DekaBank Group
Interim Report as at 30 September 2012

Olympia Partner Deutschland

Finanzgruppe

DekaBank

DekaBank Group at a glance

Business development indicators		30.09.2012	31.12.2011	Change %
Total assets	€m	138,430	133,738	3.5
Assets under Management (AMK and AMI)	€m	154,334	150,995	2.2
of which: Asset Management Capital Markets (AMK)	€m	129,318	126,895	1.9
of which: Asset Management Property (AMI)	€m	25,016	24,100	3.8
Number of securities accounts	thousand	4,195	4,382	−4.3
		01.01.-30.09.2012	**01.01.-30.09.2011**	
Net sales (AMK and AMI)	€m	−2,188	−5,338	59.0
of which: Asset Management Capital Markets (AMK)	€m	−3,579	−6,037	40.7
of which: Asset Management Property (AMI)	€m	1,391	699	99.0
Performance indicators				
Total income	€m	1,120.5	1,020.4	9.8
of which: Net interest income	€m	325.9	275.8	18.2
of which: Net commission income	€m	691.8	768.2	−9.9
Total expenses	€m	675.6	679.7	−0.6
of which: Administrative expenses (incl. depreciation)	€m	664.8	678.9	−2.1
Economic result	€m	444.9	340.7	30.6
Net income before tax	€m	365.0	291.4	25.3
Key ratios				
Return on equity[1]	%	17.8	11.0	6.8%-points
Cost/income ratio[2]	%	51.1	62.8	−11.7%-points
Key regulatory figures		**30.09.2012**	**31.12.2011**	
Capital and reserves	€m	3,772	3,923	−3.8
Core capital ratio	%	13.4	11.6	1.8%-points
Core tier 1 capital ratio[3]	%	11.2	9.4	1.8%-points
Total capital ratio	%	15.4	15.6	−0.2%-points
Risk ratios				
Total risk-bearing capacity	€m	5,041	4,694	7.4
Group risk (value-at-risk)[4]	€m	2,528	2,660	−5.0
Utilisation of risk-bearing capacity	%	50.2	56.7	−6.5%-points
Non-guaranteed rating (short-term/long-term)				
Moody's		P-1/A1	P-1/Aa3	
Standard & Poor's		A-1/A	A-1/A	
Key employee figures				
Number of employees		4,028	3,957	1.8
Average number of positions occupied		3,547	3,431	3.4

[1] Return on equity (RoE before tax) corresponds to the economic result divided by equity at the start of the financial year, including atypical silent capital contributions (figure annualised).
[2] Cost/income ratio (CIR) corresponds to the ratio resulting from total expenses (excluding restructuring expenses) and total income (before provisions for loan losses).
[3] The core tier 1 capital ratio takes not account of silent capital contributions of €552m.
[4] Confidence level: 99.9%, holding period: 1 year.

Interim Report as at 30 September 2012

At a glance

After the first nine months of 2012, the DekaBank Group can look back on a satisfactory income trend. Despite fund sales continuing to remain unsatisfactory under unchanged difficult market conditions, income exceeded the comparative figure for 2011. The main income drivers were improved net interest income and the fact that net financial income from securities trading business with customers almost doubled. This more than compensated for the expected slight decrease in net commission income and higher allocations to risk provisions as compared with the previous year. At the same time, the Bank succeeded in keeping administrative expenses below the previous year's figure. The economic result totalled €444.9m and was therefore approximately 31% up on the figure for the first nine months of 2011.

At the end of the third quarter of 2012, the net sales performance was in the negative range. However, compared with the first nine months of the previous year, the volume of net funds outflows was reduced. The negative trend in equity, bond and capital protected funds was countered by funds inflows into mixed funds and property funds. In fund-linked asset management, the reduction of the Sparkassen-DynamikDepot was partly offset by the sales success of the Deka-Vermögenskonzept (Deka Wealth Concept) and Deka-BasisAnlage (Deka Basic Investment), a product launched during the year under review. At almost 78%, the ratio of intra-alliance business, which reflects DekaBank's share of fund products in the total fund sales of the savings banks, exceeded the previous year's level.

