Security creates confidence

Interim Report as at 30 September 2009
DekaBank Group

Olympia Partner Deutschland

Finanzgruppe

DekaBank

DekaBank Group at a glance

Business development indicators		30.09.2009	31.12.2008	Change %
Total assets	€m	130,907	138,609	–5.6
Assets under Management (AMK and AMI)	€m	150,520	142,456	5.7
of which: Asset Management Capital Markets (AMK)	€m	129,888	123,515	5.2
of which: Asset Management Property (AMI)	€m	20,632	18,941	8.9
Number of securities accounts	thousand	4,874	5,024	–3.0
		01.01.–30.09.2009	**01.01.–30.09.2008**	
Net sales (AMK and AMI)	€m	3	9,416	–100.0
of which: Asset Management Capital Markets (AMK)	€m	–1,884	7,887	–123.9
of which: Asset Management Property (AMI)	€m	1,887	1,529	23.4
Performance indicators[1]				
Total income	€m	1,112.3	583.9	90.5
of which: Net interest income	€m	355.4	237.2	49.8
of which: Net commission income	€m	653.1	720.3	–9.3
Total expenses	€m	609.8	577.1	5.7
of which: Administrative expenses (incl. depreciation)	€m	580.2	575.6	0.8
Economic result	€m	502.5	6.8	(>300)
Net income before tax	€m	368.2	–24.3	(>300)
Key ratios				
Return on equity[2]	%	20.5	0.3	20.2%-points
Cost/income ratio[3]	%	42.4	82.1	–39.7%-points
Key regulatory figures		**30.09.2009**	**31.12.2008**	
Capital and reserves	€m	4,093	3,862	6.0
Core capital ratio (incl. market risk positions)	%	9.3	8.4	0.9 %-points
Core capital ratio (excl. market risk positions)	%	11.5	10.5	1.0 %-points
Total capital ratio	%	13.2	12.5	0.7 %-points
Risk ratios				
Total risk-bearing capacity	€m	4,631	5,043	–8.2
Group risk (value-at-risk)[4]	€m	2,899	3,292	–11.9
Utilisation of risk-bearing capacity	%	62.6	65.3	–2.7%-points
Non-guaranteed rating (short-term/long-term)				
Moody's		P-1/Aa2	P-1/Aa2	
Standard & Poor's		A-1/A	A-1/A	
Key employee figures				
Number of employees		3,707	3,920	–5.4
Average number of positions occupied		3,330	3,355	–0.7

[1] The previous year's figures were adjusted in accordance with IAS 8.42.

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

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

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

Business development and profit performance in the DekaBank Group

In the third quarter of 2009, almost all industrialised nations recorded strong economic growth compared with the previous quarter. The recession can therefore be deemed to be over. Although not unrealistic at the time, the concerns prevailing in the first half of 2009 that in the worst case scenario the global economy would spiral into a depression, dragging the financial markets down with it, proved unfounded. Instead, robust intervention in terms of fiscal and monetary policy has yielded the desired effect and stabilised the mood in the real economy and capital markets. The reversal in sentiment led from previously extremely pessimistic expectations to a sharp rise in prices in the financial markets. This had a positive knock-on effect, with price gains resulting in improved bank and company balance sheets, although banks had to increase their risk provisions again in view of the cyclical rise in the number of loan defaults. As prices climbed, previously withheld liquidity also returned to the financial markets. This in turn resulted in a marked decrease in credit spreads on risky and less liquid securities. The rise in liquidity has not been associated with a risk of inflation to date, given that capacity in the real economy is still underutilised and growth is largely based on government demand and stockpiling. Accordingly, it is unlikely that the major currency zones will already be increasing key lending rates in the coming quarters.

The DekaBank Group also benefited from the recovery in the financial markets. After €142.2m as at 30 June 2009, we achieved an economic result of around €360m in the third quarter of 2009. Overall, the economic result amounted to €502.5m (previous year: €6.8m) in the reporting period, despite the higher risk provision.

Group risk (value-at-risk with confidence level of 99.9%, time horizon one year) decreased by €393m, or around 12%, compared with year-end 2008 to €2,899m (31 December 2008: €3,292m). The reduction is due in particular to the lower credit risk, which was down on year-end 2008 partly as a result of tighter credit spreads and the resultant lower implied probability of default. In addition, business risk was also down on the year-end 2008 figure.

