Change
	€m	€m	€m
Current income tax assets	97.4	116.6	–19.2
Deferred income tax assets	163.9	974.5	–810.6
Total	**261.3**	**1,091.1**	**–829.8**

The deferred income tax assets constitute the potential income tax relief from timing differences between the amounts shown according to IFRS and the tax valuations of the assets and liabilities.

Deferred tax assets were recorded in connection with the following balance sheet items:

	31.12.2006 €m	31.12.2005 €m	Change €m
Asset items			
Trading assets	73.3	1.1	72.2
Financial investments	76.4	18.7	57.7
Property, plant and equipment	21.1	26.7	–5.6
Other assets	0.2	0.1	0.1
Liability items			
Due to banks	–	3.6	–3.6
Due to customers	–	15.8	–15.8
Securitised liabilities	33.0	94.1	–61.1
Trading assets	386.7	602.9	–216.2
Negative fair values from derivative hedging instruments	23.8	3.3	20.5
Provisions	47.2	176.4	–129.2
Other liabilities	4.9	12.6	–7.7
Subordinated capital	3.3	13.7	–10.4
Loss carry forwards	18.5	5.5	13.0
Subtotal	**688.4**	**974.5**	**–286.1**
Netted balance	–524.5	–	–524.5
Total	**163.9**	**974.5**	**–810.6**

The deferred tax assets include €163.2 million (2005: €240.9 million) which are medium or long-term. There were no additional timing differences, loss carry forwards or tax credits, for which no deferred tax assets were recorded at year-end.

In 2006 the requirements for offsetting deferred taxes were met. For the first time, both deferred tax assets and liabilities were offset for equivalent future years. In an analogous procedure in 2005 the deferred tax assets would have been reduced by €735.9 million to €238.6 million. The netting would have almost exclusively affected short-term deferred taxes from trading assets and liabilities and positive and negative market values of derivative hedging instruments.

Deferred income tax receivables taken directly to equity based on the revaluation of receivables and financial investments in the Available for Sale category came to €1.0 million (2005: €0.5 million) as at the balance sheet date.

[54] Other assets

	31.12.2006 €m	31.12.2005 €m	Change €m
Amounts due from non-banking business	5.0	3.0	2.0
Amounts due or reimbursements from other taxes	23.5	15.5	8.0
Management fees chargeable to special assets	70.0	71.1	–1.1
Other assets	200.5	139.0	61.5
Prepaid expenses	13.8	13.0	0.8
Total	**312.8**	**241.6**	**71.2**

Other assets include the share of the distribution of the Deka-ImmobilienFonds for 2006 accruing to DekaBank according to the distribution resolution of 11 December 2006 in the amount of €125.7 million (2005: €61.8 million), amounts due from custodial account holders of €16.3 million (2005: €21.8 million) and €16.6 million (2005: €14.1 million) of overpaid profit shares of the hidden quasi-partners from the application of the taxes already withheld by DekaBank for the benefit of the partners.

[55] Subordinated assets

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

	31.12.2006 €m	31.12.2005 €m	Change €m
Due from customers			
Category Loans and receivables	–	12.9	–12.9
Trading assets			
Bonds and debentures	44.5	16.5	28.0
Equities and other non-fixed-interest securities	12.2	13.6	–1.4
Total	**56.7**	**43.0**	**13.7**

[56] Due to banks

	31.12.2006 €m	31.12.2005 €m	Change €m
Domestic banks	25,283.8	22,240.8	3,043.0
Foreign banks	5,853.8	8,826.4	–2,972.6
Total	**31,137.6**	**31,067.2**	**70.4**

Liabilities to banks include payments from genuine securities repurchase agreements of €9,151.0 million (2005: €9,696.4 million).

[57] Due to customers

	31.12.2006 €m	31.12.2005 €m	Change €m
Domestic customers	21,043.0	21,584.7	–541.7
Foreign customers	4,940.9	5,979.9	–1,039.0
Total	**25,983.9**	**27,564.6**	**–1,580.7**

The balance sheet item also shows payments received from genuine securities repurchase agreements of €298.4 million (2005: €120.9 million).

[58] Securitised liabilities

The securitised liabilities include bonds and other liabilities for which transferable certificates are issued. According to IAS 39, the own bonds held in the Group in the nominal amount of €3.7 bn (2005: €5.2 bn) were deducted from the issued bonds.

	31.12.2006 €m	31.12.2005 €m	Change €m
Bonds issued	32,003.3	39,326.8	–7,323.5
Money market instruments issued	335.9	1,214.6	–878.7
Total	**32,339.2**	**40,541.4**	**–8,202.2**

€3.3 bn (2005: €5.8 bn) of the bonds issued and €0.3 bn (2005: €1.2 bn) of the money market instruments will mature in financial year 2007.

[59] Financial liabilities at fair value through profit or loss

In addition to trading issues and the liabilities of the category Designated at Fair Value, the trading liabilities include the negative fair values of derivative financial instruments of the trading book as well as economic hedges that do not meet the requirements for Hedge Accounting in accordance with IAS 39. Furthermore delivery commitments arising from short sales of securities are shown in this item.

	31.12.2006 €m	31.12.2005 €m	Change €m
Negative fair values of derivative financial instruments	1,806.4	2,546.6	–740.2
Delivery commitments arising from short sales of securities	776.1	134.4	641.7
Trading issues (category Held for Trading)	277.6	135.5	142.1
Issues (category Designated at Fair Value)	6,136.4	5,880.9	255.5
Total	**8,996.5**	**8,697.4**	**299.1**

Issues in the Designated at Fair Value category include cumulative value adjustments based on creditworthiness of €–19.7 million.

The book value of the liabilities assigned to the category Designated at Fair Value exceeds their repayment amount by €24.9 million (2005: €64.0 million).

[60] Negative market values from derivative hedging instruments

The negative fair values of hedging transactions that meet the requirements for Hedge Accounting under IAS 39 are shown below broken down by hedged underlying transactions:

	31.12.2006 €m	31.12.2005 €m	Change €m
Asset items			
Due from banks			
Category Loans and receivables	13.4	–	13.4
Due from customers			
Category Loans and receivables	15.3	10.0	5.3
Liability items			
Due to banks	7.0	–	7.0
Due to customers	44.6	–	44.6
Securitised liabilities	8.2	0.2	8.0
Total	**88.5**	**10.2**	**78.3**

[61] Provisions for pensions and similar obligations

The following table shows the changes in provisions:

	Opening-balance 01.01. €m	Addition €m	Utilisations €m	Release €m	Reclassifi-cations €m	Change Plan assets €m	Closing balance 31.12. €m
Provisions for pensions	212.1	22.8	7.1	–	–	–9.6	218.2
Provisions for similar obligations	10.5	1.2	2.7	0.3	1.8	–	10.5
Total	**222.6**	**24.0**	**9.8**	**0.3**	**1.8**	**–9.6**	**228.7**

The allocation to provisions for pensions and similar obligations shown in administrative expense is broken down as follows:

	31.12.2006 €m	31.12.2005 €m	31.12.2004 €m
Unfunded defined benefit obligations	255.1	239.5	221.9
Entirely or partially funded defined benefit obligations	27.5	17.9	–
Fair Value of the plan assets at year-end	–26.5	–15.2	–
Total liability	**256.1**	**242.2**	**221.9**
Actuarial net gains and losses not included in the balance sheet	–27.4	–19.6	–0.6
including experience-based adjustments in the valuation of the obligations as at the closing date	–15.5		
including experience-based adjustments to the expected return of the plan assets as at the closing date	0.6		
Pension provisions recognised	**228.7**	**222.6**	**221.3**

The account includes provisions for Defined Benefit Obligations and is broken down as follows:

	31.12.2006 €m	31.12.2005 €m	Change €m
Current service cost	12.8	10.9	1.9
Interest expense	10.3	10.4	–0.1
Change – Additional Liability	0.7	–	0.7
Actuarial gains and losses	0.1	–0.1	0.2
Expected return of the plan assets	–1.1	–	–1.1
Pension cost	**22.8**	**21.2**	**1.6**
Allocation – similar obligations	0.9	0.2	0.7
Total	**23.7**	**21.4**	**2.3**

The defined benefit obligations were calculated using the Heubeck Expectancy Tables 2005 G based on the following actuarial factors:

	31.12.2006 in %	31.12.2005 in %	Change in %
Discount rate to calculate present value	4.50	4.25	0.25
Pension trend for adjustments according to § 16 paragraph 2 of the Law on Company Pension Funds (BetrAVG)	1.75	1.50	0.25
Pension adjustment with overall trend updating[1)]	3.00	2.75	0.25
Salary trend[1)]	2.50	2.50	–

[1)] Not relevant for the fund-based commitments as they are not dependent on final salary.

For the forfeitable projected benefits, an average fluctuation probability of 3.11 percent is additionally used in the calculation.

As in 2005, the discount factor for similar obligations was 2.00%. This is due to the shorter time to maturity of such obligations compared to pension commitments.

Changes in defined benefit pension obligations are as follows:

	2006 €m	2005 €m	Change €m
Defined benefit obligations as at 1 January	**257.4**	**221.9**	**35.5**
Current service cost	12.8	10.9	1.9
Interest expense	10.3	10.4	– 0.1
Allocation - similar obligations	0.9	0.2	0.7
Change - Additional Liability under the fund-based commitment	2,8	1,6	1,2
Change in obligations	6.4	19.1	–12.7
Other changes	1.8	1.9	–0.1
Benefits paid	–9.8	–8.6	–1.2
Defined benefit obligations as at 31 December	**282.6**	**257.4**	**25.2**

Plan assets were formed for the first time in 2005. On the balance sheet date, plan assets existed only for fund-based commitments, which are invested in compliance with the requirements of the relevant pension plan. They are broken down as follows:

	31.12.2006 €m	Anticipated yield for 2006 in %	31.12.2005 €m	Anticipated yield for 2005 in %
Deka-bAV Fonds	24.7	8.00	14.1	8.00
Deka-Renten: Euro 1-3 (A)	0.1	2.50	0.0	1.50
Premium balance from life insurance policies	1.7	–10.50	1.1	–10.50
Total	**26.5**		**15.2**	

Deka-bAV Fonds is an equity fund that invests worldwide. The bond fund Deka-Renten: Euro 1-3 (A) is a short-term-oriented fund that invests in European securities of the highest credit rating. The lower age limit for investing in a bond fund is 59. The insurance policies are pure term life insurance policies. The premium balance with the insurer is used up over the remaining term of the current insurance contracts.

Change in plan assets:

	2006 €m	2005 €m	Change €m
Fair Value of plan assets as at 1 January	**15.2**	**–**	**15.2**
Allocation to the plan assets			
through employer contributions	4.2	7.7	–3.5
through employee contributions	5.4	5.7	–0.3
Benefits paid	–	–	–
Performance of the plan assets			
Anticipated performance of the plan assets	1.1	–	1.1
Actuarial gains and losses	0.6	1.8	–1.2
Fair Value of the plan assets as at 31 December	**26.5**	**15.2**	**11.3**

[62] Other provisions

	31.12.2006 €m	31.12.2005 €m	Change €m
Provisions for income taxes	118.1	97.3	20.8
Provisions for credit risks	21.0	29.6	–8.6
Provisions for legal proceedings and claims	0.1	0.1	–
Provisions for staff	3.4	4.4	–1.0
Provisions for restructuring	47.9	332.7	–284.8
Additional other provisions	50.7	38.5	12.2
Total	**241.2**	**502.6**	**–261.4**

The provisions for income taxes relate in particular to corporation and local business taxes. Provisions were set aside primarily for commissions and bonuses that are expected to be paid to staff. The provision for restructuring was mainly used for the stabilisation of Deka-ImmobilienFonds. In 2006 new funds with targeted returns were reissued in the DekaBank Group. A provision of €10 million was formed for the resulting de facto obligation. This is shown in Additional other provisions.