The core tier 1 capital ratio of 11.2% as at 30 September 2012 exceeded the level at year-end 2011 (9.4%). Group risk was slightly down, as was utilisation of the primary risk cover potential.

Although further charges against income as a result of required risk provisions and valuation discounts are probable in the fourth quarter of 2012 due to market conditions, we expect net income for the year to be noticeably up on the previous year's figure.

Structure, strategy and range of products and services of the DekaBank Group

In the third quarter of the year, the DekaBank shareholders set the course for the Bank's further evolution from asset manager to the central securities house of the savings banks. The associated expansion of business activities will enable DekaBank to implement an even more targeted response to its shareholders' requirements. For this purpose, the Administrative Board revoked the existing principles of the business policy at its meeting held on 12 September 2012, which stipulated restrictions in relation to the product and services portfolio. Starting as early as next year, in addition to the actively managed mutual funds, DekaBank is set to offer investment products to the retail customers of the savings banks in the form of bonds (certificates).

In the third quarter of this year, DekaBank also became a direct member of the London Clearing House (LCH), a central counterparty for derivatives transactions. As of the end of the fourth quarter of 2012, this direct access will enable the savings banks to efficiently settle derivatives transactions that are not subject to the loss-sharing agreement with a central counterparty (CCP).

With effect from 1 November 2012, the Administrative Board appointed Michael Rüdiger as new Chief Executive Officer. Oliver Behrens, who had been the acting Chairman of the Board of Management since 2 April 2012, was appointed as Deputy CEO at the same time, a newly created post. With effect from 1 August 2012, Dr. Georg Stocker assumed responsibility for Savings Banks Sales in his capacity as a new member of the Board of Management. In addition, the DekaBank Board of Management has reorganised the management structure of Deka Investment GmbH, which is responsible for the securities fund business. This will allow the company to respond more rapidly to developments in the capital markets and changing investor requirements.

Economic environment

The economic environment remains strained. In combination with disappointing economic figures from Asia, the eurozone debt crisis is dampening growth worldwide. However, central banks across the globe have ensured an easing in the capital markets with an expansionary monetary policy. In particular, the European Central Bank (ECB) underlined its commitment to rescuing the euro by confirming that it would continue to buy bonds from stricken eurozone countries. The response of the European bond markets was correspondingly positive, and a clear upward trend was also evident in the equity markets. Despite the price boost, private investors largely refrained from investing in funds.

Overall economic trends

The latest economic data from the USA has been surprisingly positive. Industrial production, retail sales and consumer spending rose faster than expected in the third quarter of 2012. Conversely, in the emerging markets, bad news regarding the economy still prevailed. Growth fell short of expectations in many emerging markets in the third quarter of the year. Modest economic growth in China caused particular pressure.

The eurozone debt crisis and economic nosedive of the peripheral countries continued to dominate the headlines in Europe. In addition, a slight downturn in the core countries of the eurozone meant that the European Monetary Union as a whole slid into recession in the third quarter of this year.

The sharp rise in oil prices and the value added tax increase in Spain have temporarily halted the decrease in inflation rates throughout Europe. In the medium term, weak economic growth is likely to result in a very modest price rise.

Trends in capital markets

The situation in the capital markets eased somewhat in the third quarter of 2012. Following the decision of the Federal Constitutional Court in Germany to reject the urgent motions against the euro bailout fund, there is nothing to prevent Germany from participating in the European Stability Mechanism (ESM) and the fiscal treaty. The new and unlimited bond buying programme of the European Central Bank has also improved sentiment among financial market analysts and stimulated an increase in share prices, even if the actual goals of long-term stability for the monetary union and a competitive economy are far from having been achieved.

The hope of receiving substantial support from the ECB has significantly reduced yields on government bonds from the peripheral eurozone countries, particularly those with short maturities. At the same time, this has primarily had a negative impact on long-term German government bonds. Conversely, yields at the short end of the Bund curve remain firmly anchored by the low deposit rate of the ECB and the ample liquidity supply of banks. As a result of the decreased likelihood of a crisis coupled with low interest rates, emerging market bonds have remained attractive while spreads tightened.