Group risk was countered by sufficient cover potential at all times. The total risk-bearing capacity as at the end of September amounted to €4,631m (31 December 2008: €5,043m). The utilisation level of the total risk-bearing capacity stood at 62.6% (31 December 2008: 65.3%).

In our capital market and property-based Asset Management activities (AMK and AMI business divisions), we succeeded overall in confirming our position in the market as at 30 June 2009, despite the ongoing difficult conditions. Net sales were almost balanced (€3m), but fell far short of the previous year's level (€9.4bn). In the AMK business division, net sales of equity funds, bond funds and mixed funds as well as special securities funds and advisory/management mandates were positive. At the same time, the business division recorded outflows from money market funds and fund-based asset management in particular. In the AMI business division, sales of open-ended mutual property funds based on sales quotas continued to develop positively. As at the end of September 2009, assets under management in the two divisions totalled €150.5bn, which corresponds to an increase of around €8bn, or 5.7%, compared with 31 December 2008.

As at September, the ratio of intra-alliance business amounted to around 81% (end 2008: around 87%) and therefore remained at a high level. This highlights the importance of DekaBank for the fund sales of its sales partners within the *Sparkassen-Finanzgruppe*, including in a difficult market environment. We measure our added value contribution for savings banks and *Landesbanken* on the basis of payments to the alliance partners. These include the transferred front-end load from the sale of funds as well as the corresponding sales performance compensation, asset management fees and sales commission. For the period up to the end of September, payments to the alliance partners fell year-on-year from €879m to €624m. This was particularly due to the lower sales performance and lower average level of assets under management compared with the previous year in the wake of the financial market crisis.

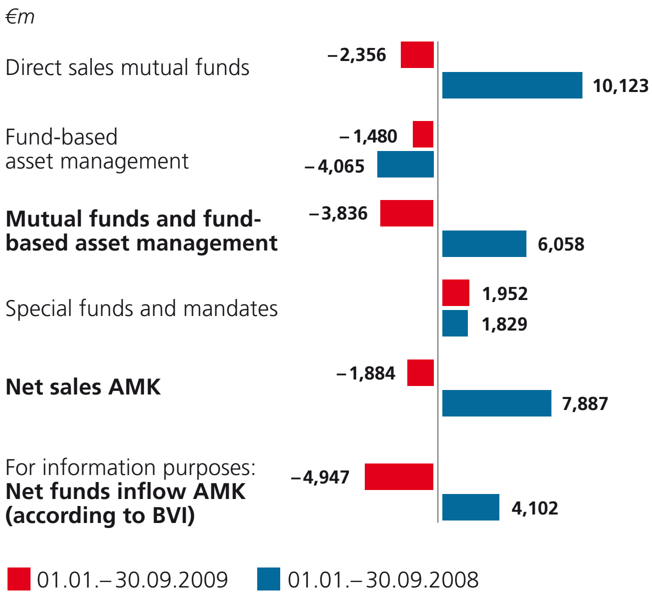
Business development

Business development in the AMK business division

At €–1.9bn, net sales in the AMK business division were considerably down on the previous year's figure (€7.9bn). Direct sales of mutual securities funds amounted to around €–2.4bn (previous year: €10.1bn). Outflows from money market funds (€–3.6bn) were not fully offset by the positive net inflows into equity funds (€0.3bn), bond funds (€0.3bn) and mixed funds (€0.3bn). In fund-based asset management, outflows were reduced compared with the same period in the previous year. Net sales amounted to €–1.5bn (previous year: €–4.1bn).

Sales of special securities funds and Master KAG as well as advisory/management mandates increased to around €2bn (previous year: €1.8bn). In the period under review, special funds recorded inflows of €0.7bn (previous year: €–2.2bn), Master KAG mandates of €0.3bn (previous year: €3.4bn) and advisory/management mandates of €0.9bn (previous year: €0.7bn); (Fig. 1).