The following table shows the change in other provisions in 2006:

	Opening-balance 01.01. €m	Addition €m	Utilisations €m	Release €m	Reclassifi-cations €m	Currency effects €m	Closing-balance 31.12. €m
Provisions for income taxes	97.2	20.9	–	–	–	–	118.1
Provisions for for credit risks (Specific risks)	29.6	–	–	7.0	–	–1.6	21.0
Provisions for legal proceedings and claims	0.1	–	–	–	–	–	0.1
Provisions for staff	4.4	0.4	1.4	–	–	–	3.4
Provisions for - restructuring	332.7	40.2	310.7	12.5	–1.8	–	47.9
Additional other provisions	38.5	14.4	1.6	0.6	–	–	50.7
Total other provisions	**502.5**	**75.9**	**313.7**	**20.1**	**–1.8**	**–1.6**	**241.2**

Depending on their original nature some of the provisions for restructuring are broken down in the subsequent year into provisions for pensions and similar obligations.

[63] Income tax liabilities

	31.12.2006 €m	31.12.2005 €m	Change €m
Current income tax liabilities	71.6	49.6	22.0
Deferred income tax liabilities	102.3	890.5	–788.2
Total	**173.9**	**940.1**	**–766.2**

Current income tax liabilities include payments due but not yet paid as at the balance sheet date for income taxes from 2006 and earlier years. Deferred income tax liabilities reflect the potential income tax charges from timing differences between the valuations of assets and liabilities in the balance sheet based on IFRS and the tax balance sheet.

Deferred tax liabilities are associated with the following balance sheet items:

	31.12.2006 €m	31.12.2005 €m	Change €m
Asset items			
Due from banks	9.1	19.4	–10.3
Due from customers	10.6	18.3	–7.7
Trading assets	523.5	635.4	–111.9
Positive fair values from derivative derivative hedging instruments	19.2	198.0	–178.8
Financial investments	11.8	15.3	–3.5
Intangible assets	2.6	2.2	0.4
Property, plant and equipment	1.3	1.4	–0.1
Other assets	10.5	–	10.5
Liability items			
Due to banks	5.8	–	5.8
Due to customers	29.8	–	29.8
Provisions	1.0	0.5	0.5
Other liabilities	1.6	–	1.6
Subtotal	**626.8**	**890.5**	**–263.7**
Netted amount	–524.5	–	–524.5
Total	**102.3**	**890.5**	**–263.7**

The deferred tax liabilities include €13.4 million (2005: €19.4 million) which are medium or long-term

In 2006, the requirements for offsetting deferred taxes were met. For the first time, both deferred tax assets and liabilities were offset for equivalent future years. In an analogous procedure in 2005 the deferred tax liabilities would have been reduced by €735.9 million to €154.6 million. The netting would have almost exclusively affected short-term deferred taxes from trading assets and liabilities as well as positive and negative market values of derivative hedging instruments.

Deferred Income tax liabilities taken directly to equity based on the revaluation of bonds and other securities in the Available for Sale category came to €1.8 million (2005: €5.5 million) as at the balance sheet date.

[64] Other liabilities

The other liabilities break down as follows:

	31.12.2006 €m	31.12.2005 €m	Change €m
Liabilities			
Liabilities from the non-banking business	2.8	5.0	–2.2
Liabilities from current other taxes	42.4	19.3	23.1
Commissions not yet paid to sales offices	106.7	109.8	–3.1
Securities spot deals not yet settled	16.7	2.6	14.1
Profit shares of hidden quasi-partners	–	1.6	–1.6
Other	114.7	84.4	30.3
Accruals			
Closing and other audit costs	2.6	3.4	–0.8
Sales performance compensation	315.2	281.3	33.9
Staff costs	56.2	51.7	4.5
Deferred income	74.7	57.4	17.3
Prepaid expenses	0.9	1.6	–0.7
Total	**732.9**	**618.1**	**114.8**

The item Other includes liabilities to custodial account holders of €18.0 million (2005: €21.1 million), liabilities from a rental increase agreement for leased office space of €14.6 million (2005: €19.5 million), settlement payments due from the sale of Group-owned properties in the amount of €22.5 million and unpaid invoices from current operations.

[65] Subordinated capital

	31.12.2006 €m	31.12.2005 €m	Change €m
Subordinated liabilities			
Subordinate bearer bonds	840.0	871.7	–31.7
Subordinate promissory note bonds	125.0	189.8	–64.8
Pro rata interest on subordinated liabilities	20.4	24.8	–4.4
Profit-sharing rights outstanding	209.3	209.3	–
Pro rata interest on profit-sharing rights outstanding	14.7	14.7	–
Deposits of hidden quasi-partners	755.6	755.6	–
Pro rata interest on deposits of hidden quasi-partners	64.1	64.1	–
Total	**2,029.1**	**2,130.0**	**–100.9**

The form of the subordinate bearer bonds and the promissory note bonds with subordination agreement is consistent with the requirements for assignment to liable capital specified in § 10 paragraph 5a Banking Act. In the event of insolvency or liquidation, the subordinate liabilities may only be repaid after all non-subordinate creditors are repaid. The conversion of these funds into capital or another form of debt is neither stipulated nor provided for. No early repayment obligation exists.

Pursuant to the rules of § 10 paragraph 5 Banking Act (KWG) the profit-sharing rights outstanding are a component of liable capital. The claims of the holder of profit-sharing rights to repayment of the capital are subordinate to claims of other creditors. Interest payments are made only if Group Profit is achieved; on the other hand, loss takeovers are made in the full amount of the share applicable to the profit-sharing rights outstanding.

The following table shows the composition of the profit-sharing rights outstanding:

Year of issue	Nominal amount €m	Interest rate in % p.a.	Maturity
1995	61.50	8.00	17.12.2007
2002	75.00	6.39	31.12.2011
2002	33.00	6.42	31.12.2011
2002	5.00	6.44	31.12.2011
2002	20.00	6.31	31.12.2011
2002	20.00	6.46	31.12.2013

According to IAS 39, the own participating certificates held by the Group in the amount of €5.1 million (2005: €5.1 million) were deducted from the profit-sharing rights outstanding.

The deposits of hidden quasi-partners (Ist tranche) at a nominal amount of €255.6 million have existed since year-end 1990 and are concluded for an indefinite period. The contracts concerning the hidden quasi-partnership were terminated as at 31 December 2006 by DekaBank on giving three years’ notice in accordance with the contract and may be booked under liable capital until 31 December 2007 in accordance with the Banking Act. The hidden partners participate in any net loss of DekaBank up to the entire amount by reducing the repayment claims. The interest expense for the Ist tranche of the deposits of hidden partners amounted to €28.1 million in 2006 (2005: €28.1 million).

In 2002 deposits of silent partners (2nd tranche) were accepted for an indefinite period (Perpetuals) at a nominal amount of €500 million. Deka-Bank may only terminate these deposits with the consent of the BaFin (German Financial Services Control Authority) and by giving 24 months’ notice before the end of a financial year – for the first time effective 31 December 2012.
The silent partners may not give notice of termination. In 2006 the interest expense for Perpetuals came to €35.9 million (2005: €35.9 million) and is included within net interest income (Note [28]).

[66] Atypical silent capital contributions

Atypical silent capital contributions came to €52.3 million (2005: €52.3 million). In 2006 the distribution to atypical silent capital contributions came to €16.1 million (2005: €19.2 million). The reduced distribution results from the lower net profit under commercial law in the separate accounts of DekaBank compared to 2005.

[67] Equity

	31.12.2006 €m	31.12.2005 €m	Change €m
Subscribed capital	286.3	286.3	–
Capital reserves	190.3	190.3	–
Reserves from retained earnings			
Legal reserve	11.2	10.7	0.5
Reserves required by the Bank’s statutes	51.3	51.3	–
Other reserves from retained earnings	1,782.6	1,483.2	299.4
Total reserves from retained earnings	**1,845.1**	**1,545.2**	**299.9**
Fund for general banking risks	570.3	570.3	–
Revaluation reserve	2.6	12.4	–9.8
Currency translation reserve	0.4	1.6	–1.2
Accumulated profit/loss	28.6	28.6	–
Minority interests	0.7	0.7	–
Total	**2,924.3**	**2,635.4**	**288.9**

Notes to financial instruments

[68] Financial instruments under IAS 39 – valuation categories

The following table shows the book values of the financial instruments broken down by valuation categories. In addition, they are broken down into transactions assigned to Fair Value Hedges and transactions that are not described as a hedging item.

	No Fair Value hedge		Fair Value hedge	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	€m	€m	€m	€m
Asset items				
Loans and receivables (lar)				
Due from banks	45,385.1	49,014.5	1,039.2	–
Due from customers	20,759.7	20,185.3	1,503.4	324.4
Available for Sale (afs)				
Financial investments	1,998.5	2,117.7	–	–
Held for Trading (hft)				
Trading assets	9,683.1	7,341.9		
Designated at Fair Value (dafv)				
Trading assets	22,986.1	32,354.9		
Positive market values of derivative hedging instruments			71.0	768.2
Total asset items	**100,812.5**	**111,014.3**	**2,613.6**	**1,092.6**
Liability items				
Liabilities				
Due to banks	30,885.6	29,486.1	252.0	1,581.1
Due to customers	23,386.6	24,928.4	2,597.3	2,636.2
Securitised liabilities	30,749.6	33,271.0	1,589.6	7,270.4
Subordinated capital	1,725.6	1,473.1	303.5	656.8
Held for Trading (hft)				
Trading liabilities	2,860.1	2,816.5		
Designated at Fair Value (dafv)				
Trading liabilities	6,136.4	5,880.9		
Negative market values of derivative hedging instruments			88.5	10.1
Total liability items	**95,743.9**	**97,856.0**	**4,830.9**	**12,154.6**

[69] Income under IAS 39 – valuation categories

The following income contributions derive from the individual valuation categories:

	2006 €m	2005 €m	Change €m
Loans and receivables (lar)	2,378.5	2,504.4	– 97.5
Other Liabilities	– 2,707.5	– 3,247.4	88.2
Income not impacting profit or loss	– 15.1	– 6.8	– 8.3
Income impacting profit or loss	82.9	57.7	25.2
Available for Sale (afs)	67.8	50.9	16.9
Held for Trading (hft)	163.7	105.8	57.9
Designated at Fair Value (dafv)	356.1	939.9	– 583.8

The income is presented regardless of the type and function of the financial instruments in accordance with its allocation to the valuation categories under IAS 39. All income components, i.e. both sales and valuation income and interest and current income are included. The income attributable to hedging derivatives is shown in the Held for Trading category, while the income from hedged underlying transactions is allocated to the respective category of Loans and Receivables or Other Liabilities.