Corporate and bank bonds have continued to be a popular choice, because the sales and profits of most large companies are still relatively satisfactory despite the gloomier economic outlook. The major central banks have provided support through their liquidity supply on a massive scale. A flood of new issues ended the summer lull in the markets, some of which were significantly oversubscribed and also continue on a pleasing trend in the secondary market.

Pfandbriefe and covered bonds both benefited from high investor demand. Covered bonds from Germany and the other eurozone core countries are also considered to be an attractive alternative to government bonds, given that they represent a very safe investment. New *Pfandbriefe* were consequently issued with extremely low risk premiums, which in the meantime are even down to below mid-swap rates.

Trends in property markets

In step with historically low interest rates on bonds with a strong rating, investors' yield expectations in respect of prime property have also decreased.

Within Europe, Germany and Scandinavia as well as London have recorded very low net initial yields, whereas yields in the southern eurozone countries have risen.
The office rental markets continue to be affected by the debt crisis and economic weakness of the eurozone. In a climate of stagnating and in some cases a downward trend in top rents, the German markets were among the winners, thus brightening up the overall picture in Europe. Locations in Germany also made a major contribution to the declining trend in vacancy rates. Limited construction activity had a stabilising effect on the European office markets; it also reflected restricted lending.

In the USA, the transaction volume relating to commercial property considerably increased in the course of the year, particularly in respect of prime properties in core locations. The focus was on office properties, although economic developments are preventing a faster recovery of the office markets and slowing down growth in rents. In Asia, the economic downturn resulted in muted demand for office property while the vacancy rate rose in the wake of the high volume of completed construction projects.

Trends in the funds sector

The sales statistics published by the *Bundesverband Investment und Asset Management (BVI)* reflect restrained investor demand for mutual securities funds. Although the net funds inflow of €9.3bn in the first nine months of 2012 significantly exceeded the previous year's figure (€–7.3bn), the upward trend was essentially attributable to the high level of demand for bond funds. With net funds of €–10.8bn, the other fund categories were down on the previous year's figure (€–7.1bn), which was already weak.

The sales situation was difficult for equity funds, capital protected funds and money market funds, which all recorded substantially lower levels than the comparative figures for 2011. Conversely, mixed funds bucked the trend and achieved an increase. The net funds inflow into open-ended property funds more than tripled as compared with the previous year, with the DekaBank Group contributing more than 30% to the net funds inflow of €2.8bn.

Business development and profit performance in the DekaBank Group

Business development in the DekaBank Group

In the third quarter of the year, the DekaBank Group continued the satisfactory trend of the first half of 2012. After the first nine months of 2012, the economic result amounted to €444.9m and exceeded the comparative figure for the previous year (€340.7m) by 30.6%.

The profit performance does not therefore reflect the unsatisfactory sales situation in securities fund business. Despite rising prices in the third quarter of 2012, private investors showed restraint in terms of new commitments. In the nine-month period, net funds inflows into the Bank's two focus products relating to fund-based investments – Deka-Vermögenskonzept and Deka-BasisAnlage – as well as mixed funds and open-ended property funds were overshadowed by outflows from other fund categories. Overall, however, net funds outflows remained below the previous year's level. The net sales performance (AMK and AMI) stood at €–2.2bn (previous year: €–5.3bn). The current low level of demand from savings bank customers for actively managed mutual funds highlights the need to reposition the securities trading business.

Despite the net funds outflows, assets under management rose by 3.0% to €154.3bn in the Asset Management Capital Markets (AMK) and Asset Management Property (AMI) business divisions over the past three months. This reflects the positive performance of the funds in a generally favourable stock exchange environment and the unchanged pleasing net sales in property fund business.

In view of the difficult sales situation, payments to the alliance partners of €586m were slightly below the previous year's figure (€609m). The added value contribution for the savings banks in the period under review, which is calculated on the basis of payments to the alliance partners and the economic result, amounted to approximately €1.0bn (previous year: approximately €0.9bn).