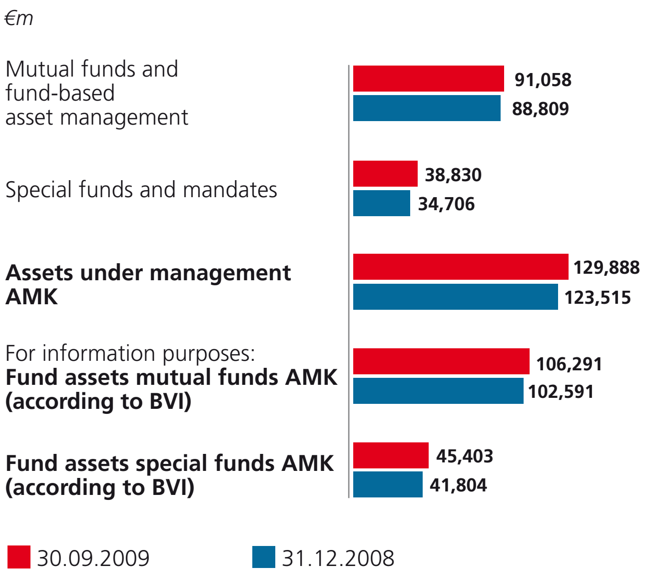
AMK sales performance *(Fig. 1)*



As a result of the strong fund performance, especially in the third quarter of 2009, assets under management in the AMK business division increased by a total of 5.2% to stand at €129.9bn as at 30 September 2009 (end 2008: €123.5bn). The high-margin equity funds among the Bank's own mutual funds performed particularly well and this produced a slight improvement in the portfolio of existing business.

In terms of fund assets according to BVI, the DekaBank Group's share of the mutual securities funds market as at 30 September 2009 was slightly down on the first half of the year (around 20%) at 19.4% (Fig. 2).

Assets under management AMK *(Fig. 2)*



Business development in the AMI business division

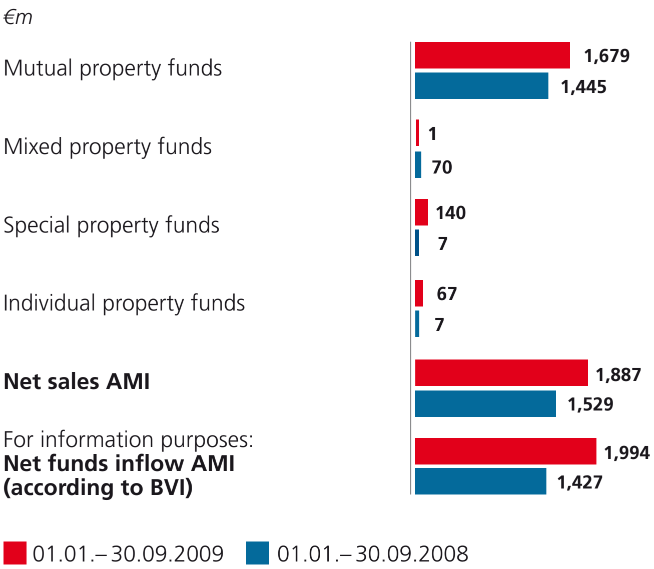
Property fund business

In the third quarter of 2009, we completed preparations for implementing consistent portfolio optimisation in the AMI business division. Following the combination of Deka-ImmobilienFonds with Deka-ImmobilienEuropa and WestInvest 1 with WestInvest InterSelect as at 1 October 2009, these funds now feature an even more robust structure, enhanced risk diversification and greater stability.

The utilisation levels for quotas agreed with our sales partners were already high by the middle of the year and the positive sales trend continued in the third quarter. Net sales of open-ended mutual property funds during the reporting period amounted to €1.7bn (previous year: €1.4bn). In terms of fund assets according to BVI, the DekaBank Group's market share of open-ended mutual property funds remained virtually unchanged at around 21%.

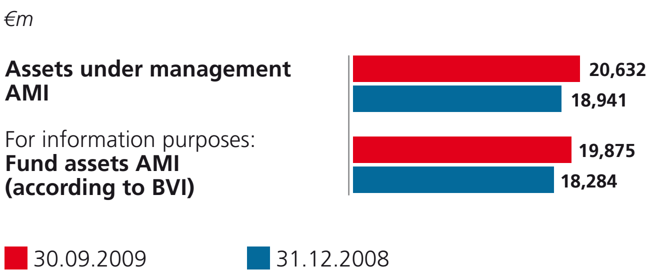
At €207m, net sales of special property funds and individual property funds were significantly up on the previous year's figure (€14m); (Fig. 3).