[70] Fair Value data of the financial instruments

The following table compares the book values with the Fair Values of financial assets and financial liabilities which are shown in the balance sheet at cost less impairment.

		31.12.2006			31.12.2005	
	Fair Value €m	Book value €m	Difference €m	Fair Value €m	Book value €m	Difference €m
Asset items						
Cash reserves	256.3	256.3	–	441.2	441.2	–
Due from banks (Loans and Receivables)	46,466.5	46,424.3	42.2	50,052.1	49,014.5	1,037.6
Due from customers (Loans and Receivables)	22,375.1	22,263.1	112.0	21,035.0	20,509.7	525.3
Total asset items	**69,097.9**	**68,943.7**	**154.2**	**71,528.3**	**69,965.4**	**1,562.9**
Liability items						
Due to banks	31,211.9	31,137.6	74.3	31,411.5	31,067.2	344.3
Due to customers	26,347.6	25,983.9	363.7	28,665.9	27,564.6	1,101.3
Securitised liabilities	32,480.2	32,339.2	141.0	40,986.5	40,541.3	445.2
Subordinated liabilities	2,116.9	2,029.1	87.8	2,290.6	2,129.9	160.7
Total liability items	**92,156.6**	**91,489.8**	**666.8**	**103,354.5**	**101,303.0**	**2,051.5**

Fair Value is deemed to be the amount at which a financial instrument can be traded between competent, willing and independent parties who are making the transaction of their own free will. Financial instruments valued at cost less any impairment mainly include loans, promissory note bonds, money transactions and Group securities issues. No valuation rates are generally available for this since there are no liquid markets available. The Fair Values of these financial instruments are therefore determined based on actuarial valuation models. These are impacted to a considerable extent by the underlying assumptions. The Fair Value is therefore taken to mean the value as at the balance sheet date which might not necessarily be realised for the immediate sale or liquidation of the financial instrument.

Amounts due from banks and customers are stated in the balance sheet at historical cost. Fair Value is determined using the discounted present value method. The cash flows of receivables are discounted at an appropriate market rate. The differing creditworthiness of borrowers is taken into account by appropriate adjustments to the discount rates.

For financial instruments due on a daily basis Fair Value corresponds to the amount payable in each case on the balance sheet date. These include both cash in hand and cash at call with regard to banks and customers.

Fair Value of long-term liabilities is determined on the basis of market prices and by discounting the contractually agreed cash-flows. Interest rates at which the Group could issue comparable debt certificates as at the balance sheet date are used for this purpose. Fair Value of the guarantees and irrevocable credit commitments corresponds to the respective book value.

The valuation models used were enhanced in 2006. To be able to compare the figures more easily, the 2005's figures were adjusted; the Fair Value of the liabilities shown in 2005 were therefore increased by €117.6 million

[71] Derivative transactions

The Group uses derivative financial instruments for trading purposes and for hedging interest rate risks, currency risks and other price risks.

The following table shows the derivative financial instruments broken down by contract type:

Positive Fair Values	Time to maturity					
	up to 3 months €m	more than 3 months to 1 year €m	more than 1 year to 5 years €m	more than 5 years €m	Total €m	Total 2005 €m
Interest rate risks						
Interest rate swaps	59.5	79.4	718.1	731.7	1,588.7	2,357.0
Forward rate agreements	–	–	–	–	–	0.3
Interest rate options						
Purchases	0.3	–	–	0.3	0.6	31.2
Other interest rate						
forward transactions	–	–	–	–	–	0,3
Interest rate futures, options	6.6	0.4	5.3	–	12.3	0.6
Total	**66.4**	**79.8**	**723.4**	**732.0**	**1,601.6**	**2,389.4**
Currency rate risks						
Currency risks	165.0	8.3	0.3	–	173.6	205.2
(Interest rate) currency swaps	6.3	1.2	26.7	15.7	49.9	35.9
Currency options						
Purchases	0.1	–	–	–	0.1	0.2
Total	**171.4**	**9.5**	**27.0**	**15.7**	**223.6**	**241.3**
Share and other price risks						
OTC products						
Share futures	15.7	5.5	–	–	21.2	–
Share options						
Purchases	–	47.1	13.5	14.8	75.4	0.5
Credit derivatives	4.3	–	–	–	4.3	0.4
Other futures transactions	1.7	–	–	–	1.7	–
Stock exchange traded products						
Share options	–	–	–	–	–	5.8
Share futures	3.2	2.2	14.9	14.9	35.2	0.1
Total	**24.9**	**54.8**	**28.4**	**29.7**	**137.8**	**6.8**
Total	**262.7**	**144.1**	**778.8**	**777.4**	**1,963.0**	**2,637.5**

Negative Fair Values	Time to maturity up to 3 months €m	more than 3 months up to 1 year €m	more than 1 year to 5 years €m	more than 5 years €m	Total €m	Total 2005 €m
Interest rate risks						
Interest rate swaps	46.4	96.7	690.5	534.0	1,367.6	2,080.5
Forward rate agreements	1.3	–	–	–	1.3	0.3
Interest rate options	–	–	–	–		
Sales	0.1	–	–	0.3	0.4	193.4
Other interest rate forward transactions	4.7	–	13.8	7.6	26.1	44.5
Interest rate futures, options	0.2	6.1	–	–	6.3	1.6
Total	**52.7**	**102.8**	**704.3**	**541.9**	**1,401.7**	**2,320.3**
Currency risks						
Forward exchange transactions	165.9	6.3	0.2	–	172.4	183.0
(Interest rate) currency swaps	6.8	3.1	50.8	57.9	118.6	37.5
Currency options						
Sales	0.1	–	–	–	0.1	3.6
Total	**172.8**	**9.4**	**51.0**	**57.9**	**291.1**	**224.1**
Share and other price risks						
OTC products						
Share options						
Sales	–	–	17.4	11.1	28.5	–
Credit derivatives	2.2	–	–	–	2.2	9.4
Other futures transactions	20.9	–	–	–	20.9	–
Stock exchange traded products						
Share options	–	–	–	–	–	3.8
Share futures	34.7	59.2	15.5	68.1	177.5	0.3
Total	**57.8**	**59.2**	**32.9**	**79.2**	**229.1**	**13.5**
Total	**283.3**	**171.4**	**788.2**	**679.0**	**1,921.9**	**2,557.9**

The following table shows the positive and negative market values of the derivative transactions broken down by counterparty:

	Fair Value – positive		Fair Value – negative	
	31.12.2006 €m	31.12.2005 €m	31.12.2006 €m	31.12.2005 €m
Banks in the OECD	1,675.9	2,378.3	1,551.0	2,425.5
Public offices in the OECD	1.8	–	0.1	0.6
Other counterparties	285.3	259.2	370.8	131.8
Total	**1,963.0**	**2,637.5**	**1,921.9**	**2,557.9**

[72] Breakdown by remaining maturity

Remaining maturity is seen as the time between the balance sheet date and the contractually agreed maturity of the claim or liability or their partial payment amounts. Equity instruments were placed in the maturity range "due daily and indefinite." Trading assets or liabilities are in principle recognised according to contractual maturity; however, financial instruments of the subcategory Held for Trading are recognised as having a maximum maturity of one year due to the intention to trade.

Assets	31.12.2006 €m	31.12.2005 €m	Change €m
Due from banks			
due daily and indefinite	2,205.6	1,844.5	361.1
to 3 months	11,143.0	13,032.5	–1,889.5
3 months to 1 year	6,521.9	5,903.7	618.2
1 year to 5 years	13,840.4	14,413.1	–572.7
more than 5 years	12,713.4	13,820.7	–1,107.3
Due from customers			
due daily and indefinite	3,201.2	2,283.3	917.9
to 3 months	2,892.7	3,001.6	–108.9
3 months to 1 year	2,353.7	1,727.4	626.3
1 year to 5 years	7,595.0	7,327.4	267.6
more than 5 years	6,220.5	6,170.0	50.5
Trading assets			
due daily and indefinite	3,780.5	3,678.9	101.6
to 3 months	2,441.9	2,244.4	197.5
3 months to 1 year	9,903.1	9,271.1	632.0
1 year to 5 years	7,032.4	10,789.3	–3,756.9
more than 5 years	9,511.4	13,713.2	–4,201.8
Positive fair values from hedging derivatives			
due daily and indefinite	–	–	–
to 3 months	1.1	19.2	– 18.1
3 months to 1 year	0.1	–	0.1
1 year to 5 years	20.1	232.9	–212.8
more than 5 years	49.7	516.1	–466.4
Financial investments			
due daily and indefinite	13.8	19.1	–5.3
to 3 months	204.8	106.6	98.2
3 months to 1 year	1,227.9	529.4	698.5
1 year to 5 years	488.6	1,305.2	–816.6
more than 5 years	42.4	101.1	–58.7

Liabilities	31.12.2006 €m	31.12.2005 €m	Change €m
Due from banks			
due daily and indefinite	2,318.8	2,554.7	–235.9
to 3 months	16,374.6	16,777.5	–402.9
3 months to 1 year	5,658.6	4,093.7	1,564.9
1 year to 5 years	4,083.4	4,211.3	–127.9
more than 5 years	2,702.2	3,430.0	–727.8
Due from customers			
due daily and indefinite	5,468.7	4,935.0	533.7
to 3 months	4,556.9	6,017.4	–1,460.5
3 months to 1 year	975.7	807.4	168.3
1 year to 5 years	4,565.0	3,854.5	710.5
more than 5 years	10,417.6	11,950.3	–1,532.7
Securitised liabilities			
due daily and indefinite	–	–	–
to 3 months	1,753.7	2,688.7	–935.0
3 months to 1 year	2,180.3	4,747.9	–2,567.6
1 year to 5 years	8,676.9	11,954.3	–3,277.4
more than 5 years	19,728.3	21,150.5	–1,422.2
Trading liabilities			
due daily and indefinite	543.7	71.9	471.8
to 3 months	1,440.1	1,053.9	386.2
3 months to 1 year	1,702.2	2,099.9	–397.7
1 year to 5 years	1,938.1	1,696.3	241.8
more than 5 years	3,372.4	3,775.4	–403.0
Negative fair values from hedging derivatives			
due daily and indefinite	–	–	–
to 3 months	1.6	0.2	1.4
3 months to 1 year	0.2	0.3	–0.1
1 year to 5 years	30.3	5.2	25.1
more than 5 years	56.4	4.4	52.0
Subordinated capital			
due daily and indefinite	–	–	–
to 3 months	99.2	208.4	–109.2
3 months to 1 year	56.3	–	56.3
1 year to 5 years	1,138.6	1,042.0	96.6
more than 5 years	735.0	879.6	–144.6

Other information

[73] Equity management

The aim of equity management is to ensure there are adequate capital resources for carrying out the Group's strategy as determined by the Board of Management, to generate an appropriate return on equity and to adhere to the requirements for capital and reserves required under supervisory law (see Note [74]). The definition of economic equity is in line with the primary risk management measures underlying the Group strategy. These are composed of equity stated in the balance sheet under IFRS, the net profit for the year and the deposits of silent partners.