Net commission income was below the previous year's level due to market conditions, and risk provisions were higher than in the previous year. At the same time, all other income components developed positively. Net interest income exceeded the previous year's figure. The same also applied to net financial income from trading book positions, which reflects our customers' high level of demand for securities lending and securities trading transactions. Net financial income from banking book positions was just in the positive range in the third quarter of 2012 and reflects the moderate easing of market conditions. However, given that market risks continue to exist, further charges are to be expected in the remaining months of this year.

As at 30 September 2012, the core tier 1 capital ratio of the DekaBank Group was 11.2%, which considerably exceeded the year-end 2011 ratio (9.4%). In addition to the reinvestment of the 2011 profit, the reduction in risk-weighted assets since the end of 2011 has also had an impact. Up to year-end 2012, the figure will not necessarily remain at this comfortable level, given that the markets are volatile.

DekaBank passed the final survey of the European Banking Authority (EBA) regarding capital resources. The core tier 1 capital ratio as at 30 June 2012 – after deducting market value write-downs of government securities – clearly exceeded the minimum requirement of 9%, which means there is no recapitalisation requirement. The final survey was jointly conducted by the EBA, the German Financial Services Authority (BaFin) and Deutsche Bundesbank, with the findings available shortly after the end of the third quarter of 2012.

DekaBank's Group risk decreased by €63m to €2,528m in the third quarter of the year, which is particularly attributable to the lower market price risk. The Group risk was thus still below the 2011 year-end level (€2,660m). Of the total Group risk, core business accounted for €2,277m (end of 2011: €2,372m) and non-core business for €357m (end of 2011: €434m), with non-core business in the process of being reduced.

The primary risk cover potential changed only slightly. The utilisation rate dropped by 0.9 percentage points to 67.1% compared with the level as at 30 June 2012 (end of 2011: 77.8%). The risk-bearing capacity was guaranteed at all times.

The counterparty risk amounted to €1.40bn as at 30 September 2012 and was therefore slightly down from the mid-year figure of €1.41bn. The decrease in market price risks by around €44m as compared with 30 June 2012 primarily reflects lower spread volatility in the capital market. Changes in the other types of risks assessed as part of the risk-bearing capacity calculation were insignificant.

In October, Standard & Poor's affirmed the ratings of DekaBank with a stable outlook as part of its regular review. The ratings have remained A (long-term) and A-1 (short-term).

At Moody's, as was also the case at mid-year, DekaBank's long-term debt rating was A1 and the financial strength rating was C–, both with a stable outlook. The short-term rating also remained unchanged at P-1.

Compared with other financial institutions in Germany, DekaBank's ratings continue to be at a strong level.

AMK business development

Market conditions improved slightly in the third quarter of 2012. Nevertheless, ongoing uncertainty among investors resulted in further funds outflows from our mutual securities funds and fund-based asset management. Overall, net sales in retail business since the beginning of the year totalled €–3.6bn (Fig. 1). Of this, €–1.3bn were attributed to the third quarter of 2012.

AMK sales performance *(Fig. 1)*

€m	01.01.-30.09.2012	01.01.-30.09.2011
Direct sales mutual funds	–2,074	–4,332
Fund-based asset management	–1,551	–1,114
Mutual funds and fund-based asset management	**–3,625**	**–5,446**
Special funds and mandates	46	–591
Net sales AMK	**–3,579**	**–6,037**
For information purposes:		
Net funds inflow AMK (according to BVI)	**–4,882**	**–6,979**

Net funds outflows predominantly related to capital protected funds as well as equity and bond funds (including money market funds). Mixed funds repeated the previous year's positive performance, remaining the main sales driver in direct sales. The Deka-Sachwerte (Deka Property) mixed fund launched in July this year also builds on the trend towards a mix of capital protected investments and strong substance. This new fund invests in the asset classes equities, gold, properties and inflation-protected bonds.

In fund-based asset management, funds outflows were primarily recorded from the Sparkassen-DynamikDepot and funds of funds (€–1.8bn), as was also the case in the first six months of the year. On the strength of Deka-Vermögenskonzept and the successfully launched Deka-BasisAnlage, DekaBank bucked the market trend to attract new customers in cooperation with the savings banks. However, this did not fully compensate for the funds outflows. The total net sales performance in fund-based asset management was €–1.6bn.