AMI sales performance *(Fig. 3)*



Compared with year-end 2008 (€18.9bn), assets under management in the AMI business division rose by 8.9% to €20.6bn, despite distributions totalling €792m. Of this, €18.3bn (end 2008: €17.2bn) was attributable to open-ended mutual property funds. Assets under management in special property funds and individual property funds increased to €2.2bn (end 2008: €1.7bn); (Fig. 4).

Assets under management AMI *(Fig. 4)*



Real Estate Lending

The Real Estate Lending sub-division continued to pursue its measured approach in a high-risk market environment. At the same time, existing external placement channels were consistently expanded as part of active portfolio management.

The volume of new loans granted amounted to €1.2bn as at 30 September 2009 (31 December 2008: €3.5bn). In a challenging market environment, DekaBank syndicated €0.7bn during the reporting period (previous year: €0.6bn), of which €0.4bn resulted from new business and €0.2bn from the Stable Value product.

As a result of risk-aware new business allocation and successful syndication, the loan volume in the AMI business division decreased marginally on the basis of (gross) utilisation to €6.9bn as at 30 September 2009 (31 December 2008: €7.0bn). Of this, €4.6bn was attributable to commercial property finance, almost €1.8bn to property fund financing and €0.5bn to construction finance collateralised by public sector guarantees (discontinued business segment).

Business development in the C&M business division

Business development in the third quarter of 2009 was influenced by further stabilisation in the financial markets.

The Markets sub-division makes an integral contribution to innovative solutions for private investors and institutional customers. In the third quarter of 2009, we continued to expand our offering in line with the requirements of our customers and sales partners. The close integration with Asset Management and development of resultant earnings potential was advanced in particular.

Securities finance business with a focus on repo/lending and the activities relating to short-term products was also increased in the third quarter of 2009. In view of the continuing high level of demand for short-term liquidity, the C&M business division benefited from the expansion of secured business and repo/lending activities. The DekaBank Group's comfortable liquidity situation in the long term was again used to optimise business.

Another growth driver in the third quarter of the year was the continuing popularity of equity and fixed-income derivatives. These were used, for example, to respond to the growing number of guaranteed products in Asset Management, taking into account regulatory conditions for institutional business. Ongoing product development and successful market making for derivatives facilitated risk hedging and simplified the representation of asset classes.

The product range of ETFlab Investment GmbH comprises 18 equity ETFs and 12 bond ETFs. These accounted for a volume of €3.6bn as at 30 September 2009 (end 2008: €1.8bn).

DekaBank uses trading algorithms in its equity business which support the execution of high-volume trading orders. Using these algorithms enables C&M to trade and coordinate higher volumes efficiently, in particular in commission business.

In the Credits sub-division, C&M continued to pursue a very prudent approach during the reporting period in view of the current economic environment. The sub-division will largely avoid further expanding its loan portfolio until the markets return to normal. Instead C&M focused on credit segments and collateral formats that are suitable for asset management in the third quarter of 2009 to bolster expansion of the Asset Management offering. The gross loan volume was down 11.1% to €39.9bn compared with year-end 2008 (€44.9bn).

Previously, the DekaBank divisions tasked with investing on the Bank's behalf conducted separate activities in the Markets and the Liquid Credits sub-divisions. The new Treasury sub-division pools the tasks relating to asset and liability management and strategic investments as well as funding and liquidity management, formerly based in the Markets sub-division. In addition, Treasury is responsible for reducing the portfolio of structured capital market credit products, which at the same time safeguards assets. The portfolio was previously managed by the Liquid Credits sub-division.

The net volume of the entire portfolio of capital market credit products totalled €11.3bn as at 30 September 2009 (31 December 2008: €11.8bn). Around two thirds of the portfolio was attributable to standard products such as bonds, CDS and index transactions, most of which with a good rating. The total gross nominal value of structured capital market credit products amounted to €4.3bn.

Profit performance

The DekaBank Group also benefited from the recovery in the financial markets. After €142.2m as at 30 June 2009, we achieved an economic result of around €360m in the third quarter of 2009. Overall, the economic result amounted to €502.5m (previous year: €6.8m) in the reporting period, despite the higher risk provision.