[74] Equity under banking supervisory law

The capital and reserves of DekaBank Group under supervisory law are determined in accordance with the regulations in the Banking Act. Under §§ 10 and 10a Banking Act DekaBank Group is obligated in fulfilment of its obligations to its customers to ensure that there are appropriate capital and reserves available. In addition, the solvency principle (Principle I) obliges institutions to quantify their default risks and their market risks and back them with capital and reserves.

Capital and reserves are determined based on the individual accounts of the Group companies under their national accounting policies. The liable capital, composed of core and supplementary capital, plus tier III funds, is deemed to be capital and reserves.

The breakdown of capital and reserves is shown in the following table:

	31.12.2006 €m	31.12.2005 €m	Change €m
Subscribed capital	286	286	–
Open reserves	458	469	–11
Hidden capital contributions	808	808	–
Fund for general banking risks	569	569	–
Deductions under § 10 paragraph 2a Banking Act (KWG)	11	11	–
Core capital	**2,110**	**2,121**	**–11**
Profit-sharing rights outstanding	153	209	–56
Subordinated liabilities	948	949	–1
Other components	524	424	100
Supplementary capital	**1,625**	**1,582**	**43**
Deductions under § 10 paragraph 6 Banking Act (KWG)	36	35	1
Liable capital	**3,699**	**3,668**	**31**
Tier III funds	–	20	–20
Capital and reserves	**3,699**	**3,688**	**11**

In accordance with Principle I the core capital ratio (core capital/weighted risk assets) may not be less than 4% and the equity ratio (liable capital /weighted risk assets) not less than 8%. In addition a capital and reserve ratio derived from the ratio of the capital and reserves to the total of weighted risk assets and 12.5 times the offset amount of the market risk positions, of at least 8% must be adhered to.

	31.12.2006 €m	31.12.2005 €m	Change €m
Weighted risk assets	26,176	25,311	865
Offset amount for market risk positions (unweighted)	513	289	224

The ratios as at the balance sheet date were as follows:

	31.12.2006 %	31.12.2005 %	Change %
Core capital ratio under Principle I	8.1	8.4	–0.3
Equity capital ratio under Principle I	14.1	14.5	–0.4
Total ratio under Principle I	11.4	12.7	–1.3

In 2006 the capital and reserves principle under banking supervisory law was complied with at all times at both Bank-and Group level.

[75] Contingent and other liabilities

The contingent and other liabilities of the DekaBank Group are primarily potential future liabilities of the Group. They arise from guarantees provided as well as time-limited lines of credit granted to customers but not used. The amounts reflect possible obligations if granted lines of credit are fully utilised or the guarantees are claimed on. The risk provision for off-balance sheet liabilities was reduced by the said amounts.

	31.12.2006 €m	31.12.2005 €m	Change €m
Contingent liabilities from guarantees and warranty agreements	2,246.9	1,284.5	962.4
Contingent liability from restructuring Deka-ImmobilienFonds	–	344.0	–344.0
Irrevocable lending commitments	2,324.2	2,241.9	82.3
Other liabilities	104.9	44.1	60.8
Total	**4,676.0**	**3,914.5**	**761.5**

There are no individual material items in contingent liabilities.

Other financial liabilities include payment obligations of €3.1 million (2005: €4.3 million) and subsequent payment obligations of €42.2 million (2005: €39.7 million) to external or non-consolidated-companies Other information

Contributions to the Guarantee Fund of the *Landesbanken* and *Girozentralen* were revalued in accordance with risk-aligned principles resulting in subsequent payment obligations of €59.6 million in the next six years. If a case arises where financial aid is required the subsequent payments can be immediately called up.

DekaBank Group's range of products contains investment funds with fair value guarantees of varying degrees. For fixed-term funds formed in this way the contributed capital less fees is guaranteed as at the maturity date, while for those funds without a fixed term the commitment is to a minimum unit value on specified closing dates. As at the balance sheet date there was no financial obligation for these products based on the growth in the respective fund assets. A maximum volume of €3.8 bn was covered by the guarantees, the fair value of the corresponding fund assets came to €4.0 bn.

[76] Assets pledged or received as collateral

Assets were pledged as collateral for own liabilities primarily in connection with genuine repurchase agreements and in accordance with the provisions of the Mortgage Bond Act. Assets were pledged as collateral at the stated amounts for the following liabilities:

	31.12.2006 €m	31.12.2005 €m	Change €m
Due to banks	13,476.1	14,876.6	–1,400.5
Due to customers	10,051.9	11,012.2	–960.3
Securitised liabilities	10,917.8	14,641.9	–3,724.1
Financial liabilities at fair value through profit or loss	2,591.4	2,647.3	–55.9
Total	**37,037.2**	**43,178.0**	**–6,140.8**

The following assets were pledged as collateral for the stated liabilities:

	31.12.2006 €m	31.12.2005 €m	Change €m
Cash reserves	–	295.7	–295.7
Due from banks	25,148.2	28,087.7	–2,939.5
Due from customers	8,616.4	9,789.5	–1,173.1
Financial assets at fair value through profit or loss	10,003.9	19,529.0	–9,525.1
Total	**43,768.5**	**57,701.9**	**–13,933.4**

As part of genuine repurchase agreements securities of €9.4 bn were provided (2005: €9.8 bn), including €6.3 bn from the Group's treasury stock (2005: €5.5 bn). Assets of €37.5 bn (2005: €52.2 bn) were deposited in the blocked deposit account pursuant to the Covered Bond Act (Pfandbriefgesetz) as collateral. The Fair Value of the securities provided for securities lending transactions comes to €12.0 bn (2005: €7.1 bn).

In addition, securities having a lending value of €6.2 bn (2005: €8.7 bn) were deposited with the German Central Bank (Deutsche Bundesbank) for refinancing. Securities having a nominal value of €4.3 bn (2005: €301.1 million) were deposited as at the balance sheet date with Clearstream Banking AG as collateral for transactions on the Eurex.

Collateral received that may be repledged or resold even without the default of the party providing the collateral exists for repurchase transactions and securities lending transactions in the amount of €15.0 bn (2005: €12.6 bn).

[77] Genuine repurchase agreements

	31.12.2006 €m	31.12.2005 €m	Change €m
Genuine repurchase agreements as pledgor			
Due to banks	9,151.0	9,696.4	–545.4
Due to customers	298.4	120.9	177.5
Total	**9,449.4**	**9,817.3**	**–367.9**
Genuine repurchase agreements as pledgee			
Due from banks	8,204.7	7,078.6	1,126.1
Due from customers	3,162.6	1,551.9	1,610.7
Total	**11,367.3**	**8,630.5**	**2,736.8**

[78] Securities lending transactions

The trading assets include securities loaned of €818.5 m (2005: €3.1 bn). Securities loaned at a volume of €8.0 bn (2005: €6.5 bn) were not shown in the balance sheet.

[79] Volumes of foreign currency transactions

Due to the business policy orientation of the DekaBank Group, the volume of open currency positions is negligible.

	31.12.2006 €m	31.12.2005 €m	Change €m
US dollar (USD)	24.4	12.5	11.9
British pound (GBP)	4.3	3.0	1.3
Swiss franc (CHF)	12.6	18.1	–5.5
Swedish krona (SEK)	5.9	6.7	–0.8
Other foreign currencies	8.0	8.2	–0.2
Total	**55.3**	**48.5**	**6.8**

[80] Letter of comfort

Except in the case of political risk, DekaBank will ensure that the subsidiaries included in the Groupfinancial statements and listed below will be in a position to meet their commitments:

- DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg
- Deutsche Girozentrale Holding S.A., Luxembourg
- Deutsche Girozentrale Overseas Limited, Grand Cayman

[81] Equity investments

DekaBank holds directly or indirectly a minimum of 20 percent of the shares of the following companies.

Consolidated subsidiaries:

Name, registered address	Equity share in %
Bürohaus Mainzer Landstraße 16 GmbH & Co. KG, Frankfurt am Main	100.00
Deka Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00
Deka Grundstücksgesellschaft mbH, Frankfurt am Main	100.00
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt am Main	100.00
Deka Immobilien Investment GmbH, Frankfurt am Main	100.00
Deka International (Ireland) Ltd., Dublin	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt am Main	100.00
Deka(Swiss) Privatbank AG, Zurich	80.00[1]
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
Deka FundMaster Investmentgesellschaft mbH, Frankfurt am Main	100.00
Deutsche Girozentrale Holding S.A., Luxembourg	100.00
Deutsche Girozentrale Overseas Limited, Grand Cayman	100.00
Geschäftshaus am Gendarmenmarkt GmbH, Berlin	100.00
GMS Gebäudemanagement und Service GmbH, Frankfurt am Main	100.00
International Fund Management S.A., Luxembourg	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74
WIV GmbH & Co. Beteiligungs KG, Mainz	94.90

[1] Consolidation rate based on economic ownership 100%

Consolidated investment funds:

Name, registered address	Equity share in %
A-DGZ 2-FONDS, Frankfurt am Main	100.00
A-DGZ 4-FONDS, Frankfurt am Main	100.00
A-DGZ 5-FONDS, Frankfurt am Main	100.00
A-DGZ 6-FONDS, Frankfurt am Main	100.00
A-DGZ 7-FONDS, Frankfurt am Main	100.00
A-DGZ 8-FONDS, Luxembourg [1]	100.00
A-DGZ-FONDS, Frankfurt am Main	100.00
A-Treasury 2000-FONDS, Frankfurt am Main	100.00
A-Treasury 93-FONDS, Frankfurt am Main	100.00
DDDD-FONDS, Frankfurt am Main	100.00

[1] Newly consolidated

Associated companies and joint ventures consolidated under the equity method:

Name, registered address	Equity share in %
S PensionsManagement GmbH, Düsseldorf	50.00
S Broker AG & Co. KG, Wiesbaden	30.64

Non-consolidated subsidiaries:

Name, registered address	Equity share in %
Deka Fixed Income Diversified Q Fund plc, Dublin (i.L.)	100.00
Deka Long/Short Equities Q Fund plc, Dublin (i.L.)	100.00
Deka Treuhand GmbH, Frankfurt am Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt am Main	100.00
Deka-WestLB Asset Management S.A., Luxemburg (i.Gr.)	50.00
Deutsche Landesbankenzentrale AG, Berlin	100.00
Europäisches Kommunalinstitut S.A.R.L., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt am Main	100.00
Sparkassen-Vermögensbeteiligungs GmbH, Berlin	100.00
Trianon GmbH, Frankfurt am Main[1)]	100.00
WestInvest Erste Beteiligungs- und Verwaltungs GmbH, Frankfurt am Main	99.74
WestInvest Zweite Beteiligungs- und Verwaltungs GmbH, Frankfurt am Main	99.74
WIV Verwaltungs GmbH, Mainz[1)]	94.90

1) Divested

[82] Information concerning business dealings with related parties

In connection with the ordinary conduct of business, transactions with affiliated companies and individuals are carried out at prevailing market conditions.

The following table shows the scope of the transactions.