In institutional business, AMK made up lost ground in the third quarter of 2012. With regard to special securities funds, master funds and advisory/management mandates, net sales totalled €46m. Special funds had a particularly positive impact on sales and offset funds outflows from master funds. Despite the negative net sales performance overall, assets under management rose by 3.5% to €129.3bn in the AMK business division as compared with the level as at 30 June 2012 (Fig. 2). Driven by favourable market conditions, the performance of equity, bond and mixed funds, in particular, as well as special funds, made a decisive contribution to achieving this.

Assets under Management AMK *(Fig. 2)*

€m	30.09.2012	31.12.2011	Change	
Mutual funds and fund-based asset management	78,729	78,592	137	0.2%
Special funds and mandates	50,589	48,303	2,286	4.7%
Assets under management AMK	**129,318**	**126,895**	2,423	1.9%
For information purposes:				
Fund assets – mutual funds AMK (according to BVI)	**89,556**	**89,634**	–78	–0.1%
Fund assets – special funds AMK (according to BVI)	**52,066**	**49,272**	2,794	5.7%

AMI business development

The AMI business division continued its steady business trend in the third quarter of 2012, despite the unchanged difficult competitive environment. The funds performed positively again, and the liquidity supply remained at a comfortable level.

Net sales of open-ended mutual property funds totalling approximately €1.2bn were primarily attributable to the high demand for the Deka-ImmobilienEuropa fund (around €0.5bn) and the Deka-ImmobilienGlobal fund (€0.4bn), (Fig. 3).

AMI sales performance *(Fig. 3)*

€m	01.01.-30.09.2012	01.01.-30.09.2011
Mutual property funds	1,195	464
Property funds of funds	−8	−5
Special funds (including credit funds)	137	218
Individual property funds	67	22
Net sales AMI	**1,391**	**699**
of which to institutional investors	282	311
For information purposes:		
Net funds inflow AMI (according to BVI)	**1,128**	**531**

The strong performance compared with the sector as a whole continued to have a positive impact. This is also reflected by the volume-weighted average yield achieved with open-ended mutual property funds, which, at a current 2.5%, is slightly higher than the 2.4% yield in 2011. The reinvestment ratio from the distribution totalled approximately 61%. It is an impressive sign of trust on the part of private investors, especially in the present market environment.

With a focus on a sustained increase in value, Deka Immobilien GmbH reassigned the facilities management of its German fund properties in the third quarter of 2012, reducing the number of service providers from 19 to 7. The associated savings had a favourable impact both for tenants and by directly reducing costs for the property funds.

The open-ended mutual property funds exploited market opportunities in order to buy and sell in the interests of their investors. Totalling €2.1bn, the transaction volume was divided in approximately equal shares between buying and selling.

Special funds and individual funds for institutional customers achieved balanced net sales in the third quarter of 2012. Compared with the first nine months of the previous year, net sales performance (€0.2bn) was approximately at the same level.

Net funds inflows and the positive performance of funds resulted in an increase in assets under management in the AMI business division, from €24.1bn as at year-end 2011 to €25.0bn at the end of September 2012 (Fig. 4).

Assets under management AMI *(Fig. 4)*

€m	30.09.2012	31.12.2011	Change	
Mutual property funds	21,186	20,529	657	3.2%
Property funds of funds	78	89	– 11	– 12.4%
Special funds (including credit funds)	2,936	2,646	290	11.0%
Individual property funds	816	836	– 20	– 2.4%
Assets under management AMI	**25,016**	**24,100**	916	3.8%
For information purposes:				
Fund assets AMI (according to BVI)	**23,576**	**22,666**	910	4.0%

In light of the current market situation and to reduce risks, AMI's Real Estate Lending unit continued to focus on financing with capital market viability in countries where the business division is represented with its own offices and also conducts investment fund business.

At the end of the third quarter of 2012, the volume of new business arranged amounted to around €2.1bn and was thus slightly down on the comparative figure for 2011 (€2.3bn). The gross loan volume rose somewhat to €7.6bn (end of 2011: €7.4bn), partly due to currency effects. External placements totalled €1.2bn (previous year: €1.3bn), half of which were successfully syndicated within the *Sparkassen-Finanzgruppe*.