The AMK business division accounted for around €179m (previous year: €203m) of the DekaBank Group's economic result. The AMI business division contributed around €15m (previous year: €55m), whereby this figure takes account of the non-recurring effect from the unscheduled goodwill amortisation relating to the shareholding in WestInvest GmbH already recognised as at 30 June 2009. At around €390m (previous year: €–325m) and including the income contribution from activities which no longer form part of our core business (€–149m), the C&M business division achieved a very positive economic result. The remaining income contribution stemmed from Corporate Centres/Other.

Income totalled €1,112.3m (previous year: €583.9m). Expenses on the other hand amounted to €609.8m (previous year: €577.1m).

At €355.4m, net interest income again considerably exceeded the figure for the same period in the previous year (€237.2m). The rise was mainly attributable to higher net margin income from customer business in both the C&M business division and Real Estate Lending (AMI). C&M also benefited from the investment of liquidity at attractive terms and conditions.

Risk provisions amounted to €–256.3m (previous year: €–116.8m). The strained market environment resulting from the financial market crisis made it necessary to increase the level of loan loss provisions.

Net commission income amounted to €653.1m, down 9.3% on the previous year (€720.3m). This was primarily due to significantly lower portfolio and sales-related commission as a result of the lower average level of assets under management compared with the previous year and below-average sales in the wake of the financial market crisis. However, in the third quarter of 2009, we increasingly profited from the positive trend in our fund performance.

Net financial income of €394.7m, which comprises trading and non-trading positions, was considerably higher than the corresponding figure for the previous year (€–244.6m). Only slightly negative at around €–2m (previous year: around €–359m), the valuation result from capital market credit products (non-trading) improved in the second and third quarters of 2009 compared with the valuation result for the first half of 2009 (€–171m). This trend was supported in particular by the upturn in the previously inactive secondary market and tightening of credit spreads. Moreover, customer trading activities remained strong and resulted in higher net trading income of €344.6m (previous year: €130.7m) compared with the same period in the previous year. Here DekaBank also benefited from positive developments in securities finance business and a higher income contribution from trading in fixed-interest securities. This was boosted by the high volume of new issues and steady demand on the part of customers, particularly for corporate bonds.

Other income decreased to €–34.6m (previous year: €–12.2m).

At €580.2m, administrative expenses remained approximately on a par with the same period in the previous year (€575.6m). The reduction in personnel expenses from €275.3m to €251.6m is due on the one hand to the transfer of employees to the joint venture, Dealis Fund Operations GmbH, established together with Allianz Global Investors in 2008, and to lower special payments and lower allocations to old-age provisions on the other.

Operating expenses (excluding depreciation) amounted to €293.0m (previous year: €284.6m). The rise resulted from the first-time inclusion in 2009 of expenses for fund accounting and administration which were reported under personnel expenses in the previous year. These services have been provided by Dealis Fund Operations GmbH since the start of 2009.

Depreciation of €35.6m was up on the previous year's level (€15.7m). This increase is attributable to unscheduled amortisation (€25m) applied in the first six months of 2009 on the goodwill for the shareholding in WestInvest GmbH acquired in 2004.

The restructuring expenses in connection with the Group-wide quality and process campaign launched in spring 2009 amounted to €29.6m in the reporting period. The measures taken to increase efficiency and cut costs will ensure consistent process quality in the long term and create the basis for sustained growth in the economic result of the DekaBank Group (Fig. 5).

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

€m	01.01.–30.09. 2009	01.01.–30.09. 2008[1]	Change	
Net interest income	355.4	237.2	118.2	49.8%
Risk provision	–256.3	–116.8	–139.5	–119.4%
Net commission income	653.1	720.3	–67.2	–9.3%
Net financial income	394.7	–244.6	639.3	261.4%
Other income	–34.6	–12.2	–22.4	–183.6%
Total income	**1,112.3**	**583.9**	**528.4**	**90.5%**
Administrative expenses (including depreciation)	580.2	575.6	4.6	0.8%
Restructuring expenses	29.6	1.5	28.1	(>300%)
Total expenses	**609.8**	**577.1**	**32.7**	**5.7%**
Economic result	**502.5**	**6.8**	**495.7**	**(>300%)**

[1] The previous year's figures were adjusted in accordance with IAS 8.42.