Business dealings with shareholders of DekaBank and non-consolidated subsidiaries:

	Shareholders		Subsidiaries	
	31.12.2006 €m	31.12.2005 €m	31.12.2006 €m	31.12.2005 €m
Asset items				
Due from customers	504.2	–	–	–
Liability items				
Due to customers	6.0	20.0	1.1	0.1

Business dealings with companies valued at equity and other affiliated companies:

	Companies valued at-equity		Other related companies	
	31.12.2006 €m	31.12.2005 €m	31.12.2006 €m	31.12.2005 €m
Asset items				
Due from customers	–	–	0.8	–
Trading assets	–	–	26.2	0.8
Total asset items	**–**	**–**	**27.0**	**0.8**
Liability items				
Due to customers	4.2	2.7	678.8	126.1
Trading liabilities	–	–	1.4	1.7
Total liability items	**4.2**	**2.7**	**680.2**	**127.8**

In addition to Deka Trust e.V., other related companies include owned public funds if the participation share of the DekaBank Group exceeds 10%. DekaBank Group's liabilities to the public funds are mainly bank balances from the provisional investment of spare funds or for imminent distributions to investors. Distribution claims of DekaBank to the Deka-ImmobilienFonds on the balance sheet date can be seen in Note [54].

As at the balance sheet date DekaBank holds in trust for Deutscher Sparkassen- und Giroverband ö.K. (DSGV ö.K.) 10% of the shares of Landesbank Berlin Holding AG at a fair value of €784.5 million. DekaBank's reimbursement claim for the prefinancing was shown under Due from Customers. The interest claim as at 31 December 2006 comes to €4.2 million.

People who, under IAS 24, are considered related are the members of the Board of Management and the Administrative Board of DekaBank as parent company. Please see the Notes [84] and [85] for information concerning remuneration and business events with the persons in question.

[83] Average number of staff

	31.12.2006	31.12.2005	Change
Full-time	2,872	2,848	24
Part-time/temporary	428	391	37
Total	**3,300**	**3,239**	**61**

[84] Benefits paid and defined benefit obligations of Board members

	Management Board		Administrative Board	
	2006 €	2005 €	2006 €	2005 €
Remuneration of current Board members				
Short-term benefits	4,726,671	3,071,809	793,566	775,185
Defined benefit obligations to this group of persons	3,789,787	4,593,549	–	–
Remuneration paid to former Board members and their dependent survivors				
Short-term benefits	688,916	1,650,400	–	–
Post-employment benefits	2,312,488	1,804,296	–	–
Total	**3,001,404**	**3,454,696**	**–**	**–**
Defined benefit obligations to this group of persons	39,677,341	36,484,389	–	–

In 2006, €0.7 million was allocated to pension provisions for current board members (2005: €0.8 million). In addition, a provision for termination benefits of €3.8 million was accrued for former board members in accordance with IAS 19.

[85] Business transactions with Board members

	Management Board		Administrative Board	
	2006 €	2005 €	2006 €	2005 €
Advances and loans	–	–	403,344	816,127

[86] Auditors' fees

In 2006, the following fees were recorded as expenses for the auditors of the consolidated financial statements:

	2006 €m	2005 €m	Change €m
Fees for			
Audits of financial statements	2.1	1.6	0.5
Other certification or valuation services	1.0	4.4	– 3.4
Tax services	0.1	0.2	– 0.1
Other services	0.7	0.2	0.5
Total	**3.9**	**6.4**	**– 2.5**

[87] Additional miscellaneous information

The consolidated financial statements were approved on 16 February 2007 by DekaBank's Board of Management for publication.

Frankfurt am Main, 16 February 2007

DekaBank
Deutsche Girozentrale

The Board of Management

Waas, Ph.D. **Behrens**

Dr. Danne **Groll**

Gutenberger **Dr. h. c. Oelrich**

Auditor's Report

"We have audited the consolidated financial statements prepared by the DekaBank Deutsche Girozentrale, Berlin/Frankfurt am Main, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code are the responsibility of DekaBank's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.”

Frankfurt am Main, 19 February 2007

PricewaterhouseCoopers
Aktiengesellschaft [German Public limited company]
Wirtschaftsprüfungsgesellschaft [German Public Auditing firm]

(Burghardt)	(Sahm)
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

Shareholders of DekaBank

(as of April 2007)

Shareholders of DekaBank			
GLB GmbH & Co. OHG	49.17%	DSGV ö.K.[1]	50.00%
hereunder:		hereunder:	
Landesbank Baden-Württemberg[1]	8.35 %	Savings Banks Association of Baden-Wuerttemberg	7.70 %
HSH Nordbank AG[1]	7.75 %	Rhineland Savings Banks and Giro Association	6.56 %
WestLB AG[1]	7.61 %	Savings Banks Association of Lower Saxony	6.46 %
LRP Landesbank Rheinland-Pfalz[1]	6.21 %	Savings Banks Association of Bavaria	6.31 %
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –[1]	2.89 %	Savings Banks and Giro Association of Westphalia-Lippe	6.17 %
NORD/LB Norddeutsche Landesbank Girozentrale[1]	2.39 %	Savings Banks and Giro Association of Hesse-Thuringia	5.81 %
Landesbank Saar[1]	0.98 %	Savings Banks and Giro Association of Rhineland-Palatinate	3.21 %
Sachsen LB Landesbank Sachsen Girozentrale[1]	0.22 %	Savings Banks Association of Berlin	1.90 %
Landesbank Hessen-Thüringen Girozentrale	5.51 %	East German Savings Banks Association	1.83 %
Bayerische Landesbank	3.09 %	Savings Banks and Giro Association for Schleswig-Holstein	1.78 %
NIEBA GmbH[2]	4.17 %	Savings Banks Association Saar	1.37 %
NIEBA GmbH[2]	0.83 %	Hanseatic Savings Banks and Giro Association	0.90 %

[1] Guarantors

[2] 100% subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale

Subsidiaries and associated companies of DekaBank[1)]

(as of April 2007)

Investment companies	
Deka Investment GmbH, Frankfurt am Main	100.0 %
Deka Immobilien Investment GmbH, Frankfurt am Main	100.0 %
Deka International S.A., Luxembourg	100.0 %
Deka International (Ireland) Ltd., Dublin	100.0 %
Deka FundMaster Investmentgesellschaft mbH, Frankfurt am Main	100.0 %
International Fund Management S.A., Luxembourg	100.0 %
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.7 %
Deka-WestLB Asset Management Luxembourg S.A., Luxembourg	51.0 %
Eufigest S.A., Luxembourg	23.7 %
Erste-Sparinvest Austria Kapitalanlagegesellschaft mbH, Vienna	2.9 %
Banks	
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.0 %
Deka(Swiss) Privatbank AG, Zurich	80.0 %
S Broker AG & Co. KG, Wiesbaden	30.6 %
Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	2.1 %
Other	
Deka Grundstücksgesellschaft mbH, Frankfurt am Main	100.0 %
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt am Main	100.0 %
Deka Treuhand GmbH, Frankfurt am Main	100.0 %
GMS Gebäudemanagement und Service GmbH, Frankfurt am Main	100.0 %
Deutsche Girozentrale Overseas Ltd., Grand Cayman	99.9 %
S PensionsManagement GmbH, Düsseldorf	50.0 %
S Broker Management AG, Wiesbaden	30.6 %
Global Format GmbH & Co. KG, Munich	20.0 %
DPG Deutsche Performancemessungs-Gesellschaft mbH, Frankfurt am Main	10.0 %
True Sale International GmbH, Frankfurt am Main	7.7 %
RSU Rating Service Unit GmbH & Co. KG, Munich	6.5 %
SIZ Informatikzentrum der Sparkassenorganisation GmbH, Bonn	5.0 %

[1)] The shares are held directly or indirectly.

The Group has further holdings which are, however, of minor significance.

Administrative Board of DekaBank

(as of April 2007)

Heinrich Haasis
Chairman
President of the German Savings Banks and Giro Association e.V., Berlin, and of the German Savings Banks and Giro Association – public law entity –, Berlin
Chairman of the General Committee

Dr. Rolf Gerlach
First Deputy Chairman
President of the Savings Banks and Giro Association of Westphalia-Lippe, Münster
First Deputy Chairman of the General Committee
Deputy Chairman of the Audit Committee

Dr. Thomas R. Fischer
Second Deputy Chairman
Chairman of the Management Board of WestLB AG, Düsseldorf
Second Deputy Chairman of the General Committee

Representatives elected by the Shareholders' Meeting

Dr. Karlheinz Bentele
President of the Rhineland Savings Banks and Giro Association, Düsseldorf
Member of the General Committee

Hans Berger
Chairman of the Management Board of HSH Nordbank AG, Kiel
Member of the Audit Committee

Gregor Böhmer
Managing President of the Savings Banks and Giro Association of Hesse-Thuringia, Frankfurt am Main
Member of the Audit Committee

Thomas Christian Buchbinder
Chairman of the Management Board of Landesbank Saar, Saarbrücken

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

Jürgen Hilse
Chairman of the Management Board of Sparkasse Göppingen, Göppingen
Member of the General Committee
Member of the Audit Committee

Dr. Siegfried Jaschinski
Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart
Chairman of the Audit Committee
Member of the General Committee

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

Peter Krakow
Chairman of the Management Board of Sparkasse Leipzig, Leipzig

Thomas Mang
President of the Savings Banks Association of Lower Saxony, Hanover

Dr. Günther Merl
Chairman of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main
Member of the General Committee

Dr. Siegfried Naser
Managing President of the Savings Banks Association of Bavaria, Munich
Member of the General Committee

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

Dr. Hannes Rehm
Chairman of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover
Member of the General Committee
Member of the Audit Committee

Hans-Werner Sander
Chairman of the Management Board of Sparkasse Saarbrücken, Saarbrücken

Werner Schmidt
Chairman of the Management Board of Bayerische Landesbank, Munich

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

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

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

Herbert Süß
Chairman of the Management Board of Sachsen LB Landesbank Sachsen Girozentrale, Leipzig

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

Representatives appointed by the Federal Organisation of Central Municipal Organisations

(in an advisory capacity)

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

Prof. Dr. Hans-Günter Henneke
Managing Member of the Presiding Board of the German County Association, Berlin

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

Employee Representatives appointed by the Staff Committee

Hermann Gelsen
DekaBank Deutsche Girozentrale, Frankfurt am Main

Heike Schillo
DekaBank Deutsche Girozentrale, Frankfurt am Main

(End of the term of office: 31.12.2008)

Board of Management

Franz S. Waas, Ph.D.
Chairman

Oliver Behrens
(from 01.01.2007)

Dr. Matthias Danne
(from 01.07.2006)

Walter Groll
(from 01.07.2006)

Hans-Jürgen Gutenberger

Dr. h. c. Fritz Oelrich

Dr. Bernhard Steinmetz
(to 30.06.2006)

Executive Managers

Oliver Behrens
(to 31.12.2006)

Oliver K. Brandt

Manfred Karg

Osvin Nöller

Gerhard Reidel
(to 30.09.2006)

Thomas Christian Schulz

General State Supervision

By virtue of an administrative convention concluded between the Federal Republic of Germany and the State of Berlin of 9/19 March 1955, general government supervision of the Bank is exercised by the Federal Minister of Economics.