The average rating for the unsecured financing portfolio was 7 (equates to BB on the S&P rating scale) on the quarterly reporting date and 5 (BBB–) when the secured portion is included.

Of the total gross loan volume, commercial property financing accounted for €5.7bn (end of 2011: €5.3bn), financing for open-ended property funds for €1.5bn (end of 2011: €1.6bn) and financing for public sector construction projects, a segment which is being phased out, for €0.4bn (end of 2011: €0.4bn).

C&M business development

In the third quarter of the year, the Corporates & Markets (C&M) business division once again benefited from high demand from the savings banks and other institutional customers for short-term liquidity and structured products.

Within the Markets sub-division, dynamic growth in short-term products (STP) slowed somewhat in line with expectations as compared with the first half of the year, which were marked by a strong expansion of repo/lending transactions. In derivatives trading, structured products and traditional commission business, the growth curve was also a little flatter than in the first six months of 2012. Conversely, bond trading was still driven by institutional customers' high demand for *Pfandbriefe*, foreign covered bonds as well as corporate and government bonds.

The subsidiary ETFlab achieved net sales of €234m in the first nine months of 2012 (previous year: €546m). Compared with the figure at year-end 2011, the total volume of exchange traded funds increased by 20.7% to €4.2bn.

The gross loan volume in the Credits sub-division saw only a minor change in the third quarter of the year and was €24.2bn as at 30 September 2012 (end of 2011: €26.8bn). Apart from the refinancing for savings banks, which, with a volume of €11.5bn, represented the largest sub-portfolio in the lending business, C&M continues to focus on transactions for which placement of significant portions is already ensured when the deal is closed.

In the Treasury sub-division, the gross loan volume of €22.5bn also changed only marginally as compared with the figure reported as at 30 June 2012. In comparison with the 2011 reporting date (€20.0bn), the establishment of an additional strategic liquidity reserve had a particularly strong impact.

Business development in non-core business

In non-core business, we reduced the gross loan volume in the third quarter of 2012 as scheduled to €4.5bn, compared with €5.2bn at year-end 2011 and €4.7bn as at 30 June 2012. The loan portfolio amounted to a volume of €2.6bn as at 30 September 2012 (end of 2011: €2.7bn). The portfolio of capital market credit products decreased to €1.4bn (end of 2011: €1.7bn), while the former Public Finance sub-division reported a volume of €0.6bn (end of 2011: €0.8bn).

Profit performance in the DekaBank Group

The 30.6% rise in the economic result to €444.9m (previous year: €340.7m) was primarily attributable to an increase in income. Compared with the previous year, it was up 9.8% to €1,120.5m, whereas there was only a minor change in administrative expenses on the previous year's figure (Fig. 5). Core business delivered a contribution of €348.8m to the economic result, exceeding the comparative figure for 2011 by 6.7%. In non-core business, the economic result climbed by around €82m to €96.1m following pleasing valuation results.

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

€m	01.01.-30.09.2012	01.01.-30.09.2011	Change	
Net interest income	325.9	275.8	50.1	18.2%
Provisions for loan losses	−181.6	−60.0	−121.6	−202.7%
Net commission income	691.8	768.2	−76.4	−9.9%
Net financial income[1]	295.8	42.0	253.8	(>300%)
Other income	−11.4	−5.6	−5.8	−103.6%
Total income	**1,120.5**	**1,020.4**	100.1	9.8%
Administrative expenses (including depreciation)	664.8	678.9	−14.1	−2.1%
Restructuring expenses	10.8	0.8	10.0	(>300%)
Total expenses	**675.6**	**679.7**	−4.1	−0.6%
Economic result	**444.9**	**340.7**	104.2	30.6%

[1] This includes the risk provision for securities in the lar and htm categories of approximately €5m (previous year: around €−72m).

Within core business, the AMK business division once again contributed the largest share of the economic result at €229.1m. However, the share was slightly down on the previous year's level (€254.0m) due to lower net commission income. The AMI business division generated a contribution of €53.5m, which exceeded the forecast, but was lower than the previous year's figure of €88.7m.