Outlook to the end of the year

DekaBank's business model as the central asset manager of the *Sparkassen-Finanzgruppe*, has again proven to be robust and resilient. With the launch of the quality and process campaign, we have set the course for sustained growth in the economic result of the coming years. Although the financial markets stabilised further in the third quarter of 2009, the macroeconomic environment remains fragile. Valuation results and/or a requirement for higher risk provisions may still have an adverse effect on net income.

Change in regulatory capital and funding matrix

Change in regulatory capital

Capital adequacy is determined in accordance with the Solvency Regulation (SolvV). The regulatory requirements governing capital and reserves were complied with at all times up until 30 September 2009 at both Bank and Group level. DekaBank's liquidity ratio was between 1.4 and 1.9 in the first nine months of the year and remained above the minimum requirement of 1.0 at all times. As at 30 September 2009, the core capital ratio stood at 9.3% including market risk positions and continues to reflect our sound core capital base. The core capital ratio excluding market risk positions amounted to 11.5%. The increase in the total capital ratio by 0.7 percentage points to 13.2% compared with 31 December 2008 is essentially attributable to a rise in capital and reserves while the risk level remained constant (Fig. 6).

Funding matrix

The DekaBank Group continued to have a very comfortable level of liquidity and has long-term liquidity surpluses. As a result of the high volume of liquid securities, most of which are eligible as collateral for central bank borrowings, and the surplus cover in the cover pool, as well as through the corresponding repurchase agreement transactions, DekaBank has extensive potential liquidity that can be made liquid at short notice.

The "intended holding period – Group" funding matrix will be reported for the first time as at 30 September 2009. Unlike the previously reported "normal business operations funding matrix", the "intended holding period – Group" funding matrix focuses on the strategic investment horizon for securities assets rather than the possibility of converting these into cash or refinancing options. Consequently,

Breakdown of equity *(Fig. 6)*

€m	30.09.2009	31.12.2008	Change
Core capital	2,879	2,595	10.9%
Supplementary capital	1,214	1,267	−4.2%
Tier III capital	–	–	–
Capital and reserves	**4,093**	**3,862**	**6.0%**
Default risks	23,238	23,213	0.1%
Market risk positions	6,050	6,113	−1.0%
Operational risks	1,700	1,688	0.7%
%			**Change %-points**
Core capital ratio (including market risk positions)	9.3	8.4	0.9
Core capital ratio (excluding market risk positions)	11.5	10.5	1.0
Total capital ratio	13.2	12.5	0.7

this provides a legal representation of securities in the IAS categories "held to maturity" and "loans and receivables" as well as of transactions with a long intended holding period rather than model-based representation according to refinancing options. Other positions are included as per the "normal business operations" funding matrix.

As at 30 September 2009, the DekaBank Group's accumulated liquidity balance at the short end (less than a month) shown in the "intended holding period" funding matrix amounted to €14.6bn (Fig. 7).

Intended holding period funding matrix of DekaBank Group as at 30 September 2009 *(Fig. 7)*

€m	<=1M	>1M-12M	>12M-7Y	>7Y-30Y	>30Y	Total
Securities, loans and promissory note loans[1]	12,328	18,311	46,400	10,467	53	87,558
Other money market transactions (lending)[2]	15,276	2,782	2,520	0	69	20,647
Derivatives	−11	−7,933	−3,160	−171	0	−11,276
Refinancing funds[3]	−23,408	−12,586	−47,039	−5,428	−5,878	−94,339
Other balance sheet items[4]	−24	−55	−76	−13	−3,200	−3,368
Liquidity balance (acc. gap + acc. liquidity potential)						
DekaBank Group	14,552	6,199	2,695	6,933	−2,029	

[1] Including irrevocable credit commitments and guarantees.

[2] Of which approx. €9bn collateralised.

[3] Including in particular short term products, own certificates and funding.

[4] Including silent capital contributions and equity.

Financial calendar

Financial year 2010	**March / April 2010**	Annual press conference 2009 Annual Report 2009
	August 2010	Interim Report as at 30 June 2010

Publication dates are preliminary and subject to change.

Online information

The specialist terms used are explained in the **interactive online version** of the Annual Report 2008, which you can view in English or German on our website at www.dekabank.de under "Investor Relations/Reports". Previously published annual reports and interim reports are also available for download here.

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Concept and design

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Disclaimer

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