In accordance with an organisation order of the Federal Chancellor of 15 December 1972, government supervision is the responsibility of the Federal Minister of Finance. The latter has appointed

State Commissioner

Ministerialrat
Heinjörg Herrmann
Ministerial Councillor
Federal Ministry of Finance, Berlin
(to 06.12.2006)

N.N.
(from 07.12.2006)

Deputy State Commissioner

Regierungsdirektor
Jens Conert
Federal Ministry of Finance, Berlin

Fund-related committees[1)]

Business division Asset Management Capital Markets

Advisory Board Asset Management Capital Markets Retail

Dr. Harald Vogelsang
(Chairman)
Chairman of the Management Board of Hamburger Sparkasse AG, Hamburg

Michael Horn
(Deputy Chairman)
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Dr. Norbert Bräuer
Member of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main

Dr. Guido Brune
Member of the Management Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

Gerhard Döpkens
Chairman of the Management Board of Sparkasse Gifhorn-Wolfsburg, Gifhorn

Dr. Norbert Emmerich
Deputy Chairman of the Management Board of WestLB AG, Düsseldorf

Joachim Gerenkamp
Chairman of the Management Board of Sparkasse Werl, Werl

Manfred Graulich
Chairman of the Management Board of Sparkasse Koblenz, Koblenz

Dr. Joachim Herrmann
Chairman of the Management Board of Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Sigmaringen

Holger Mai
Member of the Management Board of TaunusSparkasse, Bad Homburg v. d. H.

Jürgen Müsch
Member of the Management Board of Landesbank Saar, Saarbrücken

Wolfgang Pötschke
Chairman of the Management Board of Sparkasse zu Lübeck AG, Lübeck

Fred Ricci
Chairman of the Management Board of Sparkasse Neunkirchen, Neunkirchen

Christian W. Rother
Member of the Management Board of Sparkasse Aachen, Aachen

Werner Schmiedeler
Chairman of the Management Board of Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach

Dr. Frank Schneider
Chairman of the Management Board of HSH N Financial Markets Advisory AG, Kiel

Walter Schubert
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

Jürgen Teufel
Chairman of the Management Board of Sparkasse Pforzheim Calw, Pforzheim

Guest

Werner Netzel
Executive Mamber of the Management Board of the German Savings Banks and Giro Association (DSGV e.V.), Berlin

(End of the term of office: 30.06.2009)

Advisory Board Asset Management Kapitalmarkt Institutional

Jürgen Kösters *(Chairman)*
Member of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

Karl-Ludwig Kamprath
(Deputy Chairman)
Chairman of the Management Board of Kreissparkasse München Starnberg, Munich

Dieter Burgmer
Member of the Management Board of Bayerische Landesbank, Munich

Bernd Gurzki
Chairman of the Management Board of Sparkasse Emden, Emden

Klaus Hacker
Chairman of the Management Board of Sparkasse Hagen, Hagen

Alois Hagl
Chairman of the Management Board of Sparkasse im Landkreis Schwandorf, Schwandorf

Hans-Heinrich Hahne
Chairman of the Management Board of Sparkasse Schaumburg, Rinteln

Joachim Hoof
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Thomas Lützelberger
Chairman of the Management Board of Sparkasse Schwäbisch Hall-Crailsheim, Schwäbisch Hall

Peter Mausolf
Member of the Management Board of Sparkasse Herford, Herford

Hubert Riese
Member of the Management Board of Kreissparkasse Eichsfeld, Worbis

Paul Kurt Schminke
Member of the Management Board of LRP Landesbank Rheinland-Pfalz, Mainz

Dr. Frank Schneider
Chairman of the Management Board of HSH N Financial Markets Advisory AG, Kiel

Arthur Scholz
Chairman of the Management Board of Sparkasse Vogtland, Plauen

Hans-Joachim Strüder
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Werner Taiber
Member of the Management Board of WestLB AG, Düsseldorf

Dr. Hermann Weber
Chairman of the Management Board of Sparkasse Offenburg/Ortenau, Offenburg

Alexander Wüerst
Chairman of the Management Board of Kreissparkasse Köln, Cologne

(End of the term of office: 30.06.2009)

[1)] as of April 2007

Advisory Board Pension Management

Manfred Herpolsheimer
(Chairman)
Chairman of the Management Board of Sparkasse Leverkusen, Leverkusen

Dr. Norbert Emmerich
(Deputy Chairman)
Deputy Chairman of the Management Board of WestLB AG, Düsseldorf

Andrea Binkowski
Chairwoman of the Management Board of Sparkasse Mecklenburg-Strelitz, Neustrelitz

Michael Bott
Member of the Management Board of Sparkasse Waldeck-Frankenberg, Korbach

Jochen Brachs
Chairman of the Management Board of Sparkasse Hochschwarzwald, Titisee-Neustadt

Helmut Dohmen
Head of Division Private and Investment Clients, Stuttgart Region, Baden-Württembergische Bank, Stuttgart

Dr. Johannes Evers
Member of the Management Board of Landesbank Berlin AG, Berlin

Jürgen Flückschuh
Deputy Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Ludger Gooßens
Deputy Chairman of the Management Board of Sparkasse Krefeld, Krefeld

Martin Haf
Chairman of the Management Board of Sparkasse Allgäu, Kempten

Torsten Heick
Head of Division Private Clients, HSH Nordbank AG, Hamburg

Gerhard Klimm
Executive Manager of LRP Landesbank Rheinland-Pfalz, Mainz

Siegmund Schiminski
Chairman of the Management Board of Sparkasse Bayreuth, Bayreuth

Ralph Schmieder
Member of the Management Board of Sparkasse Südholstein, Neumünster

Christoph Schulz
Member of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Brunswick

Heinz-Dieter Tschuschke
Chairman of the Management Board of Sparkasse Meschede, Meschede

Ulrich Weiterer
Chairman of the Management Board of Sparkasse Goslar/Harz, Goslar

(End of the term of office: 30.06.2009)

Corporate Bodies of Subsidiaries - Business Division AMK

Deka Investment GmbH

Supervisory Board

Oliver Behrens *(Chairman)*
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Board of Management

Thomas Neiße
(Chairman)

Dr. Manfred Nuske

Dr. Udo Schmidt-Mohr

Alfred Brandner
(Deputy Member)

Frank Hagenstein
(Deputy Member)

Deka FundMaster Investmentgesellschaft mbH

Supervisory Board

Oliver Behrens *(Chairman)*
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Board of Management

Matthias Ewald

Thomas Ketter

Dr. Udo Schmidt-Mohr

DekaBank Deutsche Girozentrale Luxembourg S.A.

Administrative Board

Oliver Behrens
(Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Walter Groll
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Rainer Mach
Managing Director of DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Board of Management

Rainer Mach
(Managing Director)

Wolfgang Dürr

Bruno Stuckenbroeker

Patrick Weydert

Deka(Swiss) Privatbank AG

Administrative Board

Oliver Behrens
(President)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. Alfred Schwarzenbach
(Vice-President)
Company Director, Erlenbach

Stefan Bichsel
Limited Partner of Lombard Odier Darier Hentsch & Cie., Geneva

Dietmar P. Binkowska
Chairman of the Management Board of Sparkasse KölnBonn, Cologne

Hans-Jürgen Gutenberger
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Fernand Koch
Partner of Lombard Odier Darier Hentsch & Cie., Geneva

Walter Nötzli
Member of the Management Board of LB(Swiss) Privatbank AG, Zurich

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. Heidi Pfister-Ineichen
Lawyer, Pfister Suppiger & Moro Attorneys-at-Law, Luzern

Antonio Sergi
Member of the Management Board of Banca del Gottardo, Lugano

Board of Management

Herbert Mattle
(Chairman)

Dr. Andreas Suter

Deka International (Ireland) Ltd.

Administrative Board

Oliver Behrens
(Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Walter Groll
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

James Scanlon
Partner at Matheson Ormsby Prentice, Dublin

Grainne Walsh
General Manager of Deka International (Ireland) Ltd., Dublin

General Manager

Grainne Walsh

Business division Asset Management Property

Advisory Board Asset Management Property

Peter Kobiela *(Chairman)*
Member of the Management Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main

Johannes Werner *(Deputy Chairman)*
Chairman of the Management Board of Kreissparkasse Ostalb, Aalen

Erich Albertmelcher
Head of Division Real Estate Clients, LRP Landesbank Rheinland-Pfalz, Mainz

Hubert Beckmann
Chairman of the Management Board of Westdeutsche ImmobilienBank, Mainz

Toni Domani
Member of the Management Board of Sparkasse Regen-Viechtach, Regen

Dr. Rudolf Fuchs
Chairman of the Management Board of Sparkasse Mainfranken, Würzburg

Lothar Heinemann
Chairman of the Management Board of Stadt-Sparkasse Solingen, Solingen

Johannes Hüser
Chairman of the Management Board of Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück

Matthias Knak
Member of the Management Board of Sparkasse Gießen, Gießen

Dirk Köhler
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

Dr. Klaus Köhler
Chairman of the Management Board of Kreissparkasse Quedlinburg, Quedlinburg

Herbert Lehmann
Chairman of the Management Board of Sparkasse Staufen-Breisach, Staufen

Siegmar Müller
Chairman of the Management Board of Sparkasse Germersheim-Kandel, Kandel

Andreas Pohl
Global Head Real Estate, NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

Dr. Wolfgang Riedel
Member of the Management Board of Sparkasse KölnBonn, Cologne

Bernhard Visker
Member of the Management Board of HSH Nordbank AG, Hamburg

Dr. Bernhard Walter
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Jörg Wohlers
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

(End of the term of office: 30.06.2009)

Corporate Bodies of Subsidiaries - Business Division AMI

Deka Immobilien Investment GmbH

Supervisory Board

Dr. Matthias Danne *(Chairman)*
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Board of Management

Franz Lucien Mörsdorf *(Chairman)*

Johannes Haug

Dr. Albrecht Reihlen

WestInvest Gesellschaft für Investmentfonds mbH

Supervisory Board

Dr. Matthias Danne *(Chairman)*
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Hans-Jürgen Gutenberger
(Deputy Chairman)
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Dr. h. c. Fritz Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt am Main

Board of Management

Gerhard Gminder
(Chairman)

Ulrich Bäcker

Dr. Albrecht Reihlen

Wolfgang Schwanke

Savings Banks Sales

Fund Sales Advisory Council

Jürgen Kösters
(Chairman)
Member of the Management Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

Jürgen Teufel
(Deputy Chairman)
Chairman of the Management Board of Sparkasse Pforzheim Calw, Pforzheim

Hans Adler
Chairman of the Management Board of Sparkasse Starkenburg, Heppenheim

Dietmar P. Binkowska
Chairman of the Management Board of Sparkasse KölnBonn, Cologne

Götz Bormann
Chairman of the Management Board of Förde Sparkasse, Kiel

Manfred Driemeier
Member of the Management Board of Sparkasse Osnabrück, Osnabrück

Fred Engelbrecht
Chairman of the Management Board of Sparkasse Hamm, Hamm

Dr. Johannes Evers
Member of the Management Board of Landesbank Berlin AG, Berlin

Martin Fischer
Chairman of the Management Board of Sparkasse Jena-Saale-Holzland, Jena

Dr. Thomas Grützemacher
Member of the Management Board of Stadtsparkasse München, Munich

Hans Michael Hambücher
Chairman of the Management Board of Kreissparkasse Heilbronn, Heilbronn

Friedel Höhn
Chairman of the Management Board of Kreissparkasse Saarlouis, Saarlouis

Joachim Hoof
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Hans Martz
Deputy Chairman of the Management Board of Sparkasse Essen, Essen

Uwe Perl
Member of the Management Board of Sparkasse Bremerhaven, Bremerhaven

Andreas Peters
Member of the Management Board of Sparkasse Rhein-Nahe, Bad Kreuznach