A sharp rise in the economic result achieved by Corporates & Markets, to €216.2m (previous year: €8.4m), more than overcompensated for the results of some of the Asset Management units which were below the previous year's levels.

The DekaBank Group's net interest income totalled €325.9m and outstripped both forecasts and the previous year's figure (€275.8m). The contribution based on fees and commission paid by customers in lending business as well as net interest income from liquidity investments were both up.

Risk provisions amounted to €−176.7m, which represented an increase on the previous year (€−131.7m). Provisions for loan losses totalled €−181.6m (previous year: €−60.0m) and were predominantly related to specific valuation allowances for ship financing and individual project and property finance transactions. No risk provisions were required for securities in the loans and receivables (lar) and held to maturity (htm) categories during the period under review. Instead, a low volume of the valuation allowances set up in the previous year in the course of selling southern European bonds were written back. In the same period of the previous year, a negative effect on earnings of approximately €−72m was included in net financial income, which primarily arose due to the impairment of a Greek and three Portuguese bonds.

At €691.8m, net commission income failed to match the strong previous year's figure (€768.2m). The main reason was a decline in portfolio-related commission in the AMK business division, which resulted from subdued new business. Positive effects resulting from price increases did not offset this decrease. Commission from banking business was just short of the comparative figure for 2011. At the same time, acquisition and construction fees relating to property fund business exceeded the previous year's figure.

Net financial income, which comprises trading and banking book positions as well as risk provisions for securities in the lar and htm categories, rose above-average as compared with the previous year (€42.0m) to €295.8m.

The increase in net financial income from trading book portfolios was particularly substantial. At €284.3m, it exceeded the previous year's figure (€144.5m) by 96.7%. As was also the case at mid-year, the segment of short-term products reported strong growth in income, which was partly attributable to a higher volume of activities in securities lending. In addition, the tightening of spreads on European bonds had a positive effect. The structuring & trading segment also recorded an increase, having benefited from customer demand in bond trading and for structured bonds.

The net financial income from banking book portfolios was boosted by positive valuation results in the Corporates & Markets business division and non-core business, which resulted, in particular, from spreads narrowing in the course of the year. At the Group level, net income of €6.6m (previous year: €–30.8m) was slightly positive. This comprised a flat rate provisioning amount of €–45m to cover potential risks which could arise in the coming months in relation to net financial income (valuation losses) or lending (valuation allowances) if the national debt crisis worsens. This provisioning amount is taken into account in the economic result outside the IFRS income statement with no specific allocation to business divisions.

Other income amounted to €–11.4m (previous year: €–5.6m).

Administrative expenses totalled €664.8m, which represents a reduction of 2.1% on the previous year (€678.9m).

Personnel expenses rose by 5.9% to €294.2m (previous year: €277.8m). In addition to raises in salaries under collective pay agreements, a slight increase in staff capacity affected this figure.

With a minor decrease of 0.9% to €345.9m (previous year: €349.1m), operating expenses remained below the budgeted figure. Higher consultancy costs in connection with upgrading the IT infrastructure and higher expenses incurred for the bank levy were absorbed through cost-cutting in other areas.

Depreciation amounted to €24.7m. The comparable figure for 2011 (€52.0m) comprised unscheduled amortisation of the goodwill related to WestInvest GmbH.

For the strategic realignment of Deka(Swiss), which is allocated to the AMK business division, provisions of €10.8m were set up in the first half of 2012 to cover restructuring expenses.

Outlook to the end of the year

We plan our future business development on the basis of assumptions that seem the most probable from today's standpoint. However, forecasts about trends in the economic environment in the remaining weeks of the reporting year continue to be subject to major uncertainties.

We expect the recession to continue in the eurozone. In the long term, this is likely to have a negative impact on both the capital markets and office rental markets in the eurozone. The upward trend on the stock exchanges in the third quarter of 2012 indicates that investors' confidence in the ability of politicians to take the appropriate action has increased, temporarily at least. In the best case, a phase of market stabilisation could now follow. Under this assumption, the Board of Management of DekaBank believes that it will be possible for the Bank to achieve a positive economic result in the fourth quarter of 2012. However, the extent to which such result would match the level achieved in the previous quarter is not yet foreseeable at present.

Further escalation of the crisis may significantly weaken asset management business and trading activities and would probably have a negative impact on the required risk provisions and the valuation result from banking book portfolios.

Our current strategic focus is on the Bank's further development as the securities house of the savings banks. The related activities will keep us busy on an ongoing basis over the coming months and create the foundations for a continuing close cooperation with the savings banks.

Change in regulatory capital and funding matrix

Capital adequacy is determined in accordance with the Solvency Regulation (SolvV). The regulatory requirements governing capital and reserves were consistently complied with during the period up to 30 September 2012, both at the Bank and Group level. With regard to the trend in the core tier 1 capital ratio, please refer to the information provided on page 4. The total capital ratio stood at 15,4% and therefore was slightly below the figure at year-end 2011 (Fig. 6).

Breakdown of equity in the DekaBank Group *(Fig. 6)*

€m	30.09.2012	31.12.2011	Change
Core capital	3,292	2,908	13.2%
Supplementary capital	480	1,015	−52.7%
Tier III capital	–	–	n/a
Capital and reserves	**3,772**	**3,923**	−3.8%
Default risks	16,475	16,988	−3.0%
Market risk positions	6,351	6,363	−0.2%
Operational risks	1,730	1,788	−3.2%
Risk weighted assets	**24,556**	**25,139**	−2.3%
%			Change %-points
Core capital ratio (including market risk positions)	**13.4**	**11.6**	1.8
Core tier 1 capital ratio (excluding silent capital contributions) [1]	**11.2**	**9.4**	1.8
Total capital ratio	**15.4**	**15.6**	−0.2

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

The liquidity position remained very comfortable during the reporting period. As a result of increasing the strategic liquidity reserve, the accumulated liquidity balance in the funding matrix in the earlier maturity bands was higher as compared with year-end 2011.

As at 30 September 2012, the accumulated liquidity balance of the DekaBank Group's funding matrix in the short maturity band (up to one month) amounted to €7.4bn (end of 2011: €5.3bn). In the maturity band of up to six months, the surplus totalled €12.0bn (end of 2011: €16.6bn) and was €12.1bn over a twelve-month period (end of 2011: €17.3bn). In all maturity bands up to 20 years, the liquidity balance was consistently positive (Fig. 7). Refinancing remained broadly diversified by investor and product groups.

Intended holding period funding matrix of the DekaBank Group as at 30 September 2012 *(Fig. 7)*

€m	D1	>D1-1M	>1M-12M	>12M-5Y	>5Y-20Y	>20Y
Liquidity potential (accumulated)	13,784	25,483	3,178	−28	36	36
Net cash flows (accumulated)	−7,779	−18,074	8,910	7,254	5,250	701
Liquidity balance	**6,005**	**7,409**	**12,088**	**7,227**	**5,286**	**737**
For informational purposes:						
Net cash flows by legal maturity	−2,427	−18,867	−19,157	−5,125	−1,488	100

The Minimum Requirements for Risk Management (MaRisk) were clearly surpassed overall. In accordance with the new regulatory definition, our highly liquid securities cover a potential cash outflow in the combined stress scenario across all maturity bands, and not just the specified first month. DekaBank's liquidity position also remains very strong under the stress conditions considered individually. In the short-term maturity band of up to one month, liquidity surpluses were shown in all stress scenarios considered.

In the nine-month reporting period, the regulatory requirements of the Liquidity Directive were clearly exceeded. The liquidity ratio for the first maturity band, determined on a daily basis, was 1.45 on average. It stood at 1.31 as at the reporting date of 30 September 2012.

Financial calendar

9. April 2013: Annual press conference 2012
Annual Report 2012

August 2013: Interim Report as at 30 June 2013

Publication dates are preliminary and subject to change.

Internet website
The specialist terms used are explained in the interactive online versions of the Annual Report 2011 as well as the Interim Report as at 30 June 2012, 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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