Mario Porten
Chairman of the Management Board of Sparkasse Südholstein, Neumünster

Dr. Harald Quensen
Chairman of the Management Board of Frankfurter Sparkasse AG, Frankfurt am Main

Markus Schabel
Chairman of the Management Board of Sparkasse Münsterland Ost, Münster

Siegmund Schiminski
Chairman of the Management Board of Sparkasse Bayreuth, Bayreuth

Michael W. Schmidt
Chairman of the Management Board of Sparkasse Worms-Alzey-Ried, Worms

Klaus Schöniger
Member of the Management Board, Die Sparkasse Bremen AG, Bremen

Walter Schubert
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

Frank Schumacher
Member of the Management Board of Sparkasse zu Lübeck AG, Lübeck

Klaus Wagner
Deputy Chairman of the Management Board of Kreissparkasse Verden, Verden

Ludwig Wasemann
Deputy Chairman of the Management Board of Kreissparkasse Saarpfalz, Homburg (Saar)

Johannes Werner
Chairman of the Management Board of Kreissparkasse Ostalb, Aalen

Further Members

Dr. Bernd Kobarg
Chairman of the Management of Deutscher Sparkassen Verlag GmbH, Stuttgart

Gerhard Müller
Chairman of the Management Board of Sparkassen-Versicherung Sachsen, Dresden

Werner Netzel
Executive Mamber of the Management Board of the German Savings Banks and Giro Association (DSGV e.V.), Berlin

Heinz Panter
Chairman of the Management Board of LBS Baden-Württemberg, Stuttgart

(End of the term of office: 31.12.2007)

Regional Fund Committees for Savings Banks

Regional Fund Committee for Savings Banks North/East I

NORD/LB Norddeutsche Landesbank, Brunswick
Sparkasse Celle, Celle
Sparkasse Chemnitz, Chemnitz
Sparkasse Holstein, Eutin
Kreissparkasse Freiberg, Freiberg
Sparkasse Gifhorn-Wolfsburg, Gifhorn
Sparkasse Göttingen, Göttingen
Stadt- und Saalkreissparkasse Halle, Halle
Hamburger Sparkasse AG, Hamburg
Sparkasse Harburg-Buxtehude, Hamburg
Sparkasse Hannover, Hanover
Sparkasse Hildesheim, Hildesheim
Sparkasse Westholstein, Itzehoe
Sparkasse Leipzig, Leipzig
Sparkasse Lüneburg, Lüneburg
Stadtsparkasse Magdeburg, Magdeburg
Kreissparkasse Meißen, Meißen
Sparkasse Emsland, Meppen
Landessparkasse zu Oldenburg, Oldenburg
Sparkasse Vogtland, Plauen
Sparkasse Schaumburg, Rinteln
Sparkasse Mecklenburg-Schwerin, Schwerin
Kreissparkasse Syke, Syke
Sparkasse Uelzen Lüchow-Dannenberg, Uelzen
Sparkasse Oberlausitz-Niederschlesien, Zittau
Sparkasse Zwickau, Zwickau

Further Members

East German Savings Banks Association, Berlin
Hanseatic Savings Banks and Giro Association, Hamburg
Savings Banks Association of Lower Saxony, Hanover
Savings Banks and Giro Association for Schleswig-Holstein, Kiel

Regional Fund Committee for Savings Banks North/East II

Kreissparkasse Aue-Schwarzenberg, Aue
Stadtsparkasse Bad Pyrmont, Bad Pyrmont
Stadtsparkasse Bad Sachsa, Bad Sachsa
Stadtsparkasse Barsinghausen, Barsinghausen
Kreissparkasse Bautzen, Bautzen
Sparkasse Elbe-Saale, Bernburg
Bordesholmer Sparkasse, Bordesholm
Spar- und Leihkasse zu Bredstedt AG, Bredstedt
Sparkasse Jerichower Land, Burg
Stadtsparkasse Burgdorf, Burgdorf
Stadtsparkasse Dessau, Dessau
Kreissparkasse Grafschaft Diepholz, Diepholz
Sparkasse Duderstadt, Duderstadt
Sparkasse Barnim, Eberswalde
Sparkasse Elmshorn, Elmshorn
Stadtsparkasse Hameln, Hameln
Sparkasse Hohenwestedt, Hohenwestedt
Kreissparkasse Köthen, Köthen
Sparkasse Wittenberg, Lutherstadt Wittenberg
Kreissparkasse Merseburg-Querfurt, Merseburg
Sparkasse Neubrandenburg-Demmin, Neubrandenburg
Sparkasse Nienburg, Nienburg
Sparkasse Osterode am Harz, Osterode
Sparkasse Parchim-Lübz, Parchim
Kreissparkasse Peine, Peine
Sparkasse Prignitz, Pritzwalk
Kreissparkasse Quedlinburg, Quedlinburg
Sparkasse Altmark West, Salzwedel
Kreissparkasse Sangerhausen, Sangerhausen
Sparkasse Scheeßel, Scheeßel
Landsparkasse Schenefeld, Schenefeld
Sparkasse Niederlausitz, Senftenberg
Kreissparkasse Aschersleben-Staßfurt, Staßfurt
Sparkasse Märkisch-Oderland, Strausberg
Kreissparkasse Walsrode, Walsrode
Stadtsparkasse Wedel, Wedel
Sparkasse Mecklenburg-Nordwest, Wismar
Kreissparkasse Anhalt-Zerbst, Zerbst

Further Members

East German Savings Banks Association, Berlin
Hanseatic Savings Banks and Giro Association, Hamburg
Savings Banks Association of Lower Saxony, Hanover
Savings Banks and Giro Association for Schleswig-Holstein, Kiel

Regional Fund Committee for Savings Banks Mid I

Sparkasse Aachen, Aachen
Sparkasse Bad Hersfeld-Rotenburg, Bad Hersfeld
Sparkasse Mittelmosel – Eifel Mosel Hunsrück, Bernkastel-Kues
Kreissparkasse Köln, Cologne
Sparkasse Westmünsterland, Dülmen
Kreissparkasse Düsseldorf, Düsseldorf
Stadtsparkasse Düsseldorf, Düsseldorf
Sparkasse Duisburg, Duisburg
Kreissparkasse Heinsberg, Erkelenz
Kreissparkasse Euskirchen, Euskirchen
Sparkasse Oberhessen, Friedberg
Sparkasse Fulda, Fulda
Sparkasse Gera-Greiz, Gera
Sparkasse Gießen, Gießen
Kreissparkasse Groß-Gerau, Groß-Gerau
Sparkasse Dieburg, Groß-Umstadt
Sparkasse Hanau, Hanau
Herner Sparkasse, Herne
Kreissparkasse Steinfurt, Ibbenbüren
Sparkasse Koblenz, Koblenz
Sparkasse Waldeck-Frankenberg, Korbach
Sparkasse Krefeld, Krefeld
Sparkasse Lemgo, Lemgo
Sparkasse Leverkusen, Leverkusen
Sparkasse Vorderpfalz Ludwigshafen a. Rh. – Schifferstadt, Ludwigshafen
Kreissparkasse Schwalm-Eder, Melsungen
Sparkasse Minden-Lübbecke, Minden
Sparkasse am Niederrhein, Moers
Sparkasse Mülheim an der Ruhr, Mülheim
Sparkasse Neuss, Neuss
Sparkasse Neuwied, Neuwied
Stadtsparkasse Oberhausen, Oberhausen
Sparkasse Südwestpfalz, Pirmasens
Sparkasse Vest Recklinghausen, Recklinghausen
Sparkasse Saarbrücken, Saarbrücken
Sparkasse Langen-Seligenstadt, Seligenstadt
Sparkasse Siegen, Siegen
Stadt-Sparkasse Solingen, Solingen
Sparkasse Trier, Trier
Sparkasse Wetzlar, Wetzlar
Stadtsparkasse Wuppertal, Wuppertal

Further Members

Rhineland Savings Banks and Giro Association, Düsseldorf
Savings Banks and Giro Association of Hesse-Thuringia, Frankfurt am Main and Erfurt
Savings Banks and Giro Association of Rhineland-Palatinate, Mainz
Savings Banks and Giro Association of Westphalia-Lippe, Münster
Savings Banks Association Saar, Saarbrücken

Regional Fund Committee for Savings Banks Mid II

Kreissparkasse Altenkirchen, Altenkirchen
Stadtsparkasse Borken (Hessen), Borken
Kreissparkasse Westerwald, Bad Marienberg
Stadtsparkasse Bad Oeynhausen, Bad Oeynhausen
Sparkasse Bensheim, Bensheim
Sparkasse Burbach-Neunkirchen, Burbach
Sparkasse Dillenburg, Dillenburg
Sparkasse Odenwaldkreis, Erbach
Sparkasse Werra-Meißner, Eschwege
Stadtsparkasse Gladbeck, Gladbeck
Verbandssparkasse Goch-Kevelaer-Weeze, Goch
Sparkasse Gronau, Gronau
Sparkasse Grünberg, Grünberg
Sparkasse Gütersloh, Gütersloh
Sparkasse Gummersbach-Bergneustadt, Gummersbach
Kreissparkasse Halle, Halle (Westfalen)
Sparkasse Hattingen, Hattingen
Sparkasse Germersheim-Kandel, Kandel
Sparkasse Kleve, Kleve
Stadtsparkasse Lengerich, Lengerich
Kreissparkasse Limburg, Limburg (Lahn)
Stadtsparkasse Lippstadt, Lippstadt
Kreissparkasse Mayen, Mayen
Stadtsparkasse Porta Westfalica, Porta Westfalica
Stadtsparkasse Remscheid, Remscheid
Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück
Sparkasse Rietberg, Rietberg
Sparkasse Donnersberg, Rockenhausen
Kreissparkasse Saalfeld-Rudolstadt, Saalfeld
Kreissparkasse Saale-Orla, Schleiz
Kreissparkasse Schlüchtern, Schlüchtern
Stadtsparkasse Schwalmstadt, Schwalmstadt
Sparkasse Sonneberg, Sonneberg
Kreis- und Stadtsparkasse Speyer, Speyer
Sparkasse Stadtlohn, Stadtlohn
Stadtsparkasse Versmold, Versmold
Sparkasse Warstein-Rüthen, Warstein
Verbands-Sparkasse Wesel, Wesel
Sparkasse der Homburgischen Gemeinden, Wiehl
Stadtsparkasse Witten, Witten

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Savings Banks Association Saar, Saarbrücken

Regional Fund Committee for Savings Banks South I

Sparkasse Aschaffenburg-Alzenau, Aschaffenburg
Sparkasse Bad Tölz-Wolfratshausen, Bad Tölz
Sparkasse Zollernalb, Balingen
Kreissparkasse Biberach, Biberach
Sparkasse Kraichgau, Bruchsal
Stadt- und Kreissparkasse Erlangen, Erlangen
Kreissparkasse Esslingen-Nürtingen, Esslingen
Sparkasse Freiburg-Nördlicher Breisgau, Freiburg
Sparkasse Bodensee, Friedrichshafen and Konstanz
Sparkasse Fürth, Fürth
Kreissparkasse Göppingen, Göppingen
Sparkasse Heidelberg, Heidelberg
Sparkasse Karlsruhe, Karlsruhe
Sparkasse Allgäu, Kempten
Kreissparkasse Ludwigsburg, Ludwigsburg
Sparkasse Rhein Neckar Nord, Mannheim
Sparkasse Memmingen-Lindau-Mindelheim, Memmingen
Kreissparkasse München Starnberg, Munich
Sparkasse Neumarkt i.d.OPf.-Parsberg, Neumarkt
Sparkasse Neu-Ulm - Illertissen, Neu-Ulm
Sparkasse Nürnberg, Nuremberg
Sparkasse Offenburg/Ortenau, Offenburg
Kreissparkasse Ravensburg, Ravensburg
Kreissparkasse Reutlingen, Reutlingen
Kreissparkasse Rottweil, Rottweil
Sparkasse Schwäbisch Hall-Crailsheim, Schwäbisch Hall
Baden-Württembergische Bank, Stuttgart
Sparkasse Tauberfranken, Tauberbischofsheim
Kreissparkasse Tübingen, Tübingen
Kreissparkasse Tuttlingen, Tuttlingen
Sparkasse Ulm, Ulm
Kreissparkasse Waiblingen, Waiblingen
Sparkasse Hochrhein, Waldshut-Tiengen
Sparkasse Mainfranken, Würzburg

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Savings Banks Association of Bavaria, Munich
Savings Banks Association of Baden-Wuerttemberg, Stuttgart and Mannheim

Regional Fund Committee for Savings Banks South II

Sparkasse Bad Kissingen, Bad Kissingen
Sparkasse Bonndorf-Stühlingen, Bonndorf
Sparkasse Bühl, Bühl
Sparkasse im Landkreis Cham, Cham
Kreissparkasse Ebersberg, Ebersberg
Sparkasse Rottal-Inn, Eggenfelden and Pfarrkirchen
Sparkasse Eichstätt, Eichstätt
Sparkasse Engen-Gottmadingen, Engen
Sparkasse Ettlingen, Ettlingen
Sparkasse Freising, Freising
Kreissparkasse Freudenstadt, Freudenstadt
Sparkasse Gaggenau-Kuppenheim, Gaggenau
Sparkasse Gengenbach, Gengenbach
Sparkasse Günzburg-Krumbach, Günzburg
Sparkasse Haslach-Zell, Haslach i.K.
Sparkasse Ostunterfranken, Haßfurt
Kreissparkasse Heidenheim, Heidenheim
Kreissparkasse Höchstadt, Höchstadt
Kreis- und Stadtsparkasse Kaufbeuren, Kaufbeuren
Sparkasse Hanauerland, Kehl
Sparkasse Hohenlohekreis, Künzelsau und Öhringen
Sparkasse Lörrach-Rheinfelden, Lörrach
Sparkasse Markgräflerland, Müllheim and Weil am Rhein
Sparkasse Neuburg-Rain, Neuburg an der Donau
Bezirkssparkasse Reichenau, Reichenau
Sparkasse Schopfheim-Zell, Schopfheim and Zell i.W.
Sparkasse Singen-Radolfzell, Singen (Hohentwiel)
Sparkasse St. Blasien, St. Blasien
Sparkasse Staufen-Breisach, Staufen
Sparkasse Hochschwarzwald, Titisee-Neustadt
Kreis- und Stadtsparkasse Wasserburg am Inn, Wasserburg am Inn
Sparkasse Wolfach, Wolfach

Further Members

Savings Banks Association of Bavaria, Munich
Savings Banks Association of Baden-Wuerttemberg, Stuttgart and Mannheim

Glossary

Advanced Measurement Approach (AMA) for operational risks
With this approach, the regulatory equity cover for operational risks is calculated from an internal risk model. Equity cover is determined on a VaR basis.

Advisory/management mandate
External fund which is managed by an investment company (KAG) of 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 DekaBank Group.

Assessor
Decentralized 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.

Asset-backed securities (ABS)
Asset-backed securities are a type of bond or note that is based on pools of assets, or collateralized by the cash flows from a specified pool of underlying assets.

Assets under management (AuM) according to BVI
Assets under management according to BVI comprise the assets of public and special funds in the Asset Management Capital Markets and Asset Management Property business divisions. Assets invested in funds managed by partners, fund-based asset management or advisory/management mandates are ignored. From 2007, assets invested in funds of funds are included in the AuM-calculation.

Base indicator approach to operational risks
Simplified approach to determine the regulatory capital requirements for operational risks. In this way, operational risk is derived from the bank's gross earnings.

Cap Rate
Ratio of the net earnings (earnings minus apportionable marginal costs) to the purchase price plus the usual additional expenses.

Capital requirements (Basel II)
The purpose of the Basel capital requirements is to make the requirements more based on actual risks incurred and to take account of new developments on the financial markets and in risk management by financial institutions. They became mandatory for all German banks on 1 January 2007.

Collateralised debt obligation (CDO)
A bond that is secured 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.

Combined payments
Payments made to savings banks and *Landesbanken* by the DekaBank Group. These include the payment of issuing fees on the sale of funds, along with the corresponding sales performance compensation, asset management fees and sales commissions.

Commission business
Trading and processing of financial-instrument transactions on behalf of customers (bank trades on a third-party account).

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

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 (prefect positive correlation).

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

Emerging markets
A summary term for a group of countries which are in the process of tuning into industrial countries. Their main features are political-economic reforms, high industrial growth, declining but still relatively high inflation rates, large foreign debt and, in many 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 balance-sheet equity value is updated by the Group share of changes in the associated company's equity. The proportional net profit of the Group is posted to the statement of comprehensive income as investment income.

Euro medium-term note programme (EMTNP)
Programme for issuing bonds having continuous issues in the middle to long-term range. They are placed with institutional investors by the banks taking care of the issues. The EMTNP possesses standardised documentation and imposes contractual guidelines for the individual issues.

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 as flexible collateral for short-term requirements for loans revolving in accordance with the agreed total volume. Commercial paper is, as a rule, issued as discounted paper. Yields are geared to representative money-market interest rates over similar terms.

Exposure
In monitoring default risks, exposure is understood as the sum of all risks involved in the transactions of an economic borrower group with the partners comprising it.

Fair value
The amount at which an asset is exchanged between expert, contractually willing and mutually independent business partners or the amount at which a liability can be paid. According to practice, the value concept is fleshed out by standards of value, such as market value, or in the absence of such a standard, by internal valuation models.

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

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

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

G-REIT (German REIT)
REIT under German law. A REIT (Real Estate Investment Trust) is, as a rule, a listed tax-privileged public limited property company. At the level of the REIT, profit is tax free and is almost entirely distributed. However, taxes are levied on shareholder dividends. Draft legislation in Germany will allow for the introduction of G-REITs in 2007.

Gross sales – net sales
Gross sales corresponds to the total influx of cash into a fund. However, net sales (net cash inflows) reflects net cash inflows less outflows.

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

IFRS (International Financial Reporting Standards)
In addition to the standards designated as IFRS, "IFRS" also includes the existing International Accounting Standards and the interpretations of the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC), as well as the Standards and Interpretations to be published by the IAS Board in the future.

Impairment
Unplanned reduction in asset values such as goodwill, receivables and tangible assets due to anticipated write-downs to the corresponding assets.

IRB basic approach
Approach to calculating the equity requirements for a credit risk, in which the extent of the credit risk depends on the banks own credit rating. While the probability of default is calculated by the bank for each rating class and borrower, 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 credit institutions. As the supervisory authority concerned with implementing Section 25a Para. 1 of the German Banking Act (KWG), BaFin has established the MaRisk by consolidating, updating and elaborating the applicable minimum requirements existing in the Minimum Requirements for the Trading Requirements of Credit Institutions (Mindestanforderungen an das Betreiben von Handelsgeschäften or MaH), the Minimum Requirements for Conducting Internal Audits (Mindestanforderungen an die Ausgestaltung der internen Revision or MaIR) and the Minimum Requirements for Credit Transactions (Mindestanforderungen an das Kreditgeschäft or MaK). MaRisk was published in December 2005 and came into effect on 1 January 2007.

Master KAG
An investment company functioning as a specialised service KAG (Capital Investment Company) in which it outsources portfolio management tasks for individual mandates to various external asset managers but prepares a consistent series of reports for institutional investors. This enables institutional investors to bundle all their administered assets with a single investment company.

Operational risk
Chance of damage occurring as a result of inadequacy or failure of internal procedures, human resource and systems, or due to external influences.

Primary / Secondary cover pools
Primary cover pools are composed of the annual contribution to operating profit, IFRS balance-sheet equity and atypical silent capital contributions. Secondary cover pools consist of secondary liabilities that can be used to cover primary liabilities.

Primary / Secondary market
The primary market (otherwise known as the 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).

Rating
Standardised creditworthiness / risk assessment of companies, countries or the debt instruments that they issue based on standardised qualitative and quantitative criteria. From a

bank's point of view, the result of the rating process provides the basis for establishing the probability of default, which must in turn be incorporated in calculating equity requirements for the credit risk. Ratings can be issued by the bank itself (internal ratings) or by specialised rating agencies such as Standard & Poor’s, Fitch or Moody’s.

Repurchase agreement
Securities are sold under repurchase agreements. At the same time, an agreement is made about the repurchase of the securities at a fixed term and at an ex ante defined price. Durations of repurchase agreements can vary, ranging from overnight, 24 hours, a few days to several months.

Return on equity (RoE)
Overall profit for the period before/after tax divided by equity including atypical silent capital contributions. The RoE also reflects the payment of interest on capital provided by shareholders.

Revaluation reserves
Revaluation reserves include fair-value valuation effects from financial instruments in the “Available for Sale" category and deferred tax effects, while not affecting net profit.

Risk capital
Reserved risk capital is understood to be risk capital allocated to the business divisions concerned with equity allocation. This corresponds, for example, to a limit assigned to a risk category and a business segment. The risk potential corresponds to the actual incurred risk (value-at-risk).

Securities Lending
A process in which securities are lent against monetary consideration for a defined period. The borrower is required to resume ownership of securities of the same quality and nature upon expiry of the time limit (maximum 6 months). The transaction consequently involves assets as defined in Section 607 of the German Civil Code (BGB). The securities lender is therefore regarded as the continuous owner of the securities. For the temporary cession of the securities, the lender receives a lending fee from the borrower. If necessary, the borrower provides security. Contrast this arrangement with a repurchase agreement.

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 public and restricted funds.

Single Name Credit Default Swap
Credit Default Swaps (CDS) are credit derivatives for hedging a given loan against default by the borrower. They make it possible for the credit risk to be separated from the underlying credit relation and the subsequent separate trading of this risk. The CDS buyer pays a regular amount to the seller (party furnishing security). In the case of non-payment of the loan, the latter is required to assume the liability or to make an equalisation payment to the secured party. For a single-name CDS, the contractually agreed flow of payments just depends on the financial performance of a single borrower.

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

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

Underwriting policy
Underwriting policy describes the investment standards and guidelines to be satisfied internally as part of the internal credit-risk strategy.

Utilisation of capacity to sustain risk
Indicator of the relationship between the Group risk (business, market, default, equity, property, property fund and operational risk) and the cover pools.

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 per cent) in the case of presupposed changes in market-risk factors (e.g. interest rates, currencies and share prices).

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

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